0000097472

Transcript Exhibit(s)

Docket #(s): W-02234A-07-0557

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Arizona Corporation Commission
DOCKET CONTROL

Exhibit #: A1-A6, S1-S5

Arizona Corporation Commission
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EXHIBIT
A-1
ADMITTED

Richard L. Sallquist
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Attorneys for H2O, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC., AN ARIZONA CORPORATION, FOR A DETERMINIATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	)	DOCKET NO. W-02234A-07-0557 **AMENDED APPLICATION**

H2O, Inc., ("H2O" or the "Company"), by and through the undersigned counsel, hereby submits an amended rate application and in support of said application states as follows:

1. On October 1, 2007, H2O filed a rate application in the subject docket.

2. On November 2, 2007, the Staff issued a Letter of Deficiency requesting numerous additional items.

3. On November 13, 2007, the Company responded to Staff's Letter of Deficiency indicating that during its review for response to the Letter of Deficiency, it was determined that the Company had inadvertently and incorrectly booked certain plant and expense items as reflected in the October 1, 2007 filing. The Company indicated that it would re-file the Application with corrected exhibits and explanatory testimony.

4. Attached hereto as **Exhibit A,** which is incorporated herein for all purposes, are the amended supporting schedules substantially in the form required by the Commission's Rules and Regulation for rate applications as set forth in AAC R-14-2-103.

5. Attached hereto as **Exhibit B**, which is incorporated herein for all purposes, are the schedules supporting the Company's Cost of Capital.

6. Attached hereto as **Exhibit C** is the pre-filed testimony of the Company's rate-consultant, Thomas J. Bourassa, CPA, explaining the revised schedules and the reasons for the needed revisions to the original application.

7. Attached hereto as **Exhibit D** is the pre-filed testimony of Mr. Bourassa, explaining the Company's Cost of Capital.

8. Attached hereto as **Exhibit E** are the Company's Responses to the Staff Letter of Deficiency dated November 2, 2007.

9. The Company requests that the Commission issue a Procedural Order setting forth the timetable for processing this Application and also notify the Company of the form of notice it must provide to its customers.

WHEREFORE, the Company respectfully request that the Commission process this Amended Rate Application and thereafter issue an order granting the requested relief and such other relief as the Commission may deem appropriate.

Respectfully submitted this 13th day of May, 2008.

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

By _____

Richard L. Sallquist
4500 S. Lakeshore Drive, Suite 339
Tempe, AZ 85282
Attorneys for H2O, Inc.

43032.00000.279

Original and fifteen copies of the foregoing filed this 13 day of May, 2008, with:

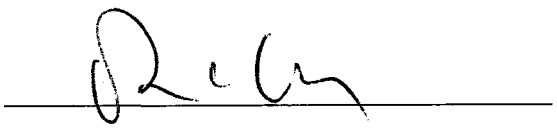
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing Hand Delivered this 13 day of May, 2008 to:

Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



43032.00000.279

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS WATER UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

SUPPORTING EXHIBIT AND SCHEDULES

EXHIBIT A

H2O, Inc.
Test Year Ended December 31, 2006
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa
REVISED

Line No.		
1	Fair Value Rate Base	$ 1,408,584
2		
3	Adjusted Operating Income	310,004
4		
5	Current Rate of Return	22.01%
6		
7	Required Operating Income	$ 142,737
8		
9	Required Rate of Return on Fair Value Rate Base	10.13%
10		
11	Required Operating Margin[1]	10.00%
12		
13	Operating Income Deficiency	$ (167,267)
14		
15	Gross Revenue Conversion Factor	1.5361
16		
17	Increase in Gross Revenue	
18	Requirement	$ (256,943)

	Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
19					
20	**Residential**				
21	5/8 Inch	$ 55,280	$ 44,656	$ (10,624)	-19.22%
22	3/4 Inch	1,997,926	1,877,980	(119,946)	-6.00%
23	1 Inch	184,593	157,500	(27,093)	-14.68%
24	1.5 Inch	20,856	16,998	(3,857)	-18.50%
25	2 Inch	2,065	1,612	(453)	-21.94%
26	**Commercial**				0.00%
27	5/8 Inch	$ 2,299	$ 2,061	$ (238)	-10.37%
28	3/4 Inch	8,400	8,003	(397)	-4.72%
29	1 Inch	5,055	4,311	(744)	-14.72%
30	1.5 Inch	1,785	1,407	(378)	-21.17%
31	2 Inch	80,656	69,880	(10,776)	-13.36%
32	3 Inch	55,378	47,591	(7,787)	-14.06%
33	**Irrigation**				0.00%
34	3/4 Inch	$ 3,020	$ 2,862	$ (158)	-5.22%
35	1 Inch	41,891	37,963	(3,928)	-9.38%
36	1.5 Inch	32,643	28,606	(4,037)	-12.37%
37	2 Inch	335,174	297,273	(37,902)	-11.31%
38	**Construction**				0.00%
39	2 Inch	$ 16,707	$ 15,417	$ (1,291)	-7.73%
40	3 Inch	67,721	60,169	(7,552)	-11.15%
41	Subtotal	$ 2,911,450	$ 2,674,289	$ (237,161)	-8.15%
42					
43	Revenue Annualization	262,954	239,167	(23,787)	-9.05%
44	GL Reconciliation	(3,335)	-	3,335	-100.00%
45	**Subtotal**	$ 3,171,070	$ 2,913,456	$ (257,614)	-8.12%
46					
47	Other Water Revenues	208,697	208,697	-	0.00%
48				-	0.00%
49	**Total of Water Revenues (a)**	$ 3,379,767	$ 3,122,153	$ (257,614)	-7.62%
50					
51					
52					
53					
54	SUPPORTING SCHEDULES:				
55	B-1				
56	C-1				
57	C-3				
58	H-1				

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa
REVISED

Line No.	Description	Prior Years Ended 12/31/2004	Prior Years Ended 12/31/2005	Test Year Actual 12/31/2006	Test Year Adjusted 12/31/2006	Projected Year Present Rates 12/31/2007	Projected Year Proposed Rates 12/31/2007
1	Gross Revenues	$ 1,638,298	$ 2,488,411	$ 3,116,813	$ 3,379,767	$ 3,379,767	$ 3,122,824
2							
3	Revenue Deductions and	1,603,402	2,472,440	2,720,522	3,069,763	3,069,763	2,980,087
4	Operating Expenses						
5							
6	Operating Income	$ 34,896	$ 15,971	$ 396,290	$ 310,004	$ 310,004	$ 142,737
7							
8	Other Income and	6,856	3,567	28,783	-	-	-
9	Deductions						
10							
11	Interest Expense	(9,248)	(12,953)	(15,864)	(12,140)	(12,140)	(12,140)
12							
13	Net Income	$ 32,504	$ 6,586	$ 409,210	$ 297,864	$ 297,864	$ 130,597
14							
15	Earned Per Average						
16	Common Share	0.07	0.01	0.89	0.65	0.65	0.28
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	0.51%	0.08%	3.29%	3.35%	3.35%	1.47%
25							
26	Return on Year End						
27	Capital	0.46%	0.07%	2.72%	3.35%	3.34%	1.47%
28							
29	Return on Average						
30	Common Equity	32.56%	4.10%	109.43%	95.16%	40.65%	20.12%
31							
32	Return on Year End						
33	Common Equity	20.64%	4.01%	70.10%	64.48%	33.78%	18.28%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	4.74	1.51	25.21	38.69	38.69	17.53
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	3.77	1.23	24.98	35.01	35.01	11.76
41							
42							
43	SUPPORTING SCHEDULES						
44	C-1						
45	E-2						
46	F-1						

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa
REVISED

Line No.	Description:	Prior Years Ended 12/31/2004	Prior Years Ended 12/31/2005	Test Year 12/31/2006	Projected Year 12/31/2007
1					
2					
3	Short-Term Debt	-	-	-	-
3					
4	Long-Term Debt	258,146	249,532	240,387	229,931
5					
6	Total Debt	$ 258,146	$ 249,532	$ 240,387	$ 229,931
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	157,489	164,075	583,785	714,382
12					
13					
14	Total Capital & Debt	$ 415,635	$ 413,607	$ 824,172	$ 944,313
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	62.11%	60.33%	29.17%	24.35%
20					
21	Total Debt	62.11%	60.33%	29.17%	24.35%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	37.89%	39.67%	70.83%	75.65%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	3.89%	3.78%	1.83%	1.53%
34					
35					
36					
37					
38					
39					
40	SUPPORTING SCHEDULES:				
41	E-1				
42	D-1				

H2O, Inc.
Test Year Ended December 31, 2006
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa
REVISED

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3	Prior Year Ended 12/31/2004	1,888,801	1,563,443	6,475,978
4				
5	Prior Year Ended 12/31/2005	2,216,744	3,133,664	9,609,642
6				
7	Test Year Ended 12/31/2006	4,396,370	3,377,702	12,987,344
8				
9	Projected Year Ended 12/31/2007	518,074	1,016,817	14,004,161
10				
11				
12				
13				
14	SUPPORTING SCHEDULES:			
15	B-2			
16	E-5			
17	F-3			
18				
19				

H2O, Inc.
Test Year Ended December 31, 2006
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa
REVISED

Line No.		Prior Year Ended 12/31/2004	Prior Year Ended 12/31/2005	Test Year Ended 12/31/2006	Projected Year Present Rates 12/31/2007	Projected Year Proposed Rates 12/31/2007
5	Cash Flows from Operating Activities					
6	Net Income	$ 32,504	$ 6,586	$ 409,210	$ 297,864	$ 130,597
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	191,608	261,926	322,570	471,243	471,243
10	Depreciation and Amortization - Adjustment	115,158	-	(36,369)		
11	Other	-	-	-		
12	Changes in Certain Assets and Liabilities:	-	-	-		
13	Accounts Receivable	(40,204)	(73,505)	(21,326)		
14	Unbilled Revenues	-	-	-		
15	Materials and Supplies Inventory	690,608	-	-		
16	Prepaid Expenses	3,079	(1,600)	(400)		
17	Deferred Charges	-	-	-		
18	Accounts Payable	153,113	(52,644)	(43,103)		
19	Intercompany payable	(9,020)	(25,304)	(15,389)		
20	Customer Deposits	(14,957)	35,075	45,321		
21	Taxes Payable	35,945	(6,732)	(33,085)		
22	Other assets and liabilities	1	2	-		
23						
24	Net Cash Flow provided by Operating Activities	$ 1,157,834	$ 143,804	$ 627,428	$ 769,107	$ 601,840
25	Cash Flow From Investing Activities:					
26	Capital Expenditures	(1,888,801)	(2,216,744)	(4,396,370)	(518,074)	(518,074)
27	Plant Held for Future Use	-	-	-		
28	Changes in debt reserve fund	-	-	-		
29	Net Cash Flows from Investing Activities	$ (1,888,801)	$ (2,216,744)	$ (4,396,370)	$ (518,074)	$ (518,074)
30	Cash Flow From Financing Activities					
31	Change in Restricted Cash	-	-	-		
32	Change in net amounts due to parent and affiliates	-	-	-		
33	Net Receipt of contributions in aid of construction	196,752	2,428,609	3,512,498	414,459	414,459
34	Net receipts of advances for construction	743,613	384,250	1,342,678	-	-
35	Repayments of Long-Term Debt	(22,858)	(8,614)	(9,145)	-	-
36	Dividends Paid	-	-	-	-	-
37	Deferred Financing Costs	-	-	-	-	-
38	Paid in Capital	82,802	-	10,500	-	-
39	Net Cash Flows Provided by Financing Activities	$ 1,000,309	$ 2,804,245	$ 4,856,531	$ 414,459	$ 414,459
40	Increase(decrease) in Cash and Cash Equivalents	269,342	731,305	1,087,589	665,493	498,225
41	Cash and Cash Equivalents at Beginning of Year	514,160	783,502	1,497,662	2,585,251	2,585,251
42	Cash and Cash Equivalents at End of Year	$ 783,502	$ 1,514,807	$ 2,585,251	$ 3,250,744	$ 3,083,477
43						
44	SUPPORTING SCHEDULES:					
45	E-3					
46	F-2					
47						

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa
REVISED

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 12,987,344	$ 12,987,344
3	Less: Accumulated Depreciation	1,180,340	1,180,340
4			
5	Net Utility Plant in Service	$ 11,807,004	$ 11,807,004
6			
7	Less:		
8	Advances in Aid of		
9	Construction	3,031,454	3,031,454
10	Contributions in Aid of		
11	Construction (CIAC)	6,449,776	6,449,776
12	Accumulated Amortization (CIAC)	(683,565)	(683,565)
13	Customer Meter Deposits	1,600,755	1,600,755
14	Deferred Income Taxes & Credits	-	-
15	Investment tax Credits	-	-
16			
17			
18	Plus:		
19	Unamortized Finance		
20	Charges	-	-
21	Deferred Tax Assets	-	-
22	Allowance for Working Capital	-	-
23			
24			
25	Total Rate Base	$ 1,408,584	$ 1,408,584
26			
27			
28			
29	SUPPORTING SCHEDULES:		
30	B-2		
31	B-3		
32	B-5		
33	E-1		
34			

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa
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Line No.		Actual at End of Test Year	Proforma Adjustments Label	Proforma Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ 12,987,344			$ 12,987,344
3					
4	**Less:**				
5	Accumulated				
6	Depreciation	1,442,004	1	(261,663)	1,180,340
7					
8					
9	Net Utility Plant				
10	in Service	$ 11,545,340			$ 11,807,004
11					
12	**Less:**				
13	Advances in Aid of				
14	Construction	3,065,859	3b	(34,405)	3,031,454
15					
16	Contributions in Aid of				
17	Construction	9,271,032	2a/3a/4	(2,821,256)	6,449,776
18					
19	Accumulated Amortization CIAC	-	2b	(683,565)	(683,565)
20					
21	Customer Refundable Meter Deposits	1,600,755			1,600,755
22	Deferred Income Tax Liability	-			-
23	Investment Tax Credits	-			-
24		-			-
25					
26	**Plus:**				
27	Unamortized Finance				
28	Charges	-			-
29					
30	Working capital	-			-
31		-			-
32					
33	Total	$ (2,392,307)			$ 1,408,584
34					
35					
36					
37	SUPPORTING SCHEDULES:				RECAP SCHEDULES:
38	B-2, pages 2-4				B-1
39	E-1				
40					
41					
42					
43					
44					
45					
46					

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 1

Exhibit
Schedule B-2
Page 2
Witness: Bourassa
REVISED

Line No.			
1	Accumulated Depreciation Adjustment		
2			
3	Computed Balance	$	1,180,340
4	Balance per Company Schedule E-1		1,442,004
5	Difference	$	(261,663)
6			
7			
8			
9			
10			
11	Increase (Decrease) to Accumulated Depreciation	$	(261,663)
12			
13			
14			
15	SUPPORTING SCHEDULES		
16	B-2, pages 2.1 -2.16		
17			
18			
19			
20			

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.1
Witness: Bourassa
REVISED

Account No.	Description	Deprec. Rate	Per Decision 58641 12/31/1992	Per Decision 58641 1992 Accum. Depr.	1993 Plant Additions	1993 Plant Adjustments	1993 Adjusted Plant Additions	1993 Plant Retirements	1993 Plant Balance	1993 Depr.	1993 Depreciable Balance
301	Organization Cost	0.00%	-		-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-		-	-	-	-	-
303	Land and Land Rights	0.00%	7,954		-		-	-	7,954	-	7,954
304	Structures and Improvements	3.60%	3,317	1,160	-		-	-	3,317	119	-
305	Collecting and Impounding Res.	3.60%	-	-	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-		-	-	-	-	-
307	Wells and Springs	3.60%	38,867	13,590	-		-	-	38,867	1,399	38,867
308	Infiltration Galleries and Tunnels	3.60%	-	-	-		-	-	-	-	-
309	Supply Mains	3.60%	-	-	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	56,093	19,613	-		-	-	56,093	2,019	56,093
320	Water Treatment Equipment	3.60%	1,469	514	-		-	-	1,469	53	1,469
330	Distribution Reservoirs & Standpipe	3.60%	20,680	7,231	204		204	-	20,884	748	20,884
331	Transmission and Distribution Mains	3.60%	383,184	133,978	4,794		4,794	-	387,978	13,881	387,978
333	Services	3.60%	9,439	3,300	1,488		1,488	-	10,927	367	10,927
334	Meters	3.60%	22,255	7,781	1,087		1,087	-	23,342	821	23,342
335	Hydrants	3.60%	-	-	-		-	-	-	-	-
336	Backflow Prevention Devices	3.60%	-	-	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	20,944	7,323	-		-	-	20,944	754	20,944
341	Transportation Equipment	3.60%	16,113	5,634	-		-	-	16,113	580	16,113
342	Stores Equipment	3.60%	-	-	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,578	552	156		156	-	1,734	60	1,734
344	Laboratory Equipment	3.60%	-	-	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	20,264	7,085	-		-	-	20,264	730	20,264
346	Communications Equipment	3.60%	3,525	1,232	-		-	-	3,525	127	3,525
347	Miscellaneous Equipment	3.60%	-	-	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	12,621	4,413	-		-	-	12,621	454	12,621
							-	-	-	-	-
	TOTAL WATER PLANT		618,303	213,405	7,730	-	7,730	-	626,033	22,112	622,716
	Depreciation								22,112		
(a)	Staff Accumulated Depreciation Allocated to Plant.		-								
	Retirements (excluding land)								-		
	Accumulated Depreciation Balance			213,405					235,517		
	Half Year Convention used on depreciation										

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.2
Witness: Bourassa
REVISED

Account No.	Description	Deprec. Rate	1994 Plant Additions	1994 Plant Adjustments	1994 Adjusted Plant Additions	1994 Plant Retirements	1994 Plant Balance	1994 Depreciable Balance	1994 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	-
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	20,884	20,884	752
331	Transmission and Distribution Mains	3.60%	9,060		9,060	-	397,038	397,038	14,130
333	Services	3.60%	642		642	-	11,570	11,570	405
334	Meters	3.60%	1,168		1,168	-	24,510	24,510	861
335	Hydrants	3.60%	-		-	-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	20,944	20,944	754
341	Transportation Equipment	3.60%	-		-	-	16,113	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	659		659	-	2,393	2,393	74
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	-		-	-	3,525	3,525	127
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	-		-	-	12,621	12,621	454
					-	-	-	-	-
	TOTAL WATER PLANT		11,529	-	11,529	-	637,562	637,562	22,339
	Depreciation						22,339		
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						257,856		
	Half Year Convention used on depreciation								

H2O, Inc.
Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	1995 Plant Additions	1995 Plant Adjustments	1995 Adjusted Plant Additions	1995 Plant Retirements	1995 Plant Balance	1995 Depreciable Balance	1995 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	1,585		1,585	-	22,469	22,469	780
331	Transmission and Distribution Mains	3.60%	9,534		9,534	-	406,573	406,573	14,465
333	Services	3.60%	6,286		6,286	-	17,856	17,856	530
334	Meters	3.60%	3,084		3,084	-	27,594	27,594	938
335	Hydrants	3.60%	-		-	-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	2,369		2,369	-	23,313	23,313	797
341	Transportation Equipment	3.60%	-		-	-	16,113	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	313		313	-	2,706	2,706	92
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	-		-	-	3,525	3,525	127
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	12,500		12,500	-	25,121	25,121	679
					-		-	-	-
	TOTAL WATER PLANT		35,672	-	35,672	-	673,234	673,234	23,308
	Depreciation						23,308		
(a)	Staff Accumulated Depreciation Allocated to Plant.						-		
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						281,164		
	Half Year Convention used on depreciation								

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Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	1996 Plant Additions	1996 Plant Adjustments	1996 Adjusted Plant Additions	1996 Plant Retirements	1996 Plant Balance	1996 Depreciable Balance	1996 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,469	22,469	809
331	Transmission and Distribution Mains	3.60%	13,394		13,394	-	419,967	419,967	14,878
333	Services	3.60%	10,454		10,454	-	28,310	28,310	831
334	Meters	3.60%	5,311		5,311	-	32,905	32,905	1,089
335	Hydrants	3.60%	-		-	-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	243		243	-	23,556	23,556	844
341	Transportation Equipment	3.60%	-		-	-	16,113	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	523		523	-	3,228	3,228	107
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	1,181		1,181	-	4,706	4,706	148
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	1,807		1,807	-	26,929	26,929	937
					-		-	-	-
	TOTAL WATER PLANT		32,913	-	32,913	-	706,148	706,148	24,543
	Depreciation						24,543		
(a)	Staff Accumulated Depreciation Allocated to Plant.						-		
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						305,706		
	Half Year Convention used on depreciation								

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Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	1997 Plant Additions	1997 Plant Adjustments *	1997 Adjusted Plant Additions	1997 Plant Retirements	1997 Plant Balance	1997 Depreciable Balance	1997 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	8,707		8,707	-	64,800	64,800	2,176
320	Water Treatment Equipment	3.60%	-		-	(236)	1,233	1,233	49
330	Distribution Reservoirs & Standpipe	3.60%	332		332	-	22,802	22,802	815
331	Transmission and Distribution Mains	3.60%	55,275		55,275	-	475,242	475,242	16,114
333	Services	3.60%	31,064		31,064	-	59,374	59,374	1,578
334	Meters	3.60%	5,295		5,295	-	38,199	38,199	1,280
335	Hydrants	3.60%	6,000		6,000	-	6,000	6,000	108
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	801		801	-	24,357	24,357	862
341	Transportation Equipment	3.60%	-		-	(13,741)	2,372	-	(5,582)
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	-		-	-	3,228	3,228	116
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	-		-	-	26,929	26,929	969
					-		-	-	-
	TOTAL WATER PLANT		107,473	-	107,473	(13,977)	799,644	797,272	20,903
	Depreciation						20,903		
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)						(13,977)		
	Accumulated Depreciation Balance						312,632		
	Half Year Convention used on depreciation								

H2O, Inc.
Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	1998 Plant Additions	1998 Plant Adjustments	1998 Adjusted Plant Additions	1998 Plant Retirements	1998 Plant Balance	1998 Depreciable Balance	1998 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	915		915	-	65,714	65,714	2,349
320	Water Treatment Equipment	3.60%	1,015		1,015	-	2,248	2,248	63
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	22,802	821
331	Transmission and Distribution Mains	3.60%	80,889		80,889	-	556,131	556,131	18,565
333	Services	3.60%	18,538		18,538	-	77,912	77,912	2,471
334	Meters	3.60%	7,422		7,422	-	45,622	45,622	1,509
335	Hydrants	3.60%	14,000		14,000	-	20,000	20,000	468
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	24,357	877
341	Transportation Equipment	3.60%	-		-	-	2,372	2,372	-
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	-		-	-	3,228	3,228	116
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	500		500	-	27,429	27,429	978
					-		-	-	-
	TOTAL WATER PLANT		123,279	-	123,279	-	922,922	922,922	30,634
	Depreciation						30,634		
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						343,266		
	Half Year Convention used on depreciation								

H2O, Inc.
Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Plant Balance	1999 Depreciable Balance	1999 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	960		960	-	960	960	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	2,269		2,269	-	67,983	67,983	2,407
320	Water Treatment Equipment	3.60%	-		-	-	2,248	2,248	81
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	22,802	821
331	Transmission and Distribution Mains	3.60%	55,773		55,773	-	611,904	611,904	21,025
333	Services	3.60%	18,782		18,782	-	96,693	96,693	3,143
334	Meters	3.60%	11,529		11,529	-	57,151	57,151	1,850
335	Hydrants	3.60%	7,500		7,500	-	27,500	27,500	855
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	24,357	877
341	Transportation Equipment	3.60%	-		-	-	2,372	2,372	85
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,284		1,284	-	4,513	4,513	139
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	3,741		3,741	-	31,170	31,170	1,055
					-		-	-	-
	TOTAL WATER PLANT		101,838	-	101,838	-	1,024,760	1,024,760	34,755
	Depreciation						34,755		
(a)	Staff Accumulated Depreciation Allocated to Plant.						-		
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						378,021		
	Half Year Convention used on depreciation								

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Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	2000 Plant Additions	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Plant Balance	2000 Depreciable Balance	2000 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	960	960	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	922		922	-	68,905	68,905	2,464
320	Water Treatment Equipment	3.60%	-		-	-	2,248	2,248	81
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	22,802	821
331	Transmission and Distribution Mains	3.60%	142,518		142,518	-	754,422	754,422	24,594
333	Services	3.60%	4,749		4,749	-	101,442	101,442	3,566
334	Meters	3.60%	16,731		16,731	-	73,881	73,881	2,359
335	Hydrants	3.60%	-		-	-	27,500	27,500	990
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	24,357	877
341	Transportation Equipment	3.60%	3,543		3,543	-	5,914	5,914	149
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,606		1,606	-	6,119	6,119	191
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	1,987		1,987	-	22,251	22,251	765
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	5,280		5,280	-	36,450	36,450	1,217
					-		-	-	-
	TOTAL WATER PLANT		177,335	-	177,335	-	1,202,095	1,202,095	39,762
	Depreciation						39,762		
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						417,784		
	Half Year Convention used on depreciation								

H2O, Inc.
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Account No.	Description	Deprec. Rate	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Plant Balance	2001 Depreciable Balance	2001 Deprec.
301	Organization Cost	0.00%	-		-		-	-	-
302	Franchise Cost	0.00%	130,492		130,492	-	131,452	131,452	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	1,170		1,170	-	4,487	4,487	140
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	495		495	-	39,362	39,362	1,408
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	(357,488)		(357,488)	-	(288,583)	-	(325,669)
320	Water Treatment Equipment	3.60%	1,921		1,921	-	4,169	4,169	116
330	Distribution Reservoirs & Standpipe	3.60%	227,370		227,370	-	250,172	250,172	4,914
331	Transmission and Distribution Mains	3.60%	240,292		240,292	(43)	994,672	994,672	31,484
333	Services	3.60%	2,484		2,484	-	103,926	103,926	3,697
334	Meters	3.60%	40,029		40,029	-	113,910	113,910	3,380
335	Hydrants	3.60%	-		-	-	27,500	27,500	990
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	24,357	877
341	Transportation Equipment	3.60%	141		141	-	6,055	6,055	215
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	698		698	-	6,817	6,817	233
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	22,251	22,251	801
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	1,218		1,218	-	37,668	37,668	1,334
					-		-	-	-
	TOTAL WATER PLANT		288,822	-	288,822	(43)	1,490,874	1,779,457	(275,911)
	Depreciation						(275,911)		
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)						(43)		
	Accumulated Depreciation Balance						141,829		
	Half Year Convention used on depreciation								

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Account No.	Description	Deprec. Rate	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Plant Balance	2002 Depreciable Balance	2002 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	131,452	131,452	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	7,505		7,505	-	11,993	11,993	297
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	39,362	39,362	1,417
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	206,307		206,307	-	(82,277)	(82,277)	3,714
320	Water Treatment Equipment	3.60%	5,535		5,535	-	9,704	9,704	250
330	Distribution Reservoirs & Standpipe	3.60%	134,988		134,988	-	385,160	385,160	11,436
331	Transmission and Distribution Mains	3.60%	43,639		43,639	-	1,038,311	1,038,311	36,594
333	Services	3.60%	7,024		7,024	-	110,951	110,951	3,868
334	Meters	3.60%	124,367		124,367	-	238,277	238,277	6,339
335	Hydrants	3.60%	907		907	-	28,407	28,407	1,006
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	24,357	877
341	Transportation Equipment	3.60%	-		-	-	6,055	6,055	218
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	825		825	-	7,641	7,641	260
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	22,251	22,251	801
346	Communications Equipment	3.60%	189		189	-	4,896	4,896	173
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	6,824		6,824	-	44,492	44,492	1,479
					-		-	-	-
	TOTAL WATER PLANT		538,111	-	538,111	-	2,028,985	2,028,985	68,728
	Depreciation						68,728		
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)						-		
	Accumulated Depreciation Balance						210,557		
	Half Year Convention used on depreciation								

H2O, Inc.
Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	Plant Retirements To Date	2003 Plant Balance	2003 Depreciable Balance	2003 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	136,197		136,197	-	-	148,190	148,190	2,883
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-	-
307	Wells and Springs	3.60%	2,865		2,865	-	-	42,227	42,227	1,469
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,805,703		1,805,703	-	-	1,723,426	1,723,426	29,541
320	Water Treatment Equipment	3.60%	11,011		11,011	-	(236)	20,715	20,715	548
330	Distribution Reservoirs & Standpipe	3.60%	375,369		375,369	-	-	760,528	760,528	20,622
331	Transmission and Distribution Mains	3.60%	85,244		85,244	-	(43)	1,123,555	1,123,555	38,914
333	Services	3.60%	17,774		17,774	-	-	128,725	128,725	4,314
334	Meters	3.60%	330,324		330,324	-	-	568,601	568,601	14,524
335	Hydrants	3.60%	-		-	-	-	28,407	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	22,688		22,688	-	-	47,045	47,045	1,285
341	Transportation Equipment	3.60%	1,864		1,864	-	(13,741)	7,919	7,919	252
342	Stores Equipment	3.60%	-		-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	11,092		11,092	-	-	18,733	18,733	475
344	Laboratory Equipment	3.60%	-		-	-	-	-	-	-
345	Power Operated Equipment	3.60%	4,940		4,940	-	-	27,191	27,191	890
346	Communications Equipment	3.60%	52,880		52,880	-	-	57,775	57,775	1,128
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
348	Other Tangible Plant	3.60%	25,599		25,599	-	-	70,091	70,091	2,062
					-		-	-	-	-
	TOTAL WATER PLANT		2,883,550	-	2,883,550	-	(14,020)	4,912,535	4,912,535	119,929
	Depreciation							119,929		
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)							-		
	Accumulated Depreciation Balance							330,486		
	Half Year Convention used on depreciation									

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Account No.	Description	Deprec. Rate	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	Plant Retirements To Date	2004 Plant Balance	2004 Depreciable Balance	2004 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	10,303		10,303	-	-	158,493	158,493	5,520
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-	-
307	Wells and Springs	3.60%	121,516		121,516	-	-	163,743	163,743	3,707
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	218,691		218,691	-	-	1,942,117	1,942,117	65,980
320	Water Treatment Equipment	3.60%	4,585		4,585	-	(236)	25,300	25,300	828
330	Distribution Reservoirs & Standpipe	3.60%	76,435		76,435	-	-	836,963	836,963	28,755
331	Transmission and Distribution Mains	3.60%	121,531		121,531	-	(43)	1,245,087	1,245,087	42,636
333	Services	3.60%	20,114		20,114	-	-	148,838	148,838	4,996
334	Meters	3.60%	702,354		702,354	-	-	1,270,954	1,270,954	33,112
335	Hydrants	3.60%	-		-	-	-	28,407	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	23,721		23,721	-	-	70,767	70,767	2,121
341	Transportation Equipment	3.60%	51,918		51,918	-	(13,741)	59,837	59,837	1,220
342	Stores Equipment	3.60%	-		-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	5,202		5,202	-	-	23,936	23,936	768
344	Laboratory Equipment	3.60%	-		-	-	-	-	-	-
345	Power Operated Equipment	3.60%	1,751		1,751	-	-	28,942	28,942	1,010
346	Communications Equipment	3.60%	165,316		165,316	-	-	223,092	223,092	5,056
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
348	Other Tangible Plant	3.60%	40,005		40,005	-	-	110,096	110,096	3,243
					-		-	-	-	-
	TOTAL WATER PLANT		1,563,443	-	1,563,443	-	(14,020)	6,475,978	6,475,978	199,975
	Depreciation							199,975		
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)							-		
	Accumulated Depreciation Balance							530,460		
	Half Year Convention used on depreciation									

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Account No.	Description	Deprec. Rate	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	Plant Retirements To Date	2005 Plant Balance	2005 Depreciable Balance	2005 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	125,217		125,217	-	-	283,710	283,710	7,960
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-	-
307	Wells and Springs	3.60%	64,897		64,897	-	-	228,640	228,640	7,063
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,023,286		1,023,286	-	-	2,965,403	2,965,403	88,335
320	Water Treatment Equipment	3.60%	14,952		14,952	-	(236)	40,252	40,252	1,180
330	Distribution Reservoirs & Standpipe	3.60%	929,939		929,939	-	-	1,766,902	1,766,902	46,870
331	Transmission and Distribution Mains	3.60%	247,629		247,629	-	(43)	1,492,716	1,492,716	49,280
333	Services	3.60%	35,110		35,110	-	-	183,948	183,948	5,990
334	Meters	3.60%	583,711		583,711	-	-	1,854,665	1,854,665	56,261
335	Hydrants	3.60%	-		-	-	-	28,407	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	8,125		8,125	-	-	78,892	78,892	2,694
341	Transportation Equipment	3.60%	52,274		52,274	-	(13,741)	112,111	112,111	3,095
342	Stores Equipment	3.60%	-		-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	11,786		11,786	-	-	35,721	35,721	1,074
344	Laboratory Equipment	3.60%	-		-	-	-	-	-	-
345	Power Operated Equipment	3.60%	627		627	-	-	29,569	29,569	1,053
346	Communications Equipment	3.60%	6,006		6,006	-	-	229,098	229,098	8,139
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
348	Other Tangible Plant	3.60%	30,106		30,106	-	-	140,202	140,202	4,505
					-		-	-	-	-
	TOTAL WATER PLANT		3,133,664		3,133,664	-	(14,020)	9,609,642	9,609,642	284,523
	Depreciation							284,523		
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)							-		
	Accumulated Depreciation Balance							814,983		
	Half Year Convention used on depreciation									

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Account No.	Description	Deprec. Rate	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	Plant Retirements To Date	2006 Plant Balance	2006 Depreciable Balance	2006 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	254,469		254,469	-	-	538,179	538,179	14,794
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-	-
307	Wells and Springs	3.60%	27,216		27,216	-	-	255,856	255,856	8,721
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,472,179		1,472,179	-	-	4,437,582	4,437,582	133,254
320	Water Treatment Equipment	3.60%	11,152		11,152	-	(236)	51,404	51,404	1,650
330	Distribution Reservoirs & Standpipe	3.60%	939,515		939,515	-	-	2,706,417	2,706,417	80,520
331	Transmission and Distribution Mains	3.60%	154,405		154,405	-	(43)	1,647,121	1,647,121	56,517
333	Services	3.60%	23,552		23,552	-	-	207,500	207,500	7,046
334	Meters	3.60%	444,204		444,204	(8,443)	(8,443)	2,290,426	2,290,426	74,612
335	Hydrants	3.60%	16,936		16,936	-	-	45,343	45,343	1,328
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	11,879		11,879	-	-	90,771	90,771	3,054
341	Transportation Equipment	3.60%	9,129		9,129	-	(13,741)	121,240	121,240	4,200
342	Stores Equipment	3.60%	-		-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	16,895		16,895	-	-	52,616	52,616	1,590
344	Laboratory Equipment	3.60%	-		-	-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	-	29,569	29,569	1,064
346	Communications Equipment	3.60%	-		-	(4,598)	(4,598)	224,500	224,500	8,165
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-	-
348	Other Tangible Plant	3.60%	32,541		32,541	(23,329)	(23,329)	149,414	149,414	5,213
					-		-	-	-	-
	TOTAL WATER PLANT		3,414,072		3,414,072	(36,370)	(50,390)	12,987,344	12,987,344	401,727
	Depreciation							401,727		
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)							(36,370)		
	Accumulated Depreciation Balance							1,180,340		
	Half Year Convention used on depreciation									

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Account No.	Description	Deprec. Rate	Year End Accumulated Depreciation by Account 1992	1993	1994	1995	1996	1997	1998
301	Organization Cost	0.00%	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-
304	Structures and Improvements	3.60%	1,160	1,279	1,279	1,399	1,518	1,637	1,757
305	Collecting and Impounding Res.	3.60%	-	-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-	-	-	-	-
307	Wells and Springs	3.60%	13,590	14,989	16,388	17,787	19,186	20,586	21,985
308	Infiltration Galleries and Tunnels	3.60%	-	-	-	-	-	-	-
309	Supply Mains	3.60%	-	-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	19,613	21,632	23,651	25,671	27,690	29,866	32,215
320	Water Treatment Equipment	3.60%	514	567	619	672	725	538	601
330	Distribution Reservoirs & Standpipe	3.60%	7,231	7,979	8,731	9,511	10,320	11,135	11,956
331	Transmission and Distribution Mains	3.60%	133,978	147,859	161,989	176,454	191,332	207,446	226,010
333	Services	3.60%	3,300	3,667	4,072	4,601	5,432	7,011	9,482
334	Meters	3.60%	7,781	8,602	9,463	10,401	11,490	12,770	14,279
335	Hydrants	3.60%	-	-	-	-	-	108	576
336	Backflow Prevention Devices	3.60%	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	7,323	8,077	8,831	9,628	10,471	11,334	12,210
341	Transportation Equipment	3.60%	5,634	6,214	6,794	7,374	7,954	(11,370)	(11,370)
342	Stores Equipment	3.60%	-	-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	552	611	686	777	884	1,000	1,117
344	Laboratory Equipment	3.60%	-	-	-	-	-	-	-
345	Power Operated Equipment	3.60%	7,085	7,815	8,544	9,274	10,003	10,733	11,462
346	Communications Equipment	3.60%	1,232	1,359	1,486	1,613	1,761	1,931	2,100
347	Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-
348	Other Tangible Plant	3.60%	4,413	4,867	5,322	6,001	6,938	7,907	8,886
			-	-	-	-	-	-	-
	TOTAL WATER PLANT		213,405	235,517	257,856	281,164	305,706	312,632	343,266

Depreciation

(a) Staff Accumulated Depreciation Allocated to Plant.

Retirements (excluding land)

Accumulated Depreciation Balance

Half Year Convention used on depreciation

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Account No.	Description	Deprec. Rate	1999	2000	2001	2002	2003	2004	2005	2006
301	Organization Cost	0.00%	-	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-
304	Structures and Improvements	3.60%	1,876	1,996	2,136	2,433	5,316	10,836	18,796	33,590
305	Collecting and Impounding Res.	3.60%	-	-	-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-	-	-	-	-	-
307	Wells and Springs	3.60%	23,384	24,783	26,191	27,608	29,077	32,785	39,847	48,568
308	Infiltration Galleries and Tunnels	3.60%	-	-	-	-	-	-	-	-
309	Supply Mains	3.60%	-	-	-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	34,622	37,086	(288,583)	(284,870)	(255,329)	(189,349)	(101,014)	32,240
320	Water Treatment Equipment	3.60%	682	763	878	1,128	1,675	2,504	3,684	5,333
330	Distribution Reservoirs & Standpipe	3.60%	12,776	13,597	18,511	29,947	50,569	79,324	126,194	206,713
331	Transmission and Distribution Mains	3.60%	247,035	271,629	303,070	339,663	378,577	421,213	470,493	527,010
333	Services	3.60%	12,625	16,191	19,888	23,756	28,070	33,066	39,056	46,102
334	Meters	3.60%	16,129	18,487	21,868	28,207	42,731	75,843	132,104	198,273
335	Hydrants	3.60%	1,431	2,421	3,411	4,417	5,440	6,463	7,485	8,813
336	Backflow Prevention Devices	3.60%	-	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	13,087	13,964	14,841	15,718	17,003	19,124	21,818	24,871
341	Transportation Equipment	3.60%	(11,284)	(11,135)	(10,920)	(10,702)	(10,450)	(9,231)	(6,135)	(1,935)
342	Stores Equipment	3.60%	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,256	1,447	1,680	1,940	2,415	3,183	4,257	5,847
344	Laboratory Equipment	3.60%	-	-	-	-	-	-	-	-
345	Power Operated Equipment	3.60%	12,192	12,957	13,758	14,559	15,449	16,459	17,513	18,577
346	Communications Equipment	3.60%	2,270	2,439	2,609	2,781	3,909	8,965	17,104	20,671
347	Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-	-
348	Other Tangible Plant	3.60%	9,940	11,158	12,492	13,971	16,033	19,276	23,782	5,666
			-	-	-	-	-	-	-	-
	TOTAL WATER PLANT		378,021	417,784	141,829	210,557	330,486	530,460	814,983	1,180,340
	Depreciation									
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)									
	Accumulated Depreciation Balance									
	Half Year Convention used on depreciation									

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 2

Exhibit
Schedule B-2
Page 3
Witness: Bourassa
REVISED

Line No.				Adjustment Label
1	CIAC and Accumulated Amortization Adjustment			
2				
3	Computed Balance Gross CIAC	$	9,309,115	
4	Balance per Company books (E-1)		9,271,032	
5	Increase (Decrease)	$	38,083	
6				
7	Adjustment to CIAC	$	38,083	2a
8				
9				
10	Computed Balance A.A.	$	683,565	
11	Balance per Company books (E-1)		-	
12	Increase (Decrease)	$	683,565	
13				
14	Adjustment to A.A. CIAC	$	(683,565)	2b
15				
16				
17				
18	Adjustment to Rate Base	$	(645,482)	
19				
20				
21				
22	SUPPORTING SCHEDULES			
23	B-2, page 3.1			
24				
25				
26				

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 2 - Supporting Schedule

Exhibit
Schedule B-2
Page 3.1
Witness: Bourassa
REVISED

Line No.	Year		Gross CIAC	Amortization Rate	Amortization	Accumulated Amortization
1						
2	1992	BALANCE FORWARD	$ 42,760			10,984
3		(Decision 58641 12/31/1992)				
4	1993	ADDITIONS	$ 4,794	1.80%	$ 86	11,070
5	1993	BALANCE	$ 47,554	3.60%	$ 1,712	11,157
6	1994	ADDITIONS	$ 1,045	1.80%	$ 19	12,869
7	1994	BALANCE	$ 48,599	3.60%	$ 1,750	12,887
8	1995	ADDITIONS	$ -	1.80%	$ -	14,637
9	1995	BALANCE	$ 48,599	3.60%	$ 1,750	14,637
10	1996	ADDITIONS	$ -	1.80%	$ -	16,386
11	1996	BALANCE	$ 48,599	3.60%	$ 1,750	16,386
12	1997	ADDITIONS	$ 167,061	1.80%	$ 3,007	18,136
13	1997	BALANCE	$ 215,660	3.60%	$ 7,764	21,143
14	1998	ADDITIONS	$ (28)	1.80%	$ (1)	28,907
15	1998	BALANCE	$ 215,632	3.60%	$ 7,763	28,906
16	1999	ADDITIONS	$ -	1.80%	$ -	36,669
17	1999	BALANCE	$ 215,632	3.60%	$ 7,763	36,669
18	2000	ADDITIONS	$ 315	1.80%	$ 6	44,432
19	2000	BALANCE	$ 215,947	3.60%	$ 7,774	44,438
20	2001	ADDITIONS	$ 49,350	1.80%	$ 888	52,212
21	2001	BALANCE	$ 265,297	3.60%	$ 9,551	53,100
22	2002	ADDITIONS	$ 124,542	1.80%	$ 2,242	62,651
23	2002	BALANCE	$ 389,839	3.60%	$ 14,034	64,892
24	2003	ADDITIONS	$ 2,781,417	1.80%	$ 50,066	78,927
25	2003	BALANCE	$ 3,171,256	3.60%	$ 114,165	128,992
26	2004	ADDITIONS	$ 196,752	1.80%	$ 3,542	243,157
27	2004	BALANCE	$ 3,368,008	3.60%	$ 121,248	246,699
28	2005	ADDITIONS	$ 2,428,609	1.80%	$ 43,715	367,947
29	2005	BALANCE	$ 5,796,617	3.60%	$ 208,678	411,662
30	2006	ADDITIONS	$ 3,512,498	1.80%	$ 63,225	620,340
31	2006	BALANCE	$ 9,309,115	3.60%	$ 335,128	683,565
32						

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 4
Witness: Bourassa
REVISED

Line No.					Adjustment Label
1	Remove Unexpended AIAC and CIAC to properly match PIS in rate base				
2					
3					
4	Home National Bank Job-1 Checking Acct CRC funds	$ 66,959			
5	Home National Bank Job-2 Checking Acct CRC funds	1,036			
6	Home National Bank Job-3 Checking Acct CRC funds	206,876			
7	Home National Bank Job-4 Checking Acct CRC funds	6,578			
8	Home National Bank Money Market Savings CRC funds	1,781,747			
9	HNB Operating CRC Funds	297,400			
10	Cash-on-hand 12/31/2006 CRC Funds		$	2,360,596	
11					
12	Adjustment to Gross CIAC		$	(2,360,596)	3a
13					
14					
15					
16	National Bank of AZ Savings Acct AIAC funds	$ 34,405			
17	Cash-on-hand 12/31/2006 AIAC Funds		$	34,405	
18					
19	Adjustment to AIAC		$	(34,405)	3b
20					
21					
22					
23	Adjustment to Rate Base		$	(2,395,001)	
24					

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Schedule B-2
Page 5
Witness: Bourassa
REVISED

Line No.			
1	Remove Expended AIAC and CIAC included in CWIP at end of Test Year to properly match PIS in rate base		
2			
3	Constrcution Work-in-Progress at end of Test Year	$	498,743
4			
5	Adjustment to CIAC	$	(498,743)
6			
7			
8	Adjustment to Rate Base	$	(498,743)
9			
10			
11			
12			
13			
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15			
16			
17			
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19			
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21			
22			
23			
24			

H2O, Inc.
Test Year Ended December 31, 2006
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa
REVISED

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	238,968
3	Pumping Power (1/24 of Pumping Power)		10,579
4	Purchased Water (1/24 of Purchased Water)		3,241
5	Material and Supplies Inventories		-
6	Prepayments		8,127
7			
8			
9	Total Working Capital Allowance	$	260,916
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	E-1	B-1	
17			

H2O, Inc.
Test Year Ended December 31, 2006
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa
REVISED

Line No.		Test Year Book Results	Label	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**						
2	Metered Water Revenues	$ 2,908,115	4	$ 262,954	$ 3,171,070	$ (256,943)	$ 2,914,127
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	208,697			208,697		208,697
5		$ 3,116,813		$ 262,954	$ 3,379,767	$ (256,943)	$ 3,122,824
6	**Operating Expenses**						
7	Salaries and Wages	$ 735,250	9a	55,443	$ 790,693		$ 790,693
8	Purchased Water	77,793			77,793		77,793
9	Purchased Power	232,041	6	21,852	253,894		253,894
10	Chemicals	4,229			4,229		4,229
11	Repairs and Maintenance	169,792			169,792		169,792
12	Office Supplies and Expense	70,995	7/8	4,125	75,119		75,119
13	Outside Services	266,331	11	(200,000)	66,331		66,331
14	Water Testing	12,289			12,289		12,289
15	Rents	175,063			175,063		175,063
16	Transportation Expenses	214,459			214,459		214,459
17	Insurance - General Liability	52,245			52,245		52,245
18	Insurance - Health and Life	27,819	9b	33,394	61,213		61,213
19	Reg. Comm. Exp. - Rate Case	12,782	3	27,218	40,000		40,000
20	Miscellaneous Expense	187,311			187,311		187,311
21	Depreciation Expense	322,570	1	148,674	471,243		471,243
22	Taxes Other Than Income	80,959	9c	(17,957)	63,002		63,002
23	Property Taxes	74,994	2	120,400	195,394		195,394
24	Income Tax	3,600	12	156,092	159,692	(89,676)	70,016
25					-		-
26	**Total Operating Expenses**	$ 2,720,522		$ 349,241	$ 3,069,763	$ (89,676)	$ 2,980,087
27	**Operating Income**	$ 396,290		$ (86,286)	$ 310,004	$ (167,267)	$ 142,737
28	**Other Income (Expense)**						
29	Interest Income	28,783	5a	(28,783)	-		-
30	Other income	-	5b	-	-		-
31	Interest Expense	(15,864)	10	3,724	(12,140)		(12,140)
32	Other Expense	-	5d	-	-		-
33		-			-		-
34	**Total Other Income (Expense)**	$ 12,920		$ (25,059)	$ (12,140)	$ -	$ (12,140)
35	**Net Profit (Loss)**	$ 409,210		$ (111,346)	$ 297,864	$ (167,267)	$ 130,597
36							
37	SUPPORTING SCHEDULES:					RECAP SCHEDULES:	
38	C-2					A-1	
39	E-2						

H2O, Inc.
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa
REVISED

Adjustments to Revenues and Expenses

Line No.		1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Remove Other Inc./Oth. Expense	6 Purchased Power Annualization	Subtotal
1								
2								
3	Revenues				262,954			262,954
4								
5	Expenses	148,674	120,400	27,218			21,852	318,144
6								
7	Operating							
8	Income	(148,674)	(120,400)	(27,218)	262,954	-	(21,852)	(55,190)
9								
10	Interest							
11	Expense					(28,783)		(28,783)
12	Other							
13	Income /					-		-
14	Expense							
15								
16	Net Income	(148,674)	(120,400)	(27,218)	262,954	(28,783)	(21,852)	(83,973)
17								
18								

Adjustments to Revenues and Expenses

19								
20		7 Postage Increase	8 Annualize Postage	9 Salaries and Wages	10 Interest Synchronization	11 Remove FEL Expenses	12 Income taxes	Subtotal
21								
22								
23	Revenues							262,954
24								
25	Expenses	1,401	2,723	70,880		(200,000)	156,092	349,241
26								
27	Operating							
28	Income	(1,401)	(2,723)	(70,880)	-	200,000	(156,092)	(86,286)
29								
30	Interest							
31	Expense				3,724			(25,059)
32	Other							
33	Income /							-
34	Expense							
35								
36	Net Income	(1,401)	(2,723)	(70,880)	3,724	200,000	(156,092)	(111,346)
37								

H2O, Inc.
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa
REVISED

Line No.					
1	Depreciation Expense				
2					
3	Account		Original	Proposed	Depreciation
4	No.	Description	Cost	Rate	Expense
5	301	Organization Cost	-	0.00%	-
6	302	Franchise Cost	131,452	0.00%	-
7	303	Land and Land Rights	7,954	0.00%	-
8	304	Structures and Improvements	538,179	3.33%	17,921
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	255,856	3.33%	8,520
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	4,437,582	12.50%	554,698
16	320	Water Treatment Equipment	51,404	3.33%	1,712
17	330	Distribution Reservoirs & Standpipe	2,706,417	2.22%	60,082
18	331	Transmission and Distribution Mains	1,647,121	2.00%	32,942
19	333	Services	207,500	3.33%	6,910
20	334	Meters	2,290,426	8.33%	190,793
21	335	Hydrants	45,343	2.00%	907
22	336	Backflow Prevention Devices	-	6.67%	-
23	339	Other Plant and Miscellaneous Equipment	-	6.67%	-
24	340	Office Furniture and Fixtures	90,771	6.67%	6,054
25	341	Transportation Equipment	121,240	20.00%	24,248
26	342	Stores Equipment	-	4.00%	-
27	343	Tools and Work Equipment	52,616	5.00%	2,631
28	344	Laboratory Equipment	-	10.00%	-
29	345	Power Operated Equipment	29,569	5.00%	1,478
30	346	Communications Equipment	224,500	10.00%	22,450
31	347	Miscellaneous Equipment	-	10.00%	-
32	348	Other Tangible Plant	149,414	10.00%	14,941
33					
34		TOTALS	$ 12,987,344		$ 946,288
35					
36					
37	Less: Amort. of Contributions - Adjusted Balance End of TY		$ 6,449,776	7.3653%	$ (475,045)
38					
39	Total Depreciation Expense				$ 471,243
40					
41	Test Year Depreciation Expense				322,570
42					
43	Increase (decrease) in Depreciation Expense				148,674
44					
45	Adjustment to Revenues and/or Expenses				$ 148,674
46					

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa
REVISED

Line No.			
1	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended 12/31/2006	$	3,379,767
4	Adjusted Revenues in year ended 12/31/2006		3,379,767
5	Proposed Revenues		3,122,824
6	Average of three year's of revenue	$	3,294,119
7	Average of three year's of revenue, times 2	$	6,588,238
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		9,231
12			
13	Full Cash Value	$	6,579,008
14	Assessment Ratio		23.00%
15	Assessed Value		1,513,172
16	Property Tax Rate		12.8467%
17			
18	Property Tax		194,392
19	Tax on Parcels		1,002
20			
21	Total Property Tax at Proposed Rates	$	195,394
22	Property Taxes in the test year		74,994
23	Change in Property Taxes	$	120,400
24			
25			
26	Adjustment to Revenues and/or Expenses	$	120,400
27			
28			

H2O, Inc.
Test Year Ended December 31, 2006
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa
REVISED

Line No.			
1	Rate Case Expense		
2			
3	Estimated Rate Case Expense	$	120,000
4			
5	Estimated Amortization Period in Years		3
6			
7	Annual Rate Case Expense	$	40,000
8			
9	Test Year Rate Case Expense	$	12,782
10			
11	Increase(decrease) Rate Case Expense	$	27,218
12			
13	Adjustment to Revenue and/or Expense	$	27,218
14			
15			
16			
17			
18			
19			
20			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa
REVISED

Line No.			
1	Revenue Annualization		
2			
3			
4	Revenue Annualization	$	262,954
5			
6			
7			
8	Total Revenue from Annualization	$	262,954
9			
10			
11	Adjustment to Revenue and/or Expense	$	262,954
12			
13	SUPPORTING SCHEDULES		
14	C-2 , pages 5.1 to 5.15		
15	H-1		
16			
17			
18			
19			
20			

H2O, Inc.
5/8 Inch
Customers to Year End Levels
Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa
REVISED

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	232	232	232	232	232	232	232
2	Actual Customers	239	246	242	241	223	226	229
3	Increase in Number of Customers/Bills	(7)	(14)	(10)	(9)	9	6	3
4	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00
5	Revenue Annualization / Present Rates	$ (105)	$ (210)	$ (150)	$ (135)	$ 135	$ 90	$ 45
6								
7	Increase in Number of Customers	(7)	(14)	(10)	(9)	9	6	3
8	Average Revenue / Proposed Rates	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34
9	Revenue Annualization / Proposed Rates	$ (79)	$ (159)	$ (113)	$ (102)	$ 102	$ 68	$ 34
10	Additional Gallons to be Produced	(36,114)	(58,369)	(38,889)	(40,206)	27,852	22,105	9,519
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
15	Year End Number of Customers	232	232	232	232	232		
16	Actual Customers	227	226	227	231	232		
17	Increase in Number of Customers/Bills	5	6	5	1	-		(5)
18	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00		
19	Revenue Annualization / Present Rates	$ 75	$ 90	$ 75	$ 15	$ -		$ (75)
20								
21	Increase in Number of Customers	5	6	5	1	-		
22	Average Revenue / Proposed Rates	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34		
23	Revenue Annualization / Proposed Rates	$ 75	$ 90	$ 75	$ 15	$ -		$ (57)
24	Additional Gallons to be Produced	14,540	17,737	14,914	3,585	-		(63,327)

H2O, Inc.
3/4 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa
REVISED

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	5,837	5,837	5,837	5,837	5,837	5,837	5,837
2	Actual Customers	5,011	4,981	4,962	4,977	4,975	5,053	5,174
3	Increase in Number of Customers/Bills	826	856	875	860	862	784	663
4	Average Revenue / Present Rates	$ 29.01	$ 27.08	$ 27.34	$ 31.43	$ 33.35	$ 38.47	$ 35.36
5	Revenue Annualization / Present Rates	$ 23,962	$ 23,178	$ 23,924	$ 27,032	$ 28,751	$ 30,160	$ 23,446
6								
7	Increase in Number of Customers	826	856	875	860	862	784	663
8	Average Revenue / Proposed Rates	$ 26.48	$ 24.80	$ 25.03	$ 28.57	$ 30.23	$ 35.78	$ 32.31
9	Revenue Annualization / Proposed Rates	$ 21,869	$ 21,231	$ 21,904	$ 24,572	$ 26,061	$ 28,054	$ 21,423
10	Additional Gallons to be Produced	5,935,161	5,221,036	5,467,390	7,349,961	8,297,360	9,799,471	7,130,300
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	5,837	5,837	5,837	5,837	5,837	
16	Actual Customers	5,557	5,608	5,700	5,751	5,837	
17	Increase in Number of Customers/Bills	280	229	137	86	-	6,458
18	Average Revenue / Present Rates	$ 31.71	$ 31.21	$ 29.36	$ 32.41	$ 26.39	
19	Revenue Annualization / Present Rates	$ 8,878	$ 7,147	$ 4,022	$ 2,787	$ -	$ 203,288
20							
21	Increase in Number of Customers	280	229	137	86	-	
22	Average Revenue / Proposed Rates	$ 28.81	$ 28.38	$ 26.78	$ 29.42	$ 24.21	
23	Revenue Annualization / Proposed Rates	$ 8,878	$ 7,147	$ 4,022	$ 2,787	$ -	$ 185,877
24	Additional Gallons to be Produced	2,436,191	1,928,594	1,011,295	782,101	-	55,358,858

H2O, Inc.
1 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa
REVISED

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	185	185	185	185	185	185	185
2	Actual Customers	175	173	178	179	181	184	180
3	Increase in Number of Customers/Bills	10	12	7	6	4	1	5
4	Average Revenue / Present Rates	$ 76.64	$ 67.03	$ 65.09	$ 80.93	$ 91.25	$ 113.20	$ 102.76
5	Revenue Annualization / Present Rates	$ 766	$ 804	$ 456	$ 486	$ 365	$ 113	$ 514
6								
7	Increase in Number of Customers	10	12	7	6	4	1	5
8	Average Revenue / Proposed Rates	$ 63.40	$ 55.87	$ 54.20	$ 66.53	$ 76.17	$ 96.87	$ 87.03
9	Revenue Annualization / Proposed Rates	$ 634	$ 670	$ 379	$ 399	$ 305	$ 97	$ 435
10	Additional Gallons to be Produced	227,570	214,469	117,479	148,757	118,738	40,083	175,695
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	185	185	185	185	185	
16	Actual Customers	181	181	180	183	185	
17	Increase in Number of Customers/Bills	4	4	5	2	-	60
18	Average Revenue / Present Rates	$ 88.15	$ 82.35	$ 79.83	$ 90.43	$ 63.55	
19	Revenue Annualization / Present Rates	$ 353	$ 329	$ 399	$ 181	$ -	$ 4,766
20							
21	Increase in Number of Customers	4	4	5	2	-	
22	Average Revenue / Proposed Rates	$ 73.25	$ 67.78	$ 65.73	$ 75.40	$ 52.86	
23	Revenue Annualization / Proposed Rates	$ 353	$ 329	$ 399	$ 181	$ -	$ 3,963
24	Additional Gallons to be Produced	112,859	101,861	121,350	58,591	-	1,437,454

H2O, Inc.
1 1/2 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

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Witness: Bourassa
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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	10	11	10	10	10	10	10
3	Increase in Number of Customers/Bills	1	-	1	1	1	1	1
4	Average Revenue / Present Rates	$ 129.71	$ 119.08	$ 108.29	$ 134.35	$ 149.33	$ 288.53	$ 259.69
5	Revenue Annualization / Present Rates	$ 130	$ -	$ 108	$ 134	$ 149	$ 289	$ 260
6								
7	Increase in Number of Customers	1	-	1	1	1	1	1
8	Average Revenue / Proposed Rates	$ 102.75	$ 94.99	$ 87.04	$ 106.13	$ 117.07	$ 243.49	$ 216.29
9	Revenue Annualization / Proposed Rates	$ 103	$ -	$ 87	$ 106	$ 117	$ 243	$ 216
10	Additional Gallons to be Produced	29,901	-	19,701	32,101	39,201	105,172	91,504
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	11	11	11	11	11	
16	Actual Customers	10	12	10	10	11	
17	Increase in Number of Customers/Bills	1	(1)	1	1	-	8
18	Average Revenue / Present Rates	$ 162.04	$ 164.34	$ 155.45	$ 222.87	$ 124.07	
19	Revenue Annualization / Present Rates	$ 162	$ (164)	$ 155	$ 223	$ -	$ 1,446
20							
21	Increase in Number of Customers	1	(1)	1	1	-	
22	Average Revenue / Proposed Rates	$ 126.34	$ 128.02	$ 121.53	$ 181.56	$ 98.63	
23	Revenue Annualization / Proposed Rates	$ 162	$ (164)	$ 155	$ 223	$ -	$ 1,174
24	Additional Gallons to be Produced	45,221	(46,313)	42,101	74,051	-	432,637

H2O, Inc.
2 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	-	-	1	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	-	-	-	-	-
4	Average Revenue / Present Rates	$ 120.00	$ 120.00	$ 133.35	$ 209.74	$ 218.18	$ 209.74	$ 182.31
5	Revenue Annualization / Present Rates	$ 120	$ 120	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	1	1	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 90.72	$ 90.72	$ 103.81	$ 162.33	$ 168.49	$ 162.33	$ 142.31
9	Revenue Annualization / Proposed Rates	$ 91	$ 91	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								

12		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
13							
14							
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	2
18	Average Revenue / Present Rates	$ 151.15	$ 352.18	$ 211.85	$ 182.31	$ 213.96	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 240
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 119.21	$ 281.60	$ 163.87	$ 142.31	$ 165.41	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 181
24	Additional Gallons to be Produced	-	-	-	-	-	-

H2O, Inc.
5/8 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	4	4	4	4	4	4	4
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)	(1)	(1)
4	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00
5	Revenue Annualization / Present Rates	$ (15)	$ (15)	$ (15)	$ (15)	$ (15)	$ (15)	$ (15)
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)	(1)	(1)
8	Average Revenue / Proposed Rates	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34
9	Revenue Annualization / Proposed Rates	$ (11)	$ (11)	$ (11)	$ (11)	$ (11)	$ (11)	$ (11)
10	Additional Gallons to be Produced	(3,250)	(41,125)	(69,213)	(4,375)	(11,001)	(15,625)	(10,500)
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
15	Year End Number of Customers	3	3	3	3	3		
16	Actual Customers	4	4	4	4	3		
17	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	-		(11)
18	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00		
19	Revenue Annualization / Present Rates	$ (15)	$ (15)	$ (15)	$ (15)	$ -		$ (165)
20								
21	Increase in Number of Customers	(1)	(1)	(1)	(1)	-		
22	Average Revenue / Proposed Rates	$ 11.34	$ 11.34	$ 11.34	$ 11.34	$ 11.34		
23	Revenue Annualization / Proposed Rates	$ (15)	$ (15)	$ (15)	$ (15)	$ -		$ (125)
24	Additional Gallons to be Produced	(8,250)	(1,375)	(9,000)	(3,250)	-		(176,966)

H2O, Inc.
3/4 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	13	13	13	13	13	13	13
2	Actual Customers	10	10	11	11	11	11	11
3	Increase in Number of Customers/Bills	3	3	2	2	2	2	2
4	Average Revenue / Present Rates	$ 78.23	$ 68.36	$ 55.08	$ 58.63	$ 69.79	$ 82.44	$ 67.43
5	Revenue Annualization / Present Rates	$ 235	$ 205	$ 110	$ 117	$ 140	$ 165	$ 135
6								
7	Increase in Number of Customers	3	3	2	2	2	2	2
8	Average Revenue / Proposed Rates	$ 75.61	$ 66.31	$ 53.79	$ 57.13	$ 67.66	$ 79.58	$ 65.44
9	Revenue Annualization / Proposed Rates	$ 227	$ 199	$ 108	$ 114	$ 135	$ 159	$ 131
10	Additional Gallons to be Produced	97,545	83,521	43,092	46,456	57,037	69,019	54,801
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
15	Year End Number of Customers	13	13	13	13	13		
16	Actual Customers	12	12	12	12	13		
17	Increase in Number of Customers/Bills	1	1	1	1	-		20
18	Average Revenue / Present Rates	$ 51.61	$ 47.89	$ 46.78	$ 56.48	$ 37.44		
19	Revenue Annualization / Present Rates	$ 52	$ 48	$ 47	$ 56	$ -		$ 1,309
20								
21	Increase in Number of Customers	1	1	1	1	-		
22	Average Revenue / Proposed Rates	$ 50.48	$ 46.32	$ 45.07	$ 55.11	$ 34.64		
23	Revenue Annualization / Proposed Rates	$ 52	$ 48	$ 47	$ 56	$ -		$ 1,270
24	Additional Gallons to be Produced	19,884	17,792	17,167	22,209	-		528,523

H2O, Inc.
1 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	6	6	6	6	6	6	6
2	Actual Customers	6	5	5	5	5	5	6
3	Increase in Number of Customers/Bills	-	1	1	1	1	1	-
4	Average Revenue / Present Rates	$ 67.56	$ 61.39	$ 55.69	$ 74.83	$ 72.72	$ 122.27	$ 83.43
5	Revenue Annualization / Present Rates	$ -	$ 61	$ 56	$ 75	$ 73	$ 122	$ -
6								
7	Increase in Number of Customers	-	1	1	1	1	1	-
8	Average Revenue / Proposed Rates	$ 56.33	$ 50.99	$ 46.06	$ 62.08	$ 60.54	$ 105.42	$ 68.80
9	Revenue Annualization / Proposed Rates	$ -	$ 51	$ 46	$ 62	$ 61	$ 105	$ -
10	Additional Gallons to be Produced	-	14,701	11,501	21,901	20,901	44,383	-
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	6	6	6	6	6		
16	Actual Customers	6	6	6	6	6		
17	Increase in Number of Customers/Bills	-	-	-	-	-		5
18	Average Revenue / Present Rates	$ 64.00	$ 55.10	$ 63.70	$ 78.91	$ 80.76		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ 387
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 53.25	$ 45.55	$ 52.99	$ 65.05	$ 66.40		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ 325
24	Additional Gallons to be Produced	-	-	-	-	-		113,385

H2O, Inc.
1 1/2 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 149.97	$ 135.20	$ 124.65	$ 130.98	$ 124.65	$ 145.75	$ 124.65
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 117.53	$ 106.75	$ 99.05	$ 103.67	$ 99.05	$ 114.45	$ 99.05
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 164.74	$ 171.07	$ 141.53	$ 206.94	$ 164.74	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 128.31	$ 132.93	$ 111.37	$ 166.54	$ 128.31	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

H2O, Inc.
2 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	13	13	13	13	13	13	13
2	Actual Customers	16	16	15	15	13	13	13
3	Increase in Number of Customers/Bills	(3)	(3)	(2)	(2)	-	-	-
4	Average Revenue / Present Rates	$ 468.90	$ 404.85	$ 384.29	$ 468.20	$ 524.43	$ 641.85	$ 573.87
5	Revenue Annualization / Present Rates	$ (1,407)	$ (1,215)	$ (769)	$ (936)	$ -	$ -	$ -
6								
7	Increase in Number of Customers	(3)	(3)	(2)	(2)	-	-	-
8	Average Revenue / Proposed Rates	$ 391.68	$ 331.27	$ 311.88	$ 391.02	$ 444.05	$ 554.79	$ 490.68
9	Revenue Annualization / Proposed Rates	$ (1,175)	$ (994)	$ (624)	$ (782)	$ -	$ -	$ -
10	Additional Gallons to be Produced	(507,975)	(416,914)	(258,456)	(337,994)	-	-	-
11								
12		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
13								
14								
15	Year End Number of Customers	13	13	13	13	13		
16	Actual Customers	13	13	13	13	13		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(10)
18	Average Revenue / Present Rates	$ 572.25	$ 509.86	$ 443.47	$ 491.36	$ 372.81		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (4,326)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 489.15	$ 430.31	$ 367.70	$ 412.87	$ 301.06		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (3,575)
24	Additional Gallons to be Produced	-	-	-	-	-		(1,521,339)

H2O, Inc.
3 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	6	6	6	6	6	6	6
2	Actual Customers	10	10	11	8	7	6	6
3	Increase in Number of Customers/Bills	(4)	(4)	(5)	(2)	(1)	-	-
4	Average Revenue / Present Rates	$ 846.71	$ 888.57	$ 495.77	$ 809.98	$ 762.06	$ 596.03	$ 605.74
5	Revenue Annualization / Present Rates	$ (3,387)	$ (3,554)	$ (2,479)	$ (1,620)	$ (762)	$ -	$ -
6								
7	Increase in Number of Customers	(4)	(4)	(5)	(2)	(1)	-	-
8	Average Revenue / Proposed Rates	$ 703.69	$ 743.18	$ 385.18	$ 669.05	$ 623.86	$ 467.28	$ 476.43
9	Revenue Annualization / Proposed Rates	$ (2,815)	$ (2,973)	$ (1,926)	$ (1,338)	$ (624)	$ -	$ -
10	Additional Gallons to be Produced	(1,194,481)	(1,273,841)	(661,501)	(562,426)	(258,500)	-	-
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	6	6	6	6	6		
16	Actual Customers	5	5	5	5	6		
17	Increase in Number of Customers/Bills	1	1	1	1	-		(12)
18	Average Revenue / Present Rates	$ 439.65	$ 663.60	$ 548.06	$ 491.55	$ 439.05		
19	Revenue Annualization / Present Rates	$ 440	$ 664	$ 548	$ 492	$ -		$ (9,659)
20								
21	Increase in Number of Customers	1	1	1	1	-		
22	Average Revenue / Proposed Rates	$ 344.22	$ 531.00	$ 423.34	$ 382.10	$ 343.78		
23	Revenue Annualization / Proposed Rates	$ 440	$ 664	$ 548	$ 492	$ -		$ (7,995)
24	Additional Gallons to be Produced	105,700	211,840	157,080	130,300	-		(3,345,828)

H2O, Inc.
3/4 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	7	5	5	5	5	8	8
3	Increase in Number of Customers/Bills	2	4	4	4	4	1	1
4	Average Revenue / Present Rates	$ 37.96	$ 32.24	$ 34.73	$ 39.72	$ 40.96	$ 36.91	$ 36.47
5	Revenue Annualization / Present Rates	$ 76	$ 129	$ 139	$ 159	$ 164	$ 37	$ 36
6								
7	Increase in Number of Customers	2	4	4	4	4	1	1
8	Average Revenue / Proposed Rates	$ 35.22	$ 29.27	$ 31.61	$ 37.18	$ 38.57	$ 34.04	$ 33.55
9	Revenue Annualization / Proposed Rates	$ 70	$ 117	$ 126	$ 149	$ 154	$ 34	$ 34
10	Additional Gallons to be Produced	24,429	36,002	41,602	52,802	55,602	11,625	11,375
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
15	Year End Number of Customers	9	9	9	9	9		
16	Actual Customers	8	8	8	9	9		
17	Increase in Number of Customers/Bills	1	1	1	-	-		23
18	Average Revenue / Present Rates	$ 33.69	$ 36.25	$ 26.01	$ 34.12	$ 29.87		
19	Revenue Annualization / Present Rates	$ 34	$ 36	$ 26	$ -	$ -		$ 836
20								
21	Increase in Number of Customers	1	1	1	-	-		
22	Average Revenue / Proposed Rates	$ 30.52	$ 33.30	$ 23.88	$ 30.92	$ 27.22		
23	Revenue Annualization / Proposed Rates	$ 34	$ 36	$ 26	$ -	$ -		$ 772
24	Additional Gallons to be Produced	9,813	11,251	5,501	-	-		260,001

H2O, Inc.
1 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	17	17	17	17	17	17	17
2	Actual Customers	13	13	13	13	14	15	15
3	Increase in Number of Customers/Bills	4	4	4	4	3	2	2
4	Average Revenue / Present Rates	$ 244.55	$ 221.30	$ 178.69	$ 219.60	$ 245.79	$ 392.59	$ 303.45
5	Revenue Annualization / Present Rates	$ 978	$ 885	$ 715	$ 878	$ 737	$ 785	$ 607
6								
7	Increase in Number of Customers	4	4	4	4	3	2	2
8	Average Revenue / Proposed Rates	$ 220.75	$ 198.82	$ 158.64	$ 197.22	$ 221.92	$ 360.37	$ 276.30
9	Revenue Annualization / Proposed Rates	$ 883	$ 795	$ 635	$ 789	$ 666	$ 721	$ 553
10	Additional Gallons to be Produced	409,351	365,274	284,494	362,045	308,770	344,997	260,502
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	17	17	17	17	17		
16	Actual Customers	15	15	17	18	17		
17	Increase in Number of Customers/Bills	2	2	-	(1)	-		26
18	Average Revenue / Present Rates	$ 282.96	$ 220.95	$ 224.76	$ 182.57	$ 106.96		
19	Revenue Annualization / Present Rates	$ 566	$ 442	$ -	$ (183)	$ -		$ 6,411
20								
21	Increase in Number of Customers	2	2	-	(1)	-		
22	Average Revenue / Proposed Rates	$ 256.98	$ 198.49	$ 202.08	$ 162.30	$ 90.98		
23	Revenue Annualization / Proposed Rates	$ 566	$ 442	$ -	$ (183)	$ -		$ 5,789
24	Additional Gallons to be Produced	241,082	182,305	-	(72,964)	-		2,685,855

H2O, Inc.
1 1/2 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	5	5	6	5	6	8	9
3	Increase in Number of Customers/Bills	4	4	3	4	3	1	-
4	Average Revenue / Present Rates	$ 616.64	$ 424.39	$ 262.94	$ 470.20	$ 424.41	$ 477.37	$ 473.42
5	Revenue Annualization / Present Rates	$ 2,467	$ 1,698	$ 789	$ 1,881	$ 1,273	$ 477	$ -
6								
7	Increase in Number of Customers	4	4	3	4	3	1	-
8	Average Revenue / Proposed Rates	$ 552.94	$ 371.62	$ 219.35	$ 414.83	$ 371.64	$ 421.59	$ 417.87
9	Revenue Annualization / Proposed Rates	$ 2,212	$ 1,486	$ 658	$ 1,659	$ 1,115	$ 422	$ -
10	Additional Gallons to be Produced	1,042,694	678,241	279,124	765,078	508,707	194,670	-
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	9	9	9	9	9	
16	Actual Customers	9	9	9	10	9	
17	Increase in Number of Customers/Bills	-	-	-	(1)	-	18
18	Average Revenue / Present Rates	$ 363.92	$ 335.38	$ 227.85	$ 279.63	$ 180.63	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ (280)	$ -	$ 8,305
20							
21	Increase in Number of Customers	-	-	-	(1)	-	
22	Average Revenue / Proposed Rates	$ 314.60	$ 287.68	$ 186.26	$ 235.09	$ 141.73	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ (280)	$ -	$ 7,317
24	Additional Gallons to be Produced	-	-	-	(100,951)	-	3,367,563

H2O, Inc.
2 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	40	40	40	40	40	40	40
2	Actual Customers	29	29	29	29	30	37	38
3	Increase in Number of Customers/Bills	11	11	11	11	10	3	2
4	Average Revenue / Present Rates	$ 757.30	$ 654.67	$ 592.11	$ 788.56	$ 1,150.20	$ 1,434.40	$ 1,175.63
5	Revenue Annualization / Present Rates	$ 8,330	$ 7,201	$ 6,513	$ 8,674	$ 11,502	$ 4,303	$ 2,351
6								
7	Increase in Number of Customers	11	11	11	11	10	3	2
8	Average Revenue / Proposed Rates	$ 663.67	$ 566.88	$ 507.88	$ 693.16	$ 1,034.23	$ 1,302.27	$ 1,058.22
9	Revenue Annualization / Proposed Rates	$ 7,300	$ 6,236	$ 5,587	$ 7,625	$ 10,342	$ 3,907	$ 2,116
10	Additional Gallons to be Produced	3,366,079	2,831,043	2,504,908	3,529,081	4,922,163	1,880,725	1,008,540
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
15	Year End Number of Customers	40	40	40	40	40		
16	Actual Customers	39	38	39	41	40		
17	Increase in Number of Customers/Bills	1	2	1	(1)	-		62
18	Average Revenue / Present Rates	$ 719.78	$ 585.97	$ 512.06	$ 846.93	$ 416.37		
19	Revenue Annualization / Present Rates	$ 720	$ 1,172	$ 512	$ (847)	$ -		$ 50,432
20								
21	Increase in Number of Customers	1	2	1	(1)	-		
22	Average Revenue / Proposed Rates	$ 628.29	$ 502.09	$ 432.39	$ 748.21	$ 342.14		
23	Revenue Annualization / Proposed Rates	$ 720	$ 1,172	$ 512	$ (847)	$ -		$ 44,430
24	Additional Gallons to be Produced	288,228	449,622	189,783	(348,489)	-		20,621,683

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa
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Line No.				Adjustment Label
1	Remove Other Income and Expenses to Eliminate Effects on Income Taxes			
2				
3				
4	Test Year Interest Income	$	(28,783)	5a
5	Test Year Other Income		-	5b
6	Test Year Other Expense		-	5c
7				
8	Total	$	(28,783)	
9				
10				
11	Adjustment to Revenue and/or Expense	$	(28,783)	
12				
13				
14				
15				
16				
17				
18				
19				
20				

H2O, Inc.
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa
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Line No.			
1	Annualize power cost for additonal gallons from annualization of revenues		
2			
3	Test Year Power Costs	$	232,041
4	Gallons sold in Test Year (1,000's)		846,288
5	Cost per 1,000 gallons		0.27419
6	Additonal gallons from annualization (in 1,000's)		79,698
7			
8	Additional Expense	$	21,852
9			
10			
11	Adjustment to Revenue and/or Expense	$	21,852
12			
13			
14			
15			
16			
17			
18			
19			
20			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa
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Line No.					
1	Increase Postage for Rate Change				
2					
3					
4	Test Year Number of Bills		70,068		
5	Mailing Cost per Bill	$	0.39		
6	Total Mailing Cost for Bills During Test Year			$	27,327
7					
8	Test Year Number of Bills		70,068		
9	New Rate Per Bill	$	0.41		
10	Total Cost for Billing Services During Test Year			$	28,728
11					
12					
13	Increase (decrease) in Office Expense			$	1,401
14					
15	Adjustment to Office Expense			$	1,401
16					
17					
18					
19					
20	Adjustment to Revenue and/or Expense			$	1,401
21					
22					
23					
24					
25					
26					
27					

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa
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Line No.					
1	Annualize Postage				
2					
3					
4	Additional Bills from Revenue Annualization (1)		6,642		
5	Cost per Bill (2)	$	0.41		
6	Increase (decrease) in Office Expense (1) times (2)			$	2,723
7					
8	Adjustment to Office Expense			$	2,723
9					
10					
11					
12					
13	Adjustment to Revenue and/or Expense			$	2,723
14					
15					
16					
17					
18					
19					
20					

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa
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Line No.				Label
1	Annualized Salaries and Wages and PR Burden			
2				
3	Salaries and Wages			
4	Annualized Salaries and Wages	$	790,693	
5	Test Year Salaries and Wages	$	735,250	
6				
7				
8	Increase (decrease) in Salaries and Wages	$	55,443	9a
9				
10	Employee Health Insurance			
11	Annualized Employee Health Insurance based on 2007 rates	$	61,213	
12	Test Year Employee health and Life Insurance	$	27,819	
13				
14				
15	Increase (decrease) in Employee Health Insurance	$	33,394	9b
16				
17				
18	Payroll Taxes			
19	Annualized Payroll Taxes	$	63,002	
20	Payroll Taxes Recorded in Test Year		80,959	
21				
22	Increase (decrease) in Payroll Taxes	$	(17,957)	9c
23				
24				
25	Adjustment to Revenue and/or Expense	$	70,880	9
26				
27	SUPPORTING SCHEDULES			
28	C-2, Page 10.1			
29				

H2O, Inc.
Adjustment to Revenues and Expenses
Adjustment 9
Annualized Wages and Salaries and PR Burden Computation

Schedule C-2
Page 10.1
REVISED

Line No.	No.	Position	Status	Hire Date	Discharged	Type	FT/PT	Weekly Hours	Current Rate	Annualized Gross Wages
1	1	President - General Manager	ACTIVE	10/5/1972		Salary	FT		$ 125,000.00	$ 125,000.00
2	2	Treas./Sec - Field Manager	ACTIVE	10/5/1972		Salary	FT		$ 125,000.00	$ 125,000.00
3	3	Office Manager/Tech manager	ACTIVE	12/7/2002		Salary	FT		$ 52,880.00	$ 52,880.00
4	4	Customer Service Manager	ACTIVE	3/1/2004		Salary	FT		$ 49,542.00	$ 49,542.00
5	5	Utility Systems Manager	ACTIVE	1/4/2005		Salary	FT		$ 49,367.00	$ 49,367.00
6	6	Compliance and Inspections Spec./Water Quality	ACTIVE	12/15/2004		Salary	FT		$ 46,672.00	$ 46,672.00
7	7	Accounting Specialist	ACTIVE	8/21/2006		Salary	FT		$ 41,184.00	$ 41,184.00
8	8	Customer Service Supervisor	ACTIVE	7/11/2005		Hourly	FT	40	$ 19.66	$ 40,892.80
9	9	Water Distribution Systems Operator	ACTIVE	8/19/2002		Hourly	FT	40	$ 19.75	$ 41,080.00
10	10	Customer Service Representative III	ACTIVE	1/24/2000		Hourly	FT	40	$ 19.61	$ 40,788.80
11	11	CAD Drafter	ACTIVE	3/6/2006		Hourly	FT	40	$ 17.47	$ 36,337.60
12	12	Utility Location Coordinator/Water Dist. Operator	ACTIVE	12/15/2003		Hourly	FT	40	$ 16.78	$ 34,902.40
13	13	Utility Systems Operator III	ACTIVE	6/20/2005		Hourly	FT	40	$ 17.13	$ 35,630.40
14	14	Adminstrative Services Specialist/Collections	ACTIVE	1/10/2005		Hourly	FT	40	$ 15.95	$ 33,176.00
15	15	Accounts Receivable Clerk/Admin. Support	ACTIVE	6/16/2006		Hourly	FT	40	$ 15.95	$ 33,176.00
16	16	Utility Systems Operator II	ACTIVE	11/30/2004		Hourly	FT	40	$ 15.14	$ 31,491.20
17	17	Utility Systems Operator I	ACTIVE	6/24/2006		Hourly	FT	40	$ 14.33	$ 29,806.40
18	18	Customer Services Representative	ACTIVE	7/6/2007		Hourly	FT	40	$ 14.00	$ 29,120.00
19	19	Customer Services Representative	VACANT		4/23/2007	Hourly	FT	40	$ 14.00	$ 29,120.00
20	20	Janitor	ACTIVE	1/31/2005		Hourly	FT	40	$ 12.00	$ 24,960.00
21	21	Laborer	ACTIVE			Hourly	PT	10	$ 10.00	$ 5,200.00
22	22	Well and Pump Maintenance Tech	VACANT	10/1/2007		Hourly	FT	40	$ 25.50	$ 53,040.00
23	23									$ -
24	24									$ -
25	25									$ -
26	26									$ -
27	27									$ -
28				Total Annualized Wages						$ 988,367
29				Capitalization Rate				20% Capitalized Wages		$ (197,673)
30				Net Wages Expense						$ 790,693
31				Medical Insurance 2007						$ 76,516
32				Capitalization Rate				20% Capitalized Med Ins.		$ (15,303)
33				Net Medical Insurance						$ 61,213
34				**Payroll Taxes**						
35				Gross Wages Subject to SS.					$ 932,367	
36				Rate					6.20%	
37				Total Social Security Taxes						$ 57,807
38				Gross Wages Subject to Medicare					$ 988,367	
39				Rate					1.45%	
40				Total Medicare Taxes						$ 14,331
41				Gross Wages Subject to Fed. Unemployment					$ 189,000	
42				Rate					0.80%	
43				Total Fed. Unemployment						$ 1,512
44				Gross Wages Subject to State Unemployment					$ 189,000	
45				Rate					2.70%	
46				Total State Unemployment						$ 5,103
47				Toral Payroll Taxes						$ 78,753
48				Capitalization Rate				20% Capitalized PR Taxes		$ (15,751)
49				Net PR tax Expense						$ 63,002

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa
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Line No.			
1	Interest Synchronization With Rate Base		
2			
3			
4	Fair Value Rate Base	$ 1,408,584	
5	Weighted Cost of Debt from D-1	0.86%	
6	Synchronized Interest		$ 12,140
7			
8	Test Year Interest Expense		$ 15,864
9			
10	Increase (decrease) in Interest Expense		$ (3,724)
11			
12	Adjustment to Revenue and/or Expense		$ 3,724
13			
14			
15			
16			
17			
18			
19			
20			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa
REVISED

Line No.		
1	Remove FEL Construction Services Expense	
2		
3		
4	FEL Construction Service Expense Recorded in test year	$ 200,000
5		
6		
7		
8	Adjustment to Revenue and/or Expense	$ (200,000)
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

H2O, Inc.
Income Tax Calculation
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
REVISED

Witness: Bourassa

Line No.		Test Year Book Results		Test Year Adjusted Results		Adjusted with Rate Increase	
1	Income Before Taxes	412,810		457,556		200,613	
2	Arizona Income Before Taxes	412,810		457,556		200,613	
3							
4	Less Arizona Income Tax	28,765		31,883		13,979	
5	Rate 6.97%						
6							
7	Arizona Taxable Income	384,045		425,674		186,634	
8	Arizona Income Taxes	28,765		31,883		13,979	
9							
10	Federal Income Before Taxes	412,810		457,556		200,613	
11							
12	Less Arizona Income Taxes	28,765		31,883		13,979	
13							
14	Federal Taxable Income	384,045		425,674		186,634	
15							
16							
17							
18	FEDERAL INCOME TAXES:						
19	15% BRACKET	7,500		7,500		7,500	
20	25% BRACKET	6,250		6,250		6,250	
21	34% BRACKET	8,500	Federal	8,500	Federal	8,500	Federal
22	39% BRACKET	91,650	Effective	91,650	Effective	33,787	Effective
23	34% BRACKET	16,675	Tax	30,829	Tax	0	Tax
24			Rate		Rate		Rate
25	Federal Income Taxes	130,575	31.63%	144,729	31.63%	56,037	27.93%
26							
27							
28	Total Income Tax	159,340		176,612		70,016	
29							
30	Overall Tax Rate	38.60%		38.60%		34.90%	
31							
32	Income Tax at Proposed Rates Effective Rate			159,692			
33							
34							

H2O, Inc.
Test Year Ended December 31, 2006
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa
REVISED

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	27.93%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	34.90%
9		
10	Operating Income % = 100% - Tax Percentage	65.10%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.5361
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		A-1
20		

H2O, Inc.
Test Year Ended December 31, 2006
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa
REVISED

Line No.		Test Year Ended 12/31/2006	Year Ended 12/31/2005	Year Ended 12/31/2004
1	**ASSETS**			
2	Plant In Service	$ 12,987,344	$ 8,468,658	$ 5,651,701
3				
4	Non-Utility Plant	49,528	49,528	49,528
5	Construction Work in Progress	498,743	621,059	1,221,272
6	Less: Accumulated Depreciation	(1,442,004)	(1,155,804)	(893,878)
7	Net Plant	$ 12,093,611	$ 7,983,441	$ 6,028,623
8				
9	Debt Reserve Fund	$ 21,565	$ 19,409	$ 15,095
10				
11	CURRENT ASSETS			
12	Cash and Equivalents	$ 2,556,179	$ 1,497,662	$ 754,004
13	Restricted Cash	-	-	-
14	Accounts Receivable, Net	237,607	216,281	142,776
15	Notes/Receivables from Associated Co.	116,082	100,693	75,389
16	Materials and Supplies	-	-	-
17	Prepayments	8,127	7,727	6,127
18	Other Current Assets	-		-
19	Total Current Assets	$ 2,917,995	$ 1,822,363	$ 978,296
20				
21	Deferred Debits	$ -	$ -	$ -
22				
23	Other Investments & Special Funds	$ -	$ -	$ -
24				
25	TOTAL ASSETS	$ 15,033,172	$ 9,825,214	$ 7,022,015
26				
27	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
28				
29	Common Equity	$ 583,785	$ 164,075	$ 157,489
30				
31	Long-Term Debt	$ 240,387	$ 249,532	$ 258,146
32				
33	CURRENT LIABILITIES			
34	Accounts Payable	$ 122,593	$ 165,696	$ 218,340
35	Current Portion of Long-Term Debt	-	-	-
36	Payables to Associated Companies	-	-	-
37	Customer Meter Deposits, Current	-	-	-
38	Customer Security Deposits	120,551	75,230	40,155
39	Accrued Taxes	28,209	61,294	68,026
40	Accrued Interest	-	-	-
41	Other Current Liabilities	-	26,916	10,248
42	Total Current Liabilities	$ 271,353	$ 329,137	$ 336,769
43	DEFERRED CREDITS			
44	Customer Meter Deposits, less current	$ 1,600,755	$ 1,464,631	$ 1,059,460
45	Advances in Aid of Construction	3,065,859	1,859,305	1,880,226
46	Accumulated Deferred Income Taxes	-	-	-
47	Contributions In Aid of Construction (CIAC)	9,271,032	5,758,534	3,329,925
48	Accumulated Amortization CIAC	-	-	-
49	Total Deferred Credits	$ 13,937,647	$ 9,082,470	$ 6,269,611
50				
51	Total Liabilities & Common Equity	$ 15,033,172	$ 9,825,214	$ 7,022,015
52				
53	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
54	E-5			A-3
55				

H2O, Inc.
Test Year Ended December 31, 2006
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa
REVISED

Line No.		Test Year Ended 12/31/2006	Prior Year Ended 12/31/2005	Prior Year Ended 12/31/2004
1	**Revenues**			
2	Metered Water Revenues	$ 2,908,115	$ 2,272,966	$ 1,512,015
3	Unmetered Water Revenues	-		-
4	Other Water Revenues	208,697	215,445	126,284
5	**Total Revenues**	$ 3,116,813	$ 2,488,411	$ 1,638,298
6	**Operating Expenses**			
7	Salaries and Wages	$ 735,250	$ 800,754	$ 478,687
8	Purchased Water	77,793	78,446	35,517
9	Purchased Power	232,041	192,020	128,808
10	Chemicals	4,229	5,093	2,467
11	Repairs and Maintenance	169,792	214,771	124,151
12	Office Supplies and Expense	70,995	55,522	44,848
13	Outside Services	266,331	137,904	63,175
14	Water Testing	12,289	24,454	12,203
15	Rents	175,063	179,012	108,182
16	Transportation Expenses	214,459	195,749	148,532
17	Insurance - General Liability	52,245	41,888	25,208
18	Insurance - Health and Life	27,819	18,010	26,606
19	Regulatory Commission Expense - Rate Case	12,782	12,764	8,873
20	Miscellaneous Expense	187,311	119,024	103,112
21	Depreciation Expense	322,570	261,926	191,608
22	Taxes Other Than Income	80,959	71,034	42,405
23	Property Taxes	74,994	60,521	50,044
24	Income Tax	3,600	3,549	8,977
25	**Total Operating Expenses**	$ 2,720,522	$ 2,472,440	$ 1,603,402
26	**Operating Income**	$ 396,290	$ 15,971	$ 34,896
27	**Other Income (Expense)**			
28	Interest Income	28,783	3,567	6,856
29	Other income	-		
30	Interest Expense	(15,864)	(12,953)	(9,248)
31	Other Expense	-	-	-
32				
33	**Total Other Income (Expense)**	$ 12,920	$ (9,385)	$ (2,393)
34	**Net Profit (Loss)**	$ 409,210	$ 6,586	$ 32,504
35				
36	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
37			A-2	
38				

H2O, Inc.
Test Year Ended December 31, 2006
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa
REVISED

Line No.		Test Year Ended 12/31/2006	Prior Year Ended 12/31/2005	Prior Year Ended 12/31/2004
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 409,210	$ 6,586	$ 32,504
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	322,570	261,926	191,608
8	Depreciation and Amortization - Adjustment	(36,369)	-	115,158
9	Other	-	-	-
10	Changes in Certain Assets and Liabilities:			
11	Accounts Receivable	(21,326)	(73,505)	(40,204)
12	Unbilled Revenues	-	-	-
13	Materials and Supplies Inventory	-	-	690,608
14	Prepaid Expenses	(400)	(1,600)	3,079
15	Deferred Charges	-	-	-
16	Accounts Payable	(43,103)	(52,644)	153,113
17	Intercompany payable	(15,389)	(25,304)	(9,020)
18	Customer Deposits	45,321	35,075	(14,957)
19	Taxes Payable	(33,085)	(6,732)	35,945
20	Interest Payable	-		
21	Other assets and liabilities	(29,072)	12,354	(29,499)
22	Rounding	-	2	1
23	Net Cash Flow provided by Operating Activities	$ 598,356	$ 156,158	$ 1,128,335
24	Cash Flow From Investing Activities:			
25	Capital Expenditures	(4,396,370)	(2,216,744)	(1,888,801)
26	Plant Held for Future Use			
27	Changes in debt reserve fund	-	-	-
28	Net Cash Flows from Investing Activities	$ (4,396,370)	$ (2,216,744)	$ (1,888,801)
29	Cash Flow From Financing Activities			
30	Change in Restricted Cash	-	-	-
31	Change in net amounts due to parent and affiliates	-	-	-
32	Net receipts of contributions-in-aid of construction	3,512,498	2,428,609	196,752
33	Net receipts of advances in aid of construction	1,342,678	384,250	743,613
34	Repayments of Long-Term Debt	(9,145)	(8,614)	(22,858)
35	Dividends Paid	-	-	-
36	Deferred Financing Costs	-	-	-
37	Paid in Capital	10,500	-	82,802
38	Net Cash Flows Provided by Financing Activities	$ 4,856,531	$ 2,804,245	$ 1,000,309
39	Increase(decrease) in Cash and Cash Equivalents	1,058,517	743,659	239,843
40	Cash and Cash Equivalents at Beginning of Year	1,497,662	754,003	514,160
41	Cash and Cash Equivalents at End of Year	$ 2,556,179	$ 1,497,662	$ 754,003
42				
43	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
44				A-5

H2O, Inc.
Test Year Ended December 31, 2006
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa
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Line No.		Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 2003	$ 38,785	$ 590,859	$ (587,460)	$ 42,184
5	Addnl Paid In Capital		82,802		82,802
6	Dividends/Adjustments				-
7	Net Income			32,504	32,504
8					
9	Balance, December 31, 2004	$ 38,785	$ 673,661	$ (554,956)	$ 157,490
10	Addnl Paid In Capital		-		-
11	Dividends/Adjustments				-
12	Net Income			6,586	6,586
13					
14	Balance, December 31, 2005	$ 38,785	$ 673,661	$ (548,371)	$ 164,075
15	Addnl Paid In Capital		10,500		10,500
16	Dividends/Adjustments				-
17	Net Income			409,210	409,210
18					
19	Balance, September 31, 2006	$ 38,785	$ 684,161	$ (139,161)	$ 583,785
20					
21					
22					
23	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
24					
25					
26					
27					
28					
29					

H2O, Inc.
Test Year Ended December 31, 2006
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa
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Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2005	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2006
1					
2	301	Organization Cost	$ -	$ -	$ -
3	302	Franchise Cost	131,452	-	131,452
4	303	Land and Land Rights	7,954	-	7,954
5	304	Structures and Improvements	283,710	254,469	538,179
6	305	Collecting and Impounding Res.	-	-	-
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	228,640	27,216	255,856
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	2,965,403	1,472,179	4,437,582
13	320	Water Treatment Equipment	40,252	11,152	51,404
14	330	Distribution Reservoirs & Standpipe	1,766,902	939,515	2,706,417
15	331	Transmission and Distribution Mains	1,492,716	154,405	1,647,121
16	333	Services	183,948	23,552	207,500
17	334	Meters	1,854,665	435,761	2,290,426
18	335	Hydrants	28,407	16,936	45,343
19	336	Backflow Prevention Devices	-	-	-
20	339	Other Plant and Miscellaneous Equipment	-	-	-
21	340	Office Furniture and Fixtures	78,892	11,879	90,771
22	341	Transportation Equipment	112,111	9,129	121,240
23	342	Stores Equipment	-	-	-
24	343	Tools and Work Equipment	35,721	16,895	52,616
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	29,569	-	29,569
27	346	Communications Equipment	229,098	(4,598)	224,500
28	347	Miscellaneous Equipment	-	-	-
29	348	Other Tangible Plant	140,202	9,212	149,414
30		Plant Held for Future Use	-	-	-
31					
32		TOTAL WATER PLANT	$ 9,609,642	$ 3,377,702	$ 12,987,344
33					
34	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
35				A-4	
36				E-1	
37					

H2O, Inc.
Test Year Ended December 31, 2006
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bourassa
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Line No.		Test Year Ended 12/31/2006	Prior Year Ended 12/31/2005	Prior Year Ended 12/31/2004
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	868,002	650,905	456,448
6				
7				
8				
9	Water Revenues from Customers:	$ 2,908,115	$ 2,272,966	$ 1,512,015
10				
11				
12				
13				
14	Year End Number of Customers	6,668	5,778	4,013
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	130	113	114
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 436.13	$ 393.38	$ 376.78
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.2673	$ 0.2950	$ 0.2822
25	Purchased Water Cost per 1,000 Gallons	$ -	$ -	$ -

H2O, Inc.
Test Year Ended December 31, 2006
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
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Line No.	Description	Test Year Ended 12/31/2006	Prior Year Ended 12/31/2005	Prior Year Ended 12/31/2004
1	Description			
2				
3	Federal Income Taxes	$ 3,600	$ 3,549	$ 8,977
4	State Income Taxes	-	-	-
5	Payroll Taxes	80,959	71,034	42,405
6	Property Taxes	74,994	60,521	50,044
7				
8	Totals	$ 159,553	$ 135,103	$ 101,426
9				
10				
11				
12				
13				
14				

H2O, Inc.
Test Year Ended December 31, 2006
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa
REVISED

The Company does conduct independent audits

H2O, Inc.
Test Year Ended December 31, 2006
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa
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Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2007	At Proposed Rates Year Ended 12/31/2007
1	**Revenues**			
2	Metered Water Revenues	$ 2,908,115	$ 3,171,070	$ 2,914,127
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	208,697	208,697	208,697
5		$ 3,116,813	$ 3,379,767	$ 3,122,824
6	**Operating Expenses**			
7	Salaries and Wages	$ 735,250	$ 790,693	$ 790,693
8	Purchased Water	77,793	77,793	77,793
9	Purchased Power	232,041	253,894	253,894
10	Chemicals	4,229	4,229	4,229
11	Repairs and Maintenance	169,792	169,792	169,792
12	Office Supplies and Expense	70,995	75,119	75,119
13	Outside Services	266,331	66,331	66,331
14	Water Testing	12,289	12,289	12,289
15	Rents	175,063	175,063	175,063
16	Transportation Expenses	214,459	214,459	214,459
17	Insurance - General Liability	52,245	52,245	52,245
18	Insurance - health and Life	27,819	61,213	61,213
19	Regulatory Commission Expense - Rate Case	12,782	40,000	40,000
20	Miscellaneous Expense	187,311	187,311	187,311
21	Depreciation Expense	322,570	471,243	471,243
22	Taxes Other Than Income	80,959	63,002	63,002
23	Property Taxes	74,994	195,394	195,394
24	Income Tax	3,600	159,692	70,016
25				
26	**Total Operating Expenses**	$ 2,720,522	$ 3,069,763	$ 2,980,087
27	**Operating Income**	$ 396,290	$ 310,004	$ 142,737
28	**Other Income (Expense)**			
29	Interest Income	28,783	-	-
30	Other income	-	-	-
31	Interest Expense	(15,864)	(12,140)	(12,140)
32	Other Expense	-	-	-
33	Gain/Loss Sale of Fixed Assets	-	-	-
34	**Total Other Income (Expense)**	$ 12,920	$ (12,140)	$ (12,140)
35	**Net Profit (Loss)**	$ 409,210	$ 297,864	$ 130,597
36				

H2O, Inc.
Test Year Ended December 31, 2006
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa
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Line No.		Test Year Ended 12/31/2006	At Present Rates Year Ended 12/31/2007	At Proposed Rates Year Ended 12/31/2007
5	Cash Flows from Operating Activities			
6	Net Income	$ 409,210	$ 297,864	$ 130,597
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	322,570	471,243	471,243
10	Deferred Income Taxes	(36,369)		
11	Other	-		
12	Changes in Certain Assets and Liabilities:			
13	Accounts Receivable	(21,326)		
14	Unbilled Revenues	-		
15	Materials and Supplies Inventory	-		
16	Prepaid Expenses	(400)		
17	Deferred Charges	-		
18	Accounts Payable	(43,103)		
19	Intercompany payable	(15,389)		
20	Customer Deposits	45,321		
21	Taxes Payable	(33,085)		
22	Other assets and liabilities	-		
23				
24	Net Cash Flow provided by Operating Activities	$ 627,428	$ 769,107	$ 601,840
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(4,396,370)	(518,074)	(518,074)
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	$ (4,396,370)	$ (518,074)	$ (518,074)
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-		
32	Change in net amounts due to parent and affiliates	-		
33	Net Receipt of contributions in aid of construction	3,512,498	414,459	414,459
34	Net receipts of advances for construction	1,342,678	-	-
35	Repayments of Long-Term Debt	(9,145)	-	-
36	Dividends Paid	-	-	-
37	Deferred Financing Costs	-	-	-
38	Paid in Capital	10,500	-	-
39	Net Cash Flows Provided by Financing Activities	$ 4,856,531	$ 414,459	$ 414,459
40	Increase(decrease) in Cash and Cash Equivalents	1,087,589	665,493	498,225
41	Cash and Cash Equivalents at Beginning of Year	1,497,662	2,585,251	2,585,251
42	Cash and Cash Equivalents at End of Year	$ 2,585,251	$ 3,250,744	$ 3,083,477
43	F-3			
44				
45				

H2O, Inc.
Test Year Ended December 31, 2006
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa
REVISED

Line No.	Account Number	Plant Asset:	Test Year	2007	2008	2009
1						
2	Account					
3	Number	Plant Asset:	Test Year	2007	2008	2009
4	301	Organization Cost	$ -	$ -	$ -	$ -
5	302	Franchise Cost	-	4,483	-	-
6	303	Land and Land Rights	-	-	-	-
7	304	Structures and Improvements	254,469	88,656	225,000	130,000
8	305	Collecting and Impounding Res.	-			
9	306	Lake, River and Other Intakes	-	-	-	-
10	307	Wells and Springs	27,216	-	470,000	30,000
11	308	Infiltration Galleries and Tunnels	-			
12	309	Supply Mains	-			
13	310	Power Generation Equipment	-	-	-	-
14	311	Electric Pumping Equipment	1,472,179	11,901	695,000	550,000
15	320	Water Treatment Equipment	11,152	-	50,000	75,000
16	330	Distribution Reservoirs & Standpipe	939,515	-	1,415,000	1,200,000
17	331	Transmission and Distribution Mains	154,405	6,121	1,093,040	2,537,160
18	333	Services	23,552	16,791	173,750	415,000
19	334	Meters	435,761	326,122	223,500	518,000
20	335	Hydrants	16,936	8,639	111,000	180,000
21	336	Backflow Prevention Devices	-	-		
22	339	Plant Structures and Improvements	-	-	-	-
23	340	Office Furniture and Fixtures	11,879	10,619	-	-
24	341	Transportation Equipment	9,129	15,261	60,000	80,000
25	342	Stores Equipment	-	-		
26	343	Tools and Work Equipment	16,895	19,700	25,000	25,000
27	344	Power Operated Equipment	-	-	-	80,000
28	345	Communications Equipment	-	9,781	30,000	30,000
29	346	Miscellaneous Equipment	(4,598)	-	-	-
30	347	Miscellaneous Equipment	-	-		
31	348	Other Tangible Plant	9,212	-	25,000	30,000
32						
33	Total		$ 3,377,702	$ 518,074	$ 4,596,290	$ 5,880,160
34						
35						
36						

H2O, Inc.
Test Year Ended December 31, 2006
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa
REVISED

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2.
7	
8	Income taxes were computed using statutory state and federal income tax rates.
9	
10	
11	
12	
13	
14	
15	

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 1
Witness: Bourassa
REVISED

Line No.	Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 55,280	$ 44,656	$ (10,624)	-19.22%	1.90%	1.67%
2	3/4 Inch	Residential	$ 1,997,926	$ 1,877,980	$ (119,946)	-6.00%	68.62%	70.22%
3	1 Inch	Residential	$ 184,593	$ 157,500	$ (27,093)	-14.68%	6.34%	5.89%
4	1.5 Inch	Residential	$ 20,856	$ 16,998	$ (3,857)	-18.50%	0.72%	0.64%
5	2 Inch	Residential	$ 2,065	$ 1,612	$ (453)	-21.94%	0.07%	0.06%
6								
7		Subtotal	$ 2,260,720	$ 2,098,746	$ (161,974)	-7.16%	77.65%	78.48%
8								
9	5/8 Inch	Commercial	$ 2,299	$ 2,061	$ (238)	-10.37%	0.08%	0.08%
10	3/4 Inch	Commercial	$ 8,400	$ 8,003	$ (397)	-4.72%	0.29%	0.30%
11	1 Inch	Commercial	$ 5,055	$ 4,311	$ (744)	-14.72%	0.17%	0.16%
12	1.5 Inch	Commercial	$ 1,785	$ 1,407	$ (378)	-21.17%	0.06%	0.05%
13	2 Inch	Commercial	$ 80,656	$ 69,880	$ (10,776)	-13.36%	2.77%	2.61%
14	3 Inch	Commercial	$ 55,378	$ 47,591	$ (7,787)	-14.06%	1.90%	1.78%
15		Subtotal	$ 153,573	$ 133,253	$ (20,320)	-13.23%	5.27%	4.98%
16								
17	3/4 Inch	Landscape Irrigation	$ 3,020	$ 2,862	$ (158)	-5.22%	0.10%	0.11%
18	1 Inch	Landscape Irrigation	$ 41,891	$ 37,963	$ (3,928)	-9.38%	1.44%	1.42%
19	1.5 Inch	Landscape Irrigation	$ 32,643	$ 28,606	$ (4,037)	-12.37%	1.12%	1.07%
20	2 Inch	Landscape Irrigation	$ 335,174	$ 297,273	$ (37,902)	-11.31%	11.51%	11.12%
21								
22		Subtotal	$ 412,728	$ 366,704	$ (46,024)	-11.15%	14.18%	13.71%
23								
24								
25	2 Inch	Construction	$ 16,707	$ 15,417	$ (1,291)	-7.73%	0.57%	0.58%
26	3 Inch	Construction	$ 67,721	$ 60,169	$ (7,552)	-11.15%	2.33%	2.25%
27		Subtotal	$ 84,429	$ 75,586	$ (8,843)	-10.47%	2.90%	2.83%
28								
29	Total Revenues Before Annualization		$ 2,911,450	$ 2,674,289	$ (161,974)	-5.56%	100.00%	100.00%
30								
31								
32								
33								
34								

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Revenue Annualization: Proposed Revenues	Revenue Annualization: Dollar Change	Percent Change	Additional Bills to be Issued	Additional Gallons to be Pumped (In 1,000's)	Schedule Number
1	5/8 Inch	Residential	$ (75)	$ (57)	$ 18	0.00%	(5)	(63)	C-2, P 5.1
2	3/4 Inch	Residential	$ 203,288	$ 185,877	$ (17,410)	-8.56%	6,458	55,359	C-2, P 5.2
3	1 Inch	Residential	$ 4,766	$ 3,963	$ (803)	-16.85%	60	1,437	C-2, P 5.3
4	1.5 Inch	Residential	$ 1,446	$ 1,174	$ (272)	-18.79%	8	433	C-2, P 5.4
5	2 Inch	Residential							C-2, P 5.5
6									
7		Subtotal	$ 209,425	$ 190,958	$ (18,467)	-8.82%	6,521	57,166	
8									
9	5/8 Inch	Commercial	$ (165)	$ (125)	$ 40	0.00%	(11)	(177)	C-2, P 5.6
10	3/4 Inch	Commercial	$ 1,309	$ 1,270	$ (39)	-3.00%	20	529	C-2, P 5.7
11	1 Inch	Commercial	$ 387	$ 325	$ (62)	-15.98%	5	113	C-2, P 5.8
12	1.5 Inch	Commercial	$ -	$ -	$ -	0.00%	-	-	C-2, P 5.9
13	2 Inch	Commercial	$ (4,326)	$ (3,575)	$ 752	0.00%	(10)	(1,521)	C-2, P 5.10
14	3 Inch	Commercial	$ (9,659)	$ (7,995)	$ 1,664	0.00%	(12)	(3,346)	C-2, P 5.11
15		Subtotal	$ (12,454)	$ (10,099)	$ 2,355	-18.91%	(8)	(4,402)	
16									
17	3/4 Inch	Landscape Irrigation	$ 836	$ 772	$ (64)	-7.61%	23	260	C-2, P 5.12
18	1 Inch	Landscape Irrigation	$ 6,411	$ 5,789	$ (622)	-9.70%	26	2,686	C-2, P 5.13
19	1.5 Inch	Landscape Irrigation	$ 8,305	$ 7,317	$ (988)	-11.89%	18	3,368	C-2, P 5.14
20	2 Inch	Landscape Irrigation	$ 50,432	$ 44,430	$ (6,002)	-11.90%	62	20,622	C-2, P 5.15
21									
22		Subtotal	$ 65,984	$ 58,309	$ (7,676)	-11.63%	129	26,935	
23									
24									
25	2 Inch	Construction							
26	3 Inch	Construction							
27		Subtotal	$ -	$ -	$ -	0.00%	-	-	
28									
29									
30									
31									
32	Total Revenue Annualization		$ 262,954	$ 239,167	$ (23,787)	-9.05%	6,642	79,698	
33									
34									

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Subtotal Metered Revenues	$ 2,911,450	$ 2,674,289	$ (237,161)	-8.15%	100.00%	100.00%
2	Subtotal Revenue Annualization	262,954	239,167	(23,787)	-9.05%	9.03%	8.94%
3	Total Metered Revenues	$ 3,174,404	$ 2,913,456	$ (260,948)	-8.22%		
4							
5	Misc. Revenues	$ 208,697	$ 208,697	-	0.00%	7.17%	7.80%
6	Reconciling Amount to GL	(3,335)	-	3,335			
7	Total Water Revenues	$ 3,383,102	$ 3,122,153	$ (257,614)	-7.61%	0.00%	0.00%
8							
9							
10	**Revenue Reconciliation**						
11							
12	Revenue per bill count before revenue annualization		$ 2,911,450				
13	Revenue per GL (metered water revenues)		2,908,115				
14	Difference		$ 3,335				
15	Difference %		0.11%				
16	Tolerance %		0.50%				
17	Tolerance Amount + or -		$ 14,541				
18							
19	Acceptable?		YES				
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							

H2O, Inc.
Test Year Ended December 31, 2006
Customer Summary

Exhibit
Schedule H-2
Page 1
Witness: Bourassa
REVISED

Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2006	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	232	3,554	$ 19.55	$ 15.39	(4.15)	-21.26%
2	3/4 Inch	Residential	5,299	8,334	$ 31.05	$ 28.24	(2.81)	-9.05%
3	1 Inch	Residential	180	25,909	$ 83.29	$ 68.66	(14.63)	-17.56%
4	1.5 Inch	Residential	10	47,728	$ 167.33	$ 130.20	(37.12)	-22.19%
5	2 Inch	Residential	1	44,752	$ 206.05	$ 159.64	(46.41)	-22.52%
6								
7		Subtotal	5,722					
8								
9	5/8 Inch	Commercial	4	17,614	$ 44.57	$ 40.29	(4.28)	-9.60%
10	3/4 Inch	Commercial	11	23,312	$ 58.81	$ 57.30	(1.51)	-2.56%
11	1 Inch	Commercial	6	20,643	$ 72.18	$ 60.14	(12.04)	-16.68%
12	1.5 Inch	Commercial	1	38,917	$ 148.74	$ 116.63	(32.10)	-21.58%
13	2 Inch	Commercial	14	176,803	$ 484.68	$ 406.56	(78.12)	-16.12%
14	3 Inch	Commercial	7	208,665	$ 656.90	$ 524.68	(132.22)	-20.13%
15		Subtotal	43					
16								
17	3/4 Inch	Landscape Irrigation	7	10,283	$ 34.52	$ 31.37	(3.15)	-9.13%
18	1 Inch	Landscape Irrigation	15	97,197	$ 233.71	$ 210.52	(23.18)	-9.92%
19	1.5 Inch	Landscape Irrigation	8	139,708	$ 361.40	$ 312.22	(49.19)	-13.61%
20	2 Inch	Landscape Irrigation	35	326,843	$ 801.26	$ 705.14	(96.12)	-12.00%
21								
22		Subtotal	64					
23								
24								
25	2 Inch	Construction	2	341,763	$ 832.74	$ 770.83	(61.91)	-7.43%
26	3 Inch	Construction	12	120,263	$ 470.38	$ 420.76	(49.61)	-10.55%
27		Subtotal	14					
28								
29								
30		Total	5,843					

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

H2O, Inc.
Customer Count Summary
Test Year Ended December 31, 2006

Exhibit
Schedule H-2
Page 2
Witness: Bourassa
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Meter Size	Class	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
5/8 Inch	Residential	239	246	242	241	223	226	229
3/4 Inch	Residential	5,011	4,981	4,962	4,977	4,975	5,053	5,174
1 Inch	Residential	175	173	178	179	181	184	180
1.5 Inch	Residential	10	11	10	10	10	10	10
2 Inch	Residential	-	-	1	1	1	1	1
	Subtotal	5,435	5,411	5,393	5,408	5,390	5,474	5,594
5/8 Inch	Commercial	4	4	4	4	4	4	4
3/4 Inch	Commercial	10	10	11	11	11	11	11
1 Inch	Commercial	6	5	5	5	5	5	6
1.5 Inch	Commercial	1	1	1	1	1	1	1
2 Inch	Commercial	16	16	15	15	13	13	13
3 Inch	Commercial	10	10	11	8	7	6	6
	Subtotal	43	42	43	40	37	36	37
3/4 Inch	Landscape Irrigation	7	5	5	5	5	8	8
1 Inch	Landscape Irrigation	13	13	13	13	14	15	15
1.5 Inch	Landscape Irrigation	5	5	6	5	6	8	9
2 Inch	Landscape Irrigation	29	29	29	29	30	37	38
	Subtotal	54	52	53	52	55	68	70
2 Inch	Construction	-	-	2	1	2	1	1
3 Inch	Construction	-	5	5	7	9	14	17
	Subtotal	-	5	7	8	11	15	18
Totals		5,532	5,510	5,496	5,508	5,493	5,593	5,719

H2O, Inc.
Customer Count Summary
Test Year Ended December 31, 2006

Exhibit
Schedule H-2
Page 2.1
Witness: Bourassa

Meter Size		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Change from Beginning of Year to Year End	Revenues Annual-ized
5/8 Inch	Residential	227	226	227	231	232	(7)	Yes
1 Inch	Residential	5,557	5,608	5,700	5,751	5,837	826	Yes
1.5 Inch	Residential	181	181	180	183	185	10	Yes
2 Inch	Residential	10	12	10	10	11	1	Yes
	Subtotal	5,975	6,027	6,117	6,175	6,265	830	
5/8 Inch	Commercial	4	4	4	4	3	(1)	Yes
3/4 Inch	Commercial	12	12	12	12	13	3	Yes
1 Inch	Commercial	6	6	6	6	6	-	Yes
1.5 Inch	Commercial	1	1	1	1	1	-	Yes
2 Inch	Commercial	13	13	13	13	13	(3)	Yes
3 Inch	Commercial	5	5	5	5	6	(4)	Yes
	Subtotal	41	41	41	41	42	831	
3/4 Inch	Landscape Irrigation	8	8	8	9	9	2	Yes
1 Inch	Landscape Irrigation	15	15	17	18	17	4	Yes
1.5 Inch	Landscape Irrigation	9	9	9	10	9	4	Yes
2 Inch	Landscape Irrigation	39	38	39	41	40	11	Yes
	Subtotal	71	70	73	78	75	(4)	
2 Inch	Construction	8	8	8	9	9	4	No
3 Inch	Construction	15	15	17	18	17	14	No
	Subtotal	23	23	25	27	26	18	
Totals		6,087	6,138	6,231	6,294	6,382	1,675	

H2O, Inc.
Gallons Sold Summary in 1,000's
Test Year Ended December 31, 2006

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Schedule H-2
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Witness: Bourassa
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Meter Size	Class	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
5/8 Inch	Residential	1,233	1,026	941	1,077	690	833	727
3/4 Inch	Residential	36,006	30,381	31,005	42,536	47,888	63,159	55,644
1 Inch	Residential	3,982	3,092	2,987	4,438	5,373	7,375	6,325
1.5 Inch	Residential	299	274	197	321	392	1,052	915
2 Inch	Residential	-	-	9	47	51	47	34
	Subtotal	41,521	34,772	35,139	48,418	54,393	72,465	63,644
5/8 Inch	Commercial	13	165	277	18	44	63	42
3/4 Inch	Commercial	325	278	237	256	314	380	301
1 Inch	Commercial	109	74	58	110	105	222	156
1.5 Inch	Commercial	40	33	28	31	28	38	28
2 Inch	Commercial	2,709	2,224	1,938	2,535	2,543	3,267	2,848
3 Inch	Commercial	2,986	3,185	1,455	2,250	1,810	1,079	1,107
	Subtotal	6,182	5,957	3,993	5,198	4,843	5,047	4,481
3/4 Inch	Landscape Irrigation	86	45	52	66	70	93	91
1 Inch	Landscape Irrigation	1,330	1,187	925	1,177	1,441	2,587	1,954
1.5 Inch	Landscape Irrigation	1,303	848	558	956	1,017	1,557	1,735
2 Inch	Landscape Irrigation	8,874	7,464	6,604	9,304	14,766	23,196	19,162
	Subtotal	11,593	9,544	8,139	11,503	17,294	27,433	22,942
2 Inch	Construction	-	-	151	134	231	269	173
3 Inch	Construction	-	339	1,758	2,530	1,044	507	1,963
	subtotal	-	339	1,909	2,663	1,275	776	2,136
Totals		59,296	50,612	49,179	67,782	77,805	105,722	93,204

H2O, Inc.
Gallons Sold Summary in 1,000's
Test Year Ended December 31, 2006

Exhibit
Schedule H-2
Page 3.1
Witness: Bourassa

Meter Size	Class	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Annualization Gallons
5/8 Inch	Residential	660	668	677	828	553	9,912	(63)
3/4 Inch	Residential	48,350	47,229	42,076	52,301	33,345	529,919	55,359
1 Inch	Residential	5,107	4,609	4,369	5,361	2,945	55,963	1,437
1.5 Inch	Residential	452	556	421	741	300	5,918	433
2 Inch	Residential	19	114	48	34	49	448	-
3 Inch	Residential	-	-	-	-	-	-	-
	Subtotal	54,587	53,177	47,590	59,264	37,190	602,160	57,166
5/8 Inch	Commercial	33	6	36	13	120	828	(177)
3/4 Inch	Commercial	239	214	206	267	155	3,170	529
1 Inch	Commercial	97	67	96	143	148	1,383	113
1.5 Inch	Commercial	47	50	36	67	47	467	-
2 Inch	Commercial	2,838	2,454	2,045	2,340	1,609	29,349	(1,521)
3 Inch	Commercial	529	1,059	785	652	633	17,528	(3,346)
	Subtotal	3,782	3,848	3,203	3,480	2,712	52,726	(4,402)
3/4 Inch	Landscape Irrigation	79	90	44	91	69	874	260
1 Inch	Landscape Irrigation	1,808	1,367	1,580	1,313	631	17,301	2,686
1.5 Inch	Landscape Irrigation	1,268	1,146	688	1,010	486	12,574	3,368
2 Inch	Landscape Irrigation	11,241	8,543	7,402	14,288	5,777	136,621	20,622
	Subtotal	14,396	11,146	9,714	16,701	6,964	167,369	26,935
2 Inch	Construction	105	2,107	2,137	274	1,255	6,835	-
3 Inch	Construction	1,047	1,342	2,415	2,477	1,775	17,198	-
	Subtotal	1,152	3,449	4,552	2,751	3,030	24,033	-
Total		73,917	71,621	65,059	82,197	49,895	846,288	79,698

H2O, Inc.
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1
Witness: Bourassa
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Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 15.00	$ 11.34	$ (3.66)	-24.40%
3	3/4 Inch	$ 18.00	$ 17.01	$ (0.99)	-5.50%
4	1 Inch	$ 37.00	$ 28.35	$ (8.65)	-23.38%
5	1 1/2 Inch	$ 75.00	$ 56.70	$ (18.30)	-24.40%
6	2 Inch	$ 120.00	$ 90.72	$ (29.28)	-24.40%
7	3 Inch	N/A	$ 181.44	N/A	
8	4 Inch	N/A	$ 283.50	N/A	
9	6 Inch	N/A	$ 567.00	N/A	
10					
11					
12					
13					
14					
15					
16	Gallons In Minimum (All Zones and Classes)	1,000	-		
17					
18			(Per 1,000 gallons)		
19	**Commodity Rates**		**Present**	**Proposed**	
20	**(Residential, Commercial, Industrial)**	**Block**	**Rate**	**Rate**	**Change**	**Percent Change**
21						
22	All Meter Sizes	1,001 gallons to 20,000 gallons	$ 1.78	N/A	N/A	N/A
23		Over 20,000 gallons	$ 2.11	N/A	N/A	N/A
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						

H2O, Inc.
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Schedule H-3
Page 2
Witness: Bourassa

Line No.			(Per 1,000 gallons) Present Rate		Proposed Rate	Change	Percent Change
1							
2	**Commodity Rates**						
3	**(Residential, Commercial, Irrigationl)**	**Block**					
4	5/8 Inch Meter	1 gallons to 4,000 gallons	N/A	$	1.140	N/A	N/A
5		4,001 gallons to 10,000 gallons	N/A	$	1.540	N/A	N/A
6		over 10,000 gallons	N/A	$	1.990	N/A	N/A
7							
8	3/4 Inch Meter	1 gallons to 4,000 gallons	N/A	$	1.140	N/A	N/A
9		4,001 gallons to 10,000 gallons	N/A	$	1.540	N/A	N/A
10		over 10,000 gallons	N/A	$	1.990	N/A	N/A
11							
12	1 Inch Meter	1 gallons to 25,000 gallons	N/A	$	1.540	N/A	N/A
13		over 25,000 gallons	N/A	$	1.990	N/A	N/A
14	1.5 Inch Meter	1 gallons to 50,000 gallons	N/A	$	1.540	N/A	N/A
15		over 50,000 gallons	N/A	$	1.990	N/A	N/A
16							
17	2 Inch Meter	1 gallons to 80,000 gallons	N/A	$	1.540	N/A	N/A
18		over 80,000 gallons	N/A	$	1.990	N/A	N/A
19							
20	3 Inch Meter	1 gallons to 160,000 gallons	N/A	$	1.540	N/A	N/A
21		over 160,000 gallons	N/A	$	1.990	N/A	N/A
22							
23	4 Inch Meter	1 gallons to 250,000 gallons	N/A	$	1.540	N/A	N/A
24		over 250,000 gallons	N/A	$	1.990	N/A	N/A
25							
26	6 Inch Meter	1 gallons to 500,000 gallons	N/A	$	1.540	N/A	N/A
27		over 500,000 gallons	N/A	$	1.990	N/A	N/A
28							
29							
30							
31							
32							
33	**Construction/Standpipe/Bulk**	All gallons	N/A	$	1.990	N/A	N/A
34							

H2O, Inc.
Changes in Representative Rate Schedules
Test Year Ended December 31, 2006

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Schedule H-3
Page 3
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Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 15.00	$ 15.00
2	Establishment (After Hours)	$ 25.00	$ 25.00
3	Reconnection (Deliquent)	$ 15.00	$ 15.00
4	Reconnection (Deliquent and After Hours)	N/A	$ 15.00
5	Meter Test	$ 25.00	$ 25.00
6	Deposit Requirement (Residential)	(a)	(a)
7	Deposit Requirement (None Residential Meter)	(a)	(a)
8	Deposit Interest	(b)	(b)
9	Re-Establishment (With-in 12 Months)	(c)	(c)
10	Re-Establishment (After Hours)	(c)	(c)
11	NSF Check	$ 25.00	$ 25.00
12	Deferred Payment, Per Month	12.00%	1.50%
13	Meter Re-Read	$ 10.00	$ 10.00
14	Charge of Moving Customer Meter -		
15	Customer Requested per Rule R14-2-405B	Cost	Cost
16	After hours service charge, per Rule R14-2-403D	Refer to	Refer to
17		Above	Above
18		Charges	Charges
19	Late Charge per month	1.5%	1.5%
20	Off-site Facilities Hook-up Fee (See H-3, page 5)	(d)	(d)
21	CAP Hook-up Fee (See H-3, page 5)	(e)	(e)
22	Company Locks Damaged by Customer	(f)	(f)
23	Mains Damaged by Customer	(f)	(f)
24			

25 (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
26 (b) Interest per Rule R14-2-403(B).
27 (c) Minimum charge times number of full months off the system. per Rule R14-2-403(D).
28 (d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-
29 division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide
30 water production, delivery, storage, and presssure among all new service connections.
31 (e) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-
32 division. Purpose is to recover the costs of additonal 1,931 a.f. of CAP allocation. Fee will be recomputed
33 annually to take into account carrying costs of unrecovered balance and annual payment.
34 (f) Per Commission Rule R14-2-407(B).
35
36
37 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
38 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
39 TAX. PER COMMISSION RULE 14-2-409D(5).
40 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
41 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.
42
43 All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes.
44 including all gross-up taxes, if applicable.

H2O, Inc.
Test Year Ended December 31, 2006
Meter and Service Line Charges

Exhibit
Schedule H-3
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Witness: Bourassa
REVISED

Meter and Service Line Charges

Meter Size	Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	(a) Proposed Service Line Charge	Proposed Meter Install-ation Charge	(a) Total Proposed Charge
5/8 x 3/4 Inch			$ 285.00	$ 385.00	$ 135.00	$ 520.00
3/4 Inch			320.00	385.00	215.00	600.00
1 Inch			360.00	435.00	255.00	690.00
1 1/2 Inch			545.00	470.00	465.00	935.00
2 Inch			915.00	N/A	N/A	N/A
2 Inch / Turbine			N/T	630.00	965.00	1,595.00
2 Inch / Compound			N/A	630.00	1,690.00	2,320.00
3 Inch			1,150.00	N/A	N/A	N/A
3 Inch / Turbine			N/T	805.00	1,470.00	2,275.00
3 Inch / Compound			N/T	845.00	2,265.00	3,110.00
4 Inch			1,885.00	N/A	N/A	N/A
4 Inch / Turbine			N/T	1,170.00	2,350.00	3,520.00
4 Inch / Compound			N/T	1,230.00	3,245.00	4,475.00
6 Inch			3,780.00	N/A	N/A	N/A
6 Inch / Turbine			N/T	1,730.00	4,545.00	6,275.00
6 Inch / Compound			N/T	1,770.00	6,280.00	8,050.00
8 Inch & Larger			N/T	At Cost	At Cost	At Cost

N/T = No Tariff

(a) As meters and service lines are now taxable income for income purposes, The Company shall collect income taxes on the meter and service line charges. Any tax collected will be refunded each year as the meter deposit is refunded.

H2O, Inc.
Test Year Ended December 31, 2006
Capacity Reservation Charges

Exhibit
Schedule H-3
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Witness: Bourassa
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Line No.			
1			
2	**Off-site Capacity Reservation Charge (Hook-up Fee)**		
3			
4			
5	Meter Size	Present	Proposed
6	5/8 x 3/4 Inch	$ 875.00	$ 875.00
7	3/4 Inch	$ 1,050.00	$ 1,050.00
8	1 Inch	$ 1,750.00	$ 1,750.00
9	1 1/2 Inch	$ 3,500.00	$ 3,500.00
10	2 Inch	$ 5,600.00	$ 5,600.00
11	3 Inch	$ 10,500.00	$ 10,500.00
12	4 Inch	$ 17,500.00	$ 17,500.00
13	6 Inch and larger	$ 35,000.00	$ 35,000.00
14			
15			
16			
17			
18	N/T = No Tariff		
19			
20			

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch

Exhibit
Schedule H-4
Page 1
Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.00	$ 11.34	$ (3.66)	-24.40%
1,000	15.00	12.48	$ (2.52)	-16.80%
2,000	16.78	13.62	$ (3.16)	-18.83%
3,000	18.56	14.76	$ (3.80)	-20.47%
4,000	20.34	15.90	$ (4.44)	-21.83%
5,000	22.12	17.44	$ (4.68)	-21.16%
6,000	23.90	18.98	$ (4.92)	-20.59%
7,000	25.68	20.52	$ (5.16)	-20.09%
8,000	27.46	22.06	$ (5.40)	-19.66%
9,000	29.24	23.60	$ (5.64)	-19.29%
10,000	31.02	25.14	$ (5.88)	-18.96%
12,000	34.58	29.12	$ (5.46)	-15.79%
14,000	38.14	33.10	$ (5.04)	-13.21%
16,000	41.70	37.08	$ (4.62)	-11.08%
18,000	45.26	41.06	$ (4.20)	-9.28%
20,000	48.82	45.04	$ (3.78)	-7.74%
25,000	59.37	54.99	$ (4.38)	-7.38%
30,000	69.92	64.94	$ (4.98)	-7.12%
35,000	80.47	74.89	$ (5.58)	-6.93%
40,000	91.02	84.84	$ (6.18)	-6.79%
45,000	101.57	94.79	$ (6.78)	-6.68%
50,000	112.12	104.74	$ (7.38)	-6.58%
60,000	133.22	124.64	$ (8.58)	-6.44%
70,000	154.32	144.54	$ (9.78)	-6.34%
80,000	175.42	164.44	$ (10.98)	-6.26%
90,000	196.52	184.34	$ (12.18)	-6.20%
100,000	217.62	204.24	$ (13.38)	-6.15%
Average Usage				
3,554	$ 19.55	$ 15.39	$ (4.15)	-21.26%
Median Usage				
2,500	$ 17.67	$ 14.19	$ (3.48)	-19.69%

Present Rates:

Monthly Minimum:		$	15.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Up to	99,999,999	$	2.11
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	11.34
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.14
Up to	10,000	$	1.54
Over	10,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-4
Page 2
Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 18.00	$ 17.01	$ (0.99)	-5.50%
1,000	18.00	18.15	$ 0.15	0.83%
2,000	19.78	19.29	$ (0.49)	-2.48%
3,000	21.56	20.43	$ (1.13)	-5.24%
4,000	23.34	21.57	$ (1.77)	-7.58%
5,000	25.12	23.11	$ (2.01)	-8.00%
6,000	26.90	24.65	$ (2.25)	-8.36%
7,000	28.68	26.19	$ (2.49)	-8.68%
8,000	30.46	27.73	$ (2.73)	-8.96%
9,000	32.24	29.27	$ (2.97)	-9.21%
10,000	34.02	30.81	$ (3.21)	-9.44%
12,000	37.58	34.79	$ (2.79)	-7.42%
14,000	41.14	38.77	$ (2.37)	-5.76%
16,000	44.70	42.75	$ (1.95)	-4.36%
18,000	48.26	46.73	$ (1.53)	-3.17%
20,000	51.82	50.71	$ (1.11)	-2.14%
25,000	62.37	60.66	$ (1.71)	-2.74%
30,000	72.92	70.61	$ (2.31)	-3.17%
35,000	83.47	80.56	$ (2.91)	-3.49%
40,000	94.02	90.51	$ (3.51)	-3.73%
45,000	104.57	100.46	$ (4.11)	-3.93%
50,000	115.12	110.41	$ (4.71)	-4.09%
60,000	136.22	130.31	$ (5.91)	-4.34%
70,000	157.32	150.21	$ (7.11)	-4.52%
80,000	178.42	170.11	$ (8.31)	-4.66%
90,000	199.52	190.01	$ (9.51)	-4.77%
100,000	220.62	209.91	$ (10.71)	-4.85%
Average Usage				
8,334	$ 31.05	$ 28.24	$ (2.81)	-9.05%
Median Usage				
6,500	$ 27.79	$ 25.42	$ (2.37)	-8.53%

Present Rates:

Monthly Minimum:		$	18.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Up to	99,999,999	$	2.11
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	17.01
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.14
Up to	10,000	$	1.54
Over	10,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Schedule H-4
Page 3
Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 37.00	$ 28.35	$ (8.65)	-23.38%
1,000	37.00	29.89	$ (7.11)	-19.22%
2,000	38.78	31.43	$ (7.35)	-18.95%
3,000	40.56	32.97	$ (7.59)	-18.71%
4,000	42.34	34.51	$ (7.83)	-18.49%
5,000	44.12	36.05	$ (8.07)	-18.29%
6,000	45.90	37.59	$ (8.31)	-18.10%
7,000	47.68	39.13	$ (8.55)	-17.93%
8,000	49.46	40.67	$ (8.79)	-17.77%
9,000	51.24	42.21	$ (9.03)	-17.62%
10,000	53.02	43.75	$ (9.27)	-17.48%
12,000	56.58	46.83	$ (9.75)	-17.23%
14,000	60.14	49.91	$ (10.23)	-17.01%
16,000	63.70	52.99	$ (10.71)	-16.81%
18,000	67.26	56.07	$ (11.19)	-16.64%
20,000	70.82	59.15	$ (11.67)	-16.48%
25,000	81.37	66.85	$ (14.52)	-17.84%
30,000	91.92	76.80	$ (15.12)	-16.45%
35,000	102.47	86.75	$ (15.72)	-15.34%
40,000	113.02	96.70	$ (16.32)	-14.44%
45,000	123.57	106.65	$ (16.92)	-13.69%
50,000	134.12	116.60	$ (17.52)	-13.06%
60,000	155.22	136.50	$ (18.72)	-12.06%
70,000	176.32	156.40	$ (19.92)	-11.30%
80,000	197.42	176.30	$ (21.12)	-10.70%
90,000	218.52	196.20	$ (22.32)	-10.21%
100,000	239.62	216.10	$ (23.52)	-9.82%
Average Usage				
25,909	$ 83.29	$ 68.66	$ (14.63)	-17.56%
Median Usage				
17,500	$ 66.37	$ 55.30	$ (11.07)	-16.68%

Present Rates:

Monthly Minimum:		$	37.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	28.35
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.54
Over	25,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Residential

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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 75.00	$ 56.70	$ (18.30)	-24.40%
1,000	75.00	58.24	$ (16.76)	-22.35%
2,000	76.78	59.78	$ (17.00)	-22.14%
3,000	78.56	61.32	$ (17.24)	-21.95%
4,000	80.34	62.86	$ (17.48)	-21.76%
5,000	82.12	64.40	$ (17.72)	-21.58%
6,000	83.90	65.94	$ (17.96)	-21.41%
7,000	85.68	67.48	$ (18.20)	-21.24%
8,000	87.46	69.02	$ (18.44)	-21.08%
9,000	89.24	70.56	$ (18.68)	-20.93%
10,000	91.02	72.10	$ (18.92)	-20.79%
12,000	94.58	75.18	$ (19.40)	-20.51%
14,000	98.14	78.26	$ (19.88)	-20.26%
16,000	101.70	81.34	$ (20.36)	-20.02%
18,000	105.26	84.42	$ (20.84)	-19.80%
20,000	108.82	87.50	$ (21.32)	-19.59%
25,000	119.37	95.20	$ (24.17)	-20.25%
30,000	129.92	102.90	$ (27.02)	-20.80%
35,000	140.47	110.60	$ (29.87)	-21.26%
40,000	151.02	118.30	$ (32.72)	-21.67%
45,000	161.57	126.00	$ (35.57)	-22.02%
50,000	172.12	133.70	$ (38.42)	-22.32%
60,000	193.22	153.60	$ (39.62)	-20.51%
70,000	214.32	173.50	$ (40.82)	-19.05%
80,000	235.42	193.40	$ (42.02)	-17.85%
90,000	256.52	213.30	$ (43.22)	-16.85%
100,000	277.62	233.20	$ (44.42)	-16.00%
Average Usage				
47,728	$ 167.33	$ 130.20	$ (37.12)	-22.19%
Median Usage				
34,500	$ 139.42	$ 109.83	$ (29.59)	-21.22%

Present Rates:

Monthly Minimum:		$	75.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	56.70
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	1.54
Over	50,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Residential

Exhibit
Schedule H-4
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Witness: Bourassa
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Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 90.72	$ (29.28)	-24.40%
1,000	120.00	92.26	$ (27.74)	-23.12%
2,000	121.78	93.80	$ (27.98)	-22.98%
3,000	123.56	95.34	$ (28.22)	-22.84%
4,000	125.34	96.88	$ (28.46)	-22.71%
5,000	127.12	98.42	$ (28.70)	-22.58%
6,000	128.90	99.96	$ (28.94)	-22.45%
7,000	130.68	101.50	$ (29.18)	-22.33%
8,000	132.46	103.04	$ (29.42)	-22.21%
9,000	134.24	104.58	$ (29.66)	-22.09%
10,000	136.02	106.12	$ (29.90)	-21.98%
12,000	139.58	109.20	$ (30.38)	-21.77%
14,000	143.14	112.28	$ (30.86)	-21.56%
16,000	146.70	115.36	$ (31.34)	-21.36%
18,000	150.26	118.44	$ (31.82)	-21.18%
20,000	153.82	121.52	$ (32.30)	-21.00%
25,000	164.37	129.22	$ (35.15)	-21.38%
30,000	174.92	136.92	$ (38.00)	-21.72%
35,000	185.47	144.62	$ (40.85)	-22.03%
40,000	196.02	152.32	$ (43.70)	-22.29%
45,000	206.57	160.02	$ (46.55)	-22.53%
50,000	217.12	167.72	$ (49.40)	-22.75%
60,000	238.22	183.12	$ (55.10)	-23.13%
70,000	259.32	198.52	$ (60.80)	-23.45%
80,000	280.42	213.92	$ (66.50)	-23.71%
90,000	301.52	233.82	$ (67.70)	-22.45%
100,000	322.62	253.72	$ (68.90)	-21.36%
Average Usage				
44,752	$ 206.05	$ 159.64	$ (46.41)	-22.52%
Median Usage				
46,500	$ 209.74	$ 162.33	$ (47.41)	-22.60%

Present Rates:

Monthly Minimum:		$	120.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	90.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	1.54
Over	80,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-4
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Witness: Bourassa
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Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.00	$ 11.34	$ (3.66)	-24.40%
1,000	15.00	12.48	$ (2.52)	-16.80%
2,000	16.78	13.62	$ (3.16)	-18.83%
3,000	18.56	14.76	$ (3.80)	-20.47%
4,000	20.34	15.90	$ (4.44)	-21.83%
5,000	22.12	17.44	$ (4.68)	-21.16%
6,000	23.90	18.98	$ (4.92)	-20.59%
7,000	25.68	20.52	$ (5.16)	-20.09%
8,000	27.46	22.06	$ (5.40)	-19.66%
9,000	29.24	23.60	$ (5.64)	-19.29%
10,000	31.02	25.14	$ (5.88)	-18.96%
12,000	34.58	29.12	$ (5.46)	-15.79%
14,000	38.14	33.10	$ (5.04)	-13.21%
16,000	41.70	37.08	$ (4.62)	-11.08%
18,000	45.26	41.06	$ (4.20)	-9.28%
20,000	48.82	45.04	$ (3.78)	-7.74%
25,000	59.37	54.99	$ (4.38)	-7.38%
30,000	69.92	64.94	$ (4.98)	-7.12%
35,000	80.47	74.89	$ (5.58)	-6.93%
40,000	91.02	84.84	$ (6.18)	-6.79%
45,000	101.57	94.79	$ (6.78)	-6.68%
50,000	112.12	104.74	$ (7.38)	-6.58%
60,000	133.22	124.64	$ (8.58)	-6.44%
70,000	154.32	144.54	$ (9.78)	-6.34%
80,000	175.42	164.44	$ (10.98)	-6.26%
90,000	196.52	184.34	$ (12.18)	-6.20%
100,000	217.62	204.24	$ (13.38)	-6.15%
Average Usage				
17,614	$ 44.57	$ 40.29	$ (4.28)	-9.60%
Median Usage				
1,500	$ 15.89	$ 13.05	$ (2.84)	-17.87%

Present Rates:

Monthly Minimum:		$	15.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Up to	99,999,999	$	2.11
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	11.34
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.14
Up to	10,000	$	1.54
Over	10,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Commercial

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 18.00	$ 17.01	$ (0.99)	-5.50%
1,000	18.00	18.15	$ 0.15	0.83%
2,000	19.78	19.29	$ (0.49)	-2.48%
3,000	21.56	20.43	$ (1.13)	-5.24%
4,000	23.34	21.57	$ (1.77)	-7.58%
5,000	25.12	23.11	$ (2.01)	-8.00%
6,000	26.90	24.65	$ (2.25)	-8.36%
7,000	28.68	26.19	$ (2.49)	-8.68%
8,000	30.46	27.73	$ (2.73)	-8.96%
9,000	32.24	29.27	$ (2.97)	-9.21%
10,000	34.02	30.81	$ (3.21)	-9.44%
12,000	37.58	34.79	$ (2.79)	-7.42%
14,000	41.14	38.77	$ (2.37)	-5.76%
16,000	44.70	42.75	$ (1.95)	-4.36%
18,000	48.26	46.73	$ (1.53)	-3.17%
20,000	51.82	50.71	$ (1.11)	-2.14%
25,000	62.37	60.66	$ (1.71)	-2.74%
30,000	72.92	70.61	$ (2.31)	-3.17%
35,000	83.47	80.56	$ (2.91)	-3.49%
40,000	94.02	90.51	$ (3.51)	-3.73%
45,000	104.57	100.46	$ (4.11)	-3.93%
50,000	115.12	110.41	$ (4.71)	-4.09%
60,000	136.22	130.31	$ (5.91)	-4.34%
70,000	157.32	150.21	$ (7.11)	-4.52%
80,000	178.42	170.11	$ (8.31)	-4.66%
90,000	199.52	190.01	$ (9.51)	-4.77%
100,000	220.62	209.91	$ (10.71)	-4.85%
Average Usage				
23,312	$ 58.81	$ 57.30	$ (1.51)	-2.56%
Median Usage				
11,500	$ 36.69	$ 33.80	$ (2.90)	-7.89%

Present Rates:

Monthly Minimum:		$	18.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Up to	99,999,999	$	2.11
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	17.01
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.14
Up to	10,000	$	1.54
Over	10,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 37.00	$ 28.35	$ (8.65)	-23.38%
1,000	37.00	29.89	$ (7.11)	-19.22%
2,000	38.78	31.43	$ (7.35)	-18.95%
3,000	40.56	32.97	$ (7.59)	-18.71%
4,000	42.34	34.51	$ (7.83)	-18.49%
5,000	44.12	36.05	$ (8.07)	-18.29%
6,000	45.90	37.59	$ (8.31)	-18.10%
7,000	47.68	39.13	$ (8.55)	-17.93%
8,000	49.46	40.67	$ (8.79)	-17.77%
9,000	51.24	42.21	$ (9.03)	-17.62%
10,000	53.02	43.75	$ (9.27)	-17.48%
12,000	56.58	46.83	$ (9.75)	-17.23%
14,000	60.14	49.91	$ (10.23)	-17.01%
16,000	63.70	52.99	$ (10.71)	-16.81%
18,000	67.26	56.07	$ (11.19)	-16.64%
20,000	70.82	59.15	$ (11.67)	-16.48%
25,000	81.37	66.85	$ (14.52)	-17.84%
30,000	91.92	76.80	$ (15.12)	-16.45%
35,000	102.47	86.75	$ (15.72)	-15.34%
40,000	113.02	96.70	$ (16.32)	-14.44%
45,000	123.57	106.65	$ (16.92)	-13.69%
50,000	134.12	116.60	$ (17.52)	-13.06%
60,000	155.22	136.50	$ (18.72)	-12.06%
70,000	176.32	156.40	$ (19.92)	-11.30%
80,000	197.42	176.30	$ (21.12)	-10.70%
90,000	218.52	196.20	$ (22.32)	-10.21%
100,000	239.62	216.10	$ (23.52)	-9.82%
Average Usage				
20,643	$ 72.18	$ 60.14	$ (12.04)	-16.68%
Median Usage				
8,500	$ 50.35	$ 41.44	$ (8.91)	-17.70%

Present Rates:

Monthly Minimum:		$	37.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	28.35
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.54
Over	25,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 75.00	$ 56.70	$ (18.30)	-24.40%
1,000	75.00	58.24	$ (16.76)	-22.35%
2,000	76.78	59.78	$ (17.00)	-22.14%
3,000	78.56	61.32	$ (17.24)	-21.95%
4,000	80.34	62.86	$ (17.48)	-21.76%
5,000	82.12	64.40	$ (17.72)	-21.58%
6,000	83.90	65.94	$ (17.96)	-21.41%
7,000	85.68	67.48	$ (18.20)	-21.24%
8,000	87.46	69.02	$ (18.44)	-21.08%
9,000	89.24	70.56	$ (18.68)	-20.93%
10,000	91.02	72.10	$ (18.92)	-20.79%
12,000	94.58	75.18	$ (19.40)	-20.51%
14,000	98.14	78.26	$ (19.88)	-20.26%
16,000	101.70	81.34	$ (20.36)	-20.02%
18,000	105.26	84.42	$ (20.84)	-19.80%
20,000	108.82	87.50	$ (21.32)	-19.59%
25,000	119.37	95.20	$ (24.17)	-20.25%
30,000	129.92	102.90	$ (27.02)	-20.80%
35,000	140.47	110.60	$ (29.87)	-21.26%
40,000	151.02	118.30	$ (32.72)	-21.67%
45,000	161.57	126.00	$ (35.57)	-22.02%
50,000	172.12	133.70	$ (38.42)	-22.32%
60,000	193.22	153.60	$ (39.62)	-20.51%
70,000	214.32	173.50	$ (40.82)	-19.05%
80,000	235.42	193.40	$ (42.02)	-17.85%
90,000	256.52	213.30	$ (43.22)	-16.85%
100,000	277.62	233.20	$ (44.42)	-16.00%
Average Usage				
38,917	$ 148.74	$ 116.63	$ (32.10)	-21.58%
Median Usage				
34,000	$ 138.36	$ 109.06	$ (29.30)	-21.18%

Present Rates:

Monthly Minimum:		$	75.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	56.70
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	1.54
Over	50,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 90.72	$ (29.28)	-24.40%
1,000	120.00	92.26	$ (27.74)	-23.12%
2,000	121.78	93.80	$ (27.98)	-22.98%
3,000	123.56	95.34	$ (28.22)	-22.84%
4,000	125.34	96.88	$ (28.46)	-22.71%
5,000	127.12	98.42	$ (28.70)	-22.58%
6,000	128.90	99.96	$ (28.94)	-22.45%
7,000	130.68	101.50	$ (29.18)	-22.33%
8,000	132.46	103.04	$ (29.42)	-22.21%
9,000	134.24	104.58	$ (29.66)	-22.09%
10,000	136.02	106.12	$ (29.90)	-21.98%
12,000	139.58	109.20	$ (30.38)	-21.77%
14,000	143.14	112.28	$ (30.86)	-21.56%
16,000	146.70	115.36	$ (31.34)	-21.36%
18,000	150.26	118.44	$ (31.82)	-21.18%
20,000	153.82	121.52	$ (32.30)	-21.00%
25,000	164.37	129.22	$ (35.15)	-21.38%
30,000	174.92	136.92	$ (38.00)	-21.72%
35,000	185.47	144.62	$ (40.85)	-22.03%
40,000	196.02	152.32	$ (43.70)	-22.29%
45,000	206.57	160.02	$ (46.55)	-22.53%
50,000	217.12	167.72	$ (49.40)	-22.75%
60,000	238.22	183.12	$ (55.10)	-23.13%
70,000	259.32	198.52	$ (60.80)	-23.45%
80,000	280.42	213.92	$ (66.50)	-23.71%
90,000	301.52	233.82	$ (67.70)	-22.45%
100,000	322.62	253.72	$ (68.90)	-21.36%
Average Usage				
176,803	$ 484.68	$ 406.56	$ (78.12)	-16.12%
Median Usage				
46,500	$ 209.74	$ 162.33	$ (47.41)	-22.60%

Present Rates:

Monthly Minimum:		$	120.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	90.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	1.54
Over	80,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 225.00	$ 181.44	$ (43.56)	-19.36%
1,000	225.00	182.98	$ (42.02)	-18.68%
2,000	226.78	184.52	$ (42.26)	-18.63%
3,000	228.56	186.06	$ (42.50)	-18.59%
4,000	230.34	187.60	$ (42.74)	-18.56%
5,000	232.12	189.14	$ (42.98)	-18.52%
6,000	233.90	190.68	$ (43.22)	-18.48%
7,000	235.68	192.22	$ (43.46)	-18.44%
8,000	237.46	193.76	$ (43.70)	-18.40%
9,000	239.24	195.30	$ (43.94)	-18.37%
10,000	241.02	196.84	$ (44.18)	-18.33%
12,000	244.58	199.92	$ (44.66)	-18.26%
14,000	248.14	203.00	$ (45.14)	-18.19%
16,000	251.70	206.08	$ (45.62)	-18.12%
18,000	255.26	209.16	$ (46.10)	-18.06%
20,000	258.82	212.24	$ (46.58)	-18.00%
25,000	269.37	219.94	$ (49.43)	-18.35%
30,000	279.92	227.64	$ (52.28)	-18.68%
35,000	290.47	235.34	$ (55.13)	-18.98%
40,000	301.02	243.04	$ (57.98)	-19.26%
45,000	311.57	250.74	$ (60.83)	-19.52%
50,000	322.12	258.44	$ (63.68)	-19.77%
60,000	343.22	273.84	$ (69.38)	-20.21%
70,000	364.32	289.24	$ (75.08)	-20.61%
80,000	385.42	304.64	$ (80.78)	-20.96%
90,000	406.52	320.04	$ (86.48)	-21.27%
100,000	427.62	335.44	$ (92.18)	-21.56%
Average Usage				
208,665	$ 656.90	$ 524.68	$(132.22)	-20.13%
Median Usage				
37,500	$ 295.75	$ 239.19	$ (56.56)	-19.12%

Present Rates:

Monthly Minimum:		$	225.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	181.44
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	160,000	$	1.54
Over	99,999,999	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Landscape Irrigation

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 18.00	$ 17.01	$ (0.99)	-5.50%
1,000	18.00	18.15	$ 0.15	0.83%
2,000	19.78	19.29	$ (0.49)	-2.48%
3,000	21.56	20.43	$ (1.13)	-5.24%
4,000	23.34	21.57	$ (1.77)	-7.58%
5,000	25.12	23.11	$ (2.01)	-8.00%
6,000	26.90	24.65	$ (2.25)	-8.36%
7,000	28.68	26.19	$ (2.49)	-8.68%
8,000	30.46	27.73	$ (2.73)	-8.96%
9,000	32.24	29.27	$ (2.97)	-9.21%
10,000	34.02	30.81	$ (3.21)	-9.44%
12,000	37.58	34.79	$ (2.79)	-7.42%
14,000	41.14	38.77	$ (2.37)	-5.76%
16,000	44.70	42.75	$ (1.95)	-4.36%
18,000	48.26	46.73	$ (1.53)	-3.17%
20,000	51.82	50.71	$ (1.11)	-2.14%
25,000	62.37	60.66	$ (1.71)	-2.74%
30,000	72.92	70.61	$ (2.31)	-3.17%
35,000	83.47	80.56	$ (2.91)	-3.49%
40,000	94.02	90.51	$ (3.51)	-3.73%
45,000	104.57	100.46	$ (4.11)	-3.93%
50,000	115.12	110.41	$ (4.71)	-4.09%
60,000	136.22	130.31	$ (5.91)	-4.34%
70,000	157.32	150.21	$ (7.11)	-4.52%
80,000	178.42	170.11	$ (8.31)	-4.66%
90,000	199.52	190.01	$ (9.51)	-4.77%
100,000	220.62	209.91	$ (10.71)	-4.85%
Average Usage				
10,283	$ 34.52	$ 31.37	$ (3.15)	-9.13%
Median Usage				
6,500	$ 27.79	$ 25.42	$ (2.37)	-8.53%

Present Rates:

Monthly Minimum:		$	18.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Up to	99,999,999	$	2.11
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	17.01
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.14
Up to	10,000	$	1.54
Over	10,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Landscape Irrigation

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 37.00	$ 28.35	$ (8.65)	-23.38%
1,000	37.00	29.89	$ (7.11)	-19.22%
2,000	38.78	31.43	$ (7.35)	-18.95%
3,000	40.56	32.97	$ (7.59)	-18.71%
4,000	42.34	34.51	$ (7.83)	-18.49%
5,000	44.12	36.05	$ (8.07)	-18.29%
6,000	45.90	37.59	$ (8.31)	-18.10%
7,000	47.68	39.13	$ (8.55)	-17.93%
8,000	49.46	40.67	$ (8.79)	-17.77%
9,000	51.24	42.21	$ (9.03)	-17.62%
10,000	53.02	43.75	$ (9.27)	-17.48%
12,000	56.58	46.83	$ (9.75)	-17.23%
14,000	60.14	49.91	$ (10.23)	-17.01%
16,000	63.70	52.99	$ (10.71)	-16.81%
18,000	67.26	56.07	$ (11.19)	-16.64%
20,000	70.82	59.15	$ (11.67)	-16.48%
25,000	81.37	66.85	$ (14.52)	-17.84%
30,000	91.92	76.80	$ (15.12)	-16.45%
35,000	102.47	86.75	$ (15.72)	-15.34%
40,000	113.02	96.70	$ (16.32)	-14.44%
45,000	123.57	106.65	$ (16.92)	-13.69%
50,000	134.12	116.60	$ (17.52)	-13.06%
60,000	155.22	136.50	$ (18.72)	-12.06%
70,000	176.32	156.40	$ (19.92)	-11.30%
80,000	197.42	176.30	$ (21.12)	-10.70%
90,000	218.52	196.20	$ (22.32)	-10.21%
100,000	239.62	216.10	$ (23.52)	-9.82%
Average Usage				
97,197	$ 233.71	$ 210.52	$ (23.18)	-9.92%
Median Usage				
43,000	$ 119.35	$ 102.67	$ (16.68)	-13.98%

Present Rates:

Monthly Minimum:		$	37.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	28.35
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.54
Over	25,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Landscape Irrigation

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Schedule H-4
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Witness: Bourassa
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Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 75.00	$ 56.70	$ (18.30)	-24.40%
1,000	75.00	58.24	$ (16.76)	-22.35%
2,000	76.78	59.78	$ (17.00)	-22.14%
3,000	78.56	61.32	$ (17.24)	-21.95%
4,000	80.34	62.86	$ (17.48)	-21.76%
5,000	82.12	64.40	$ (17.72)	-21.58%
6,000	83.90	65.94	$ (17.96)	-21.41%
7,000	85.68	67.48	$ (18.20)	-21.24%
8,000	87.46	69.02	$ (18.44)	-21.08%
9,000	89.24	70.56	$ (18.68)	-20.93%
10,000	91.02	72.10	$ (18.92)	-20.79%
12,000	94.58	75.18	$ (19.40)	-20.51%
14,000	98.14	78.26	$ (19.88)	-20.26%
16,000	101.70	81.34	$ (20.36)	-20.02%
18,000	105.26	84.42	$ (20.84)	-19.80%
20,000	108.82	87.50	$ (21.32)	-19.59%
25,000	119.37	95.20	$ (24.17)	-20.25%
30,000	129.92	102.90	$ (27.02)	-20.80%
35,000	140.47	110.60	$ (29.87)	-21.26%
40,000	151.02	118.30	$ (32.72)	-21.67%
45,000	161.57	126.00	$ (35.57)	-22.02%
50,000	172.12	133.70	$ (38.42)	-22.32%
60,000	193.22	153.60	$ (39.62)	-20.51%
70,000	214.32	173.50	$ (40.82)	-19.05%
80,000	235.42	193.40	$ (42.02)	-17.85%
90,000	256.52	213.30	$ (43.22)	-16.85%
100,000	277.62	233.20	$ (44.42)	-16.00%
Average Usage				
139,708	$ 361.40	$ 312.22	$ (49.19)	-13.61%
Median Usage				
76,000	$ 226.98	$ 185.44	$ (41.54)	-18.30%

Present Rates:

Monthly Minimum:		$	75.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	56.70
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	1.54
Over	50,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Landscape Irrigation

Exhibit
Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 90.72	$ (29.28)	-24.40%
1,000	120.00	92.26	$ (27.74)	-23.12%
2,000	121.78	93.80	$ (27.98)	-22.98%
3,000	123.56	95.34	$ (28.22)	-22.84%
4,000	125.34	96.88	$ (28.46)	-22.71%
5,000	127.12	98.42	$ (28.70)	-22.58%
6,000	128.90	99.96	$ (28.94)	-22.45%
7,000	130.68	101.50	$ (29.18)	-22.33%
8,000	132.46	103.04	$ (29.42)	-22.21%
9,000	134.24	104.58	$ (29.66)	-22.09%
10,000	136.02	106.12	$ (29.90)	-21.98%
12,000	139.58	109.20	$ (30.38)	-21.77%
14,000	143.14	112.28	$ (30.86)	-21.56%
16,000	146.70	115.36	$ (31.34)	-21.36%
18,000	150.26	118.44	$ (31.82)	-21.18%
20,000	153.82	121.52	$ (32.30)	-21.00%
25,000	164.37	129.22	$ (35.15)	-21.38%
30,000	174.92	136.92	$ (38.00)	-21.72%
35,000	185.47	144.62	$ (40.85)	-22.03%
40,000	196.02	152.32	$ (43.70)	-22.29%
45,000	206.57	160.02	$ (46.55)	-22.53%
50,000	217.12	167.72	$ (49.40)	-22.75%
60,000	238.22	183.12	$ (55.10)	-23.13%
70,000	259.32	198.52	$ (60.80)	-23.45%
80,000	280.42	213.92	$ (66.50)	-23.71%
90,000	301.52	233.82	$ (67.70)	-22.45%
100,000	322.62	253.72	$ (68.90)	-21.36%
Average Usage				
326,843	$ 801.26	$ 705.14	$ (96.12)	-12.00%
Median Usage				
219,128	$ 573.98	$ 490.78	$ (83.20)	-14.49%

Present Rates:

Monthly Minimum:		$	120.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	90.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	1.54
Over	80,000	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Construction

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Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 90.72	$ (29.28)	-24.40%
1,000	120.00	92.71	$ (27.29)	-22.74%
2,000	121.78	94.70	$ (27.08)	-22.24%
3,000	123.56	96.69	$ (26.87)	-21.75%
4,000	125.34	98.68	$ (26.66)	-21.27%
5,000	127.12	100.67	$ (26.45)	-20.81%
6,000	128.90	102.66	$ (26.24)	-20.36%
7,000	130.68	104.65	$ (26.03)	-19.92%
8,000	132.46	106.64	$ (25.82)	-19.49%
9,000	134.24	108.63	$ (25.61)	-19.08%
10,000	136.02	110.62	$ (25.40)	-18.67%
12,000	139.58	114.60	$ (24.98)	-17.90%
14,000	143.14	118.58	$ (24.56)	-17.16%
16,000	146.70	122.56	$ (24.14)	-16.46%
18,000	150.26	126.54	$ (23.72)	-15.79%
20,000	153.82	130.52	$ (23.30)	-15.15%
25,000	164.37	140.47	$ (23.90)	-14.54%
30,000	174.92	150.42	$ (24.50)	-14.01%
35,000	185.47	160.37	$ (25.10)	-13.53%
40,000	196.02	170.32	$ (25.70)	-13.11%
45,000	206.57	180.27	$ (26.30)	-12.73%
50,000	217.12	190.22	$ (26.90)	-12.39%
60,000	238.22	210.12	$ (28.10)	-11.80%
70,000	259.32	230.02	$ (29.30)	-11.30%
80,000	280.42	249.92	$ (30.50)	-10.88%
90,000	301.52	269.82	$ (31.70)	-10.51%
100,000	322.62	289.72	$ (32.90)	-10.20%
Average Usage				
341,763	$ 832.74	$ 770.83	$ (61.91)	-7.43%
Median Usage				
1,500	$ 120.89	$ 93.71	$ (27.19)	-22.49%

Present Rates:

Monthly Minimum:		$	120.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	20,000	$	2.11

Proposed Rates:

Monthly Minimum:		$	90.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	99,999,999	$	1.99
Over	99,999,999	$	1.99

H2O, Inc.
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Construction

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Schedule H-4
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Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 225.00	$ 181.44	$ (43.56)	-19.36%
1,000	225.00	183.43	$ (41.57)	-18.48%
2,000	226.78	185.42	$ (41.36)	-18.24%
3,000	228.56	187.41	$ (41.15)	-18.00%
4,000	230.34	189.40	$ (40.94)	-17.77%
5,000	232.12	191.39	$ (40.73)	-17.55%
6,000	233.90	193.38	$ (40.52)	-17.32%
7,000	235.68	195.37	$ (40.31)	-17.10%
8,000	237.46	197.36	$ (40.10)	-16.89%
9,000	239.24	199.35	$ (39.89)	-16.67%
10,000	241.02	201.34	$ (39.68)	-16.46%
12,000	244.58	205.32	$ (39.26)	-16.05%
14,000	248.14	209.30	$ (38.84)	-15.65%
16,000	251.70	213.28	$ (38.42)	-15.26%
18,000	255.26	217.26	$ (38.00)	-14.89%
20,000	258.82	221.24	$ (37.58)	-14.52%
25,000	269.37	231.19	$ (38.18)	-14.17%
30,000	279.92	241.14	$ (38.78)	-13.85%
35,000	290.47	251.09	$ (39.38)	-13.56%
40,000	301.02	261.04	$ (39.98)	-13.28%
45,000	311.57	270.99	$ (40.58)	-13.02%
50,000	322.12	280.94	$ (41.18)	-12.78%
60,000	343.22	300.84	$ (42.38)	-12.35%
70,000	364.32	320.74	$ (43.58)	-11.96%
80,000	385.42	340.64	$ (44.78)	-11.62%
90,000	406.52	360.54	$ (45.98)	-11.31%
100,000	427.62	380.44	$ (47.18)	-11.03%
Average Usage				
120,263	$ 470.38	$ 420.76	$ (49.61)	-10.55%
Median Usage				
20,000	$ 258.82	$ 221.24	$ (37.58)	-14.52%

Present Rates:

Monthly Minimum:		$	225.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	20,000	$	1.78
Over	99,999,999	$	2.11

Proposed Rates:

Monthly Minimum:		$	181.44
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	99,999,999	$	1.99
Over	99,999,999	$	1.99

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 5/8 Inch

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	4	5	8	2	13	15	14	19	16	7	7	5	115	115	-
1	1,000	26	39	28	37	43	46	51	41	35	40	30	41	457	572	229
1,001	2,000	35	32	41	37	33	27	29	40	40	41	30	51	436	1,008	883
2,001	3,000	44	60	58	43	43	31	40	39	43	49	35	70	555	1,563	2,271
3,001	4,000	42	40	47	44	35	35	43	37	43	44	47	34	491	2,054	3,989
4,001	5,000	29	22	22	24	24	22	19	19	19	20	30	20	270	2,324	5,205
5,001	6,000	9	11	9	14	9	19	7	12	10	8	24	5	137	2,461	5,958
6,001	7,000	15	8	8	10	8	8	7	4	4	5	9	3	89	2,550	6,537
7,001	8,000	4	2	3	6	3	5	4	6	8	5	9	2	57	2,607	6,964
8,001	9,000	5	7	1	4	4	4	3	2	1	1	3	-	35	2,642	7,262
9,001	10,000	5	3	1	2	1	2	2	3	1	2	1	1	24	2,666	7,490
10,001	11,000	2	2	2	2	1	2	2	1	2	1	1	-	18	2,684	7,679
11,001	12,000	-	-	2	3	-	1	1	1	-	-	1	-	9	2,693	7,782
12,001	13,000	1	1	2	-	1	3	1	-	-	-	1	-	10	2,703	7,907
13,001	14,000	1	1	-	-	1	-	1	-	2	2	-	-	8	2,711	8,015
14,001	15,000	1	1	1	1	-	-	1	-	-	1	-	-	6	2,717	8,102
15,001	16,000	2	2	3	-	-	1	-	1	1	-	-	-	10	2,727	8,257
16,001	17,000	3	3	-	1	-	-	-	1	-	-	1	-	9	2,736	8,406
17,001	18,000	2	1	-	1	1	1	1	-	-	-	1	-	8	2,744	8,546
18,001	19,000	-	-	-	1	2	-	-	-	-	-	-	-	3	2,747	8,601
19,001	20,000	-	1	-	1	-	-	1	-	-	-	1	-	4	2,751	8,679
20,001	21,000	1	-	-	2	-	-	-	-	-	-	-	-	3	2,754	8,741
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,754	8,741
22,001	23,000	-	-	-	-	1	-	-	-	-	-	-	-	1	2,755	8,763
23,001	24,000	1	1	-	-	-	-	-	-	-	-	-	-	2	2,757	8,810
24,001	25,000	1	-	-	1	-	1	-	-	1	-	-	-	4	2,761	8,908
25,001	26,000	-	-	-	-	-	-	1	-	-	-	-	-	1	2,762	8,934
26,001	27,000	2	-	1	-	-	-	-	-	-	-	-	-	3	2,765	9,013
27,001	28,000	1	-	1	-	-	-	1	-	-	-	-	-	3	2,768	9,096
28,001	29,000	-	1	-	-	-	-	-	-	-	-	-	-	1	2,769	9,124
29,001	30,000	-	-	1	1	-	-	-	-	-	-	-	-	2	2,771	9,183
30,001	31,000	-	-	-	-	-	-	-	1	-	-	-	-	1	2,772	9,214
31,001	32,000	1	-	1	-	-	2	-	-	-	-	-	-	4	2,776	9,340
32,001	33,000	-	-	1	-	-	1	-	-	-	-	-	-	2	2,778	9,405
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,778	9,405
34,001	35,000	1	1	-	-	-	-	-	-	-	-	-	-	2	2,780	9,474
35,001	36,000	-	-	-	-	-	-	-	-	-	1	-	-	1	2,781	9,509
36,001	37,000	-	1	-	1	-	-	-	-	-	-	-	-	2	2,783	9,582
37,001	38,000	-	-	1	1	-	-	-	-	-	-	-	-	2	2,785	9,657
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,785	9,657

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 5/8 Inch

Exhibit
Schedule H-5
Page 1
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,785	9,657
40,001	41,000	-	-	-	1	-	-	-	-	-	-	-	-	1	2,786	9,698
41,001	42,000	-	-	-	1	-	-	-	-	-	-	-	-	1	2,787	9,739
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,787	9,739
51,001	52,000	-	1	-	-	-	-	-	-	-	-	-	-	1	2,788	9,791
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791

H2O, Inc.
Test Year Ended December 31, 2006

Meter Size: 5/8 Inch

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Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788	9,791
120,935	120,935	1	-	-	-	-	-	-	-	-	-	-	-	1	2,789	9,912
	-													-	2,789	9,912
	-													-	2,789	9,912
	-													-	2,789	9,912
	-													-	2,789	9,912
Totals		239	246	242	241	223	226	229	227	226	227	231	232	2,789		
										Average Usage				3,554		
										Median Usage				2,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Residential

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Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	90	85	80	51	40	56	77	209	137	128	97	172	1,222	1,222	-
1	1,000	563	564	502	407	383	331	391	519	535	529	414	544	5,682	6,904	2,844
1,001	2,000	316	348	314	274	259	228	275	299	367	404	322	451	3,857	10,761	8,631
2,001	3,000	307	424	417	268	311	233	313	342	338	429	332	616	4,330	15,091	19,458
3,001	4,000	400	537	549	372	374	285	333	396	404	494	387	671	5,202	20,293	37,668
4,001	5,000	465	563	551	416	381	277	308	373	419	516	410	736	5,415	25,708	62,038
5,001	6,000	444	478	494	385	317	275	303	404	404	504	372	605	4,985	30,693	89,458
6,001	7,000	403	399	418	354	318	264	312	326	390	408	435	451	4,478	35,171	118,567
7,001	8,000	337	352	345	338	284	243	269	330	340	327	406	345	3,916	39,087	147,939
8,001	9,000	294	268	290	299	248	252	242	292	304	320	346	278	3,433	42,520	177,122
9,001	10,000	259	218	228	283	241	219	220	281	289	253	307	233	3,031	45,551	205,918
10,001	11,000	237	168	159	251	237	214	249	250	241	236	283	156	2,681	48,232	234,070
11,001	12,000	190	115	112	183	206	210	209	181	196	198	226	113	2,139	50,371	258,669
12,001	13,000	114	70	104	169	175	179	157	173	187	163	200	89	1,780	52,151	280,920
13,001	14,000	90	65	73	135	133	153	157	155	144	121	155	73	1,454	53,605	300,550
14,001	15,000	85	61	46	111	124	143	142	141	126	122	140	47	1,288	54,893	319,226
15,001	16,000	50	28	42	98	116	135	141	128	108	82	127	42	1,097	55,990	336,230
16,001	17,000	67	41	41	80	112	120	128	100	89	70	114	33	995	56,985	352,648
17,001	18,000	50	29	29	70	87	129	106	86	79	59	84	36	844	57,829	367,419
18,001	19,000	34	24	22	58	65	111	93	77	77	52	81	15	709	58,538	380,536
19,001	20,000	29	20	14	49	70	114	82	62	50	40	59	10	599	59,137	392,216
20,001	21,000	22	9	17	38	63	88	78	52	59	32	50	14	522	59,659	402,918
21,001	22,000	11	18	21	28	55	69	58	52	33	25	61	11	442	60,101	412,421
22,001	23,000	17	9	18	31	46	65	60	40	46	22	29	6	389	60,490	421,174
23,001	24,000	16	13	13	32	40	57	55	37	40	14	38	11	366	60,856	429,775
24,001	25,000	11	8	6	36	29	50	39	34	24	15	27	10	289	61,145	436,855
25,001	26,000	9	8	6	18	23	54	42	25	15	13	30	4	247	61,392	443,154
26,001	27,000	15	10	8	14	23	40	24	19	15	15	19	3	205	61,597	448,587
27,001	28,000	13	2	5	15	28	34	36	16	15	11	25	10	210	61,807	454,362
28,001	29,000	5	3	-	10	20	35	25	16	16	12	23	4	169	61,976	459,178
29,001	30,000	8	5	5	13	18	25	26	16	7	11	16	4	154	62,130	463,721
30,001	31,000	7	4	4	7	18	32	20	14	9	5	11	6	137	62,267	467,900
31,001	32,000	5	5	2	7	9	26	15	13	10	6	12	3	113	62,380	471,460
32,001	33,000	7	2	3	9	11	33	11	7	4	1	10	3	101	62,481	474,742
33,001	34,000	3	1	1	7	10	18	11	10	10	9	4	3	87	62,568	477,657
34,001	35,000	2	2	1	3	8	15	17	6	8	2	9	5	78	62,646	480,348
35,001	36,000	1	-	6	5	5	29	9	9	8	6	13	2	93	62,739	483,649
36,001	37,000	1	1	-	4	4	16	15	9	4	3	5	2	64	62,803	485,985
37,001	38,000	2	-	1	4	11	13	8	4	6	5	6	1	61	62,864	488,273
38,001	39,000	1	2	2	4	4	19	8	2	4	6	4	1	57	62,921	490,467
39,001	40,000	-	1	-	7	4	12	6	5	7	-	3	1	46	62,967	492,284

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Residential

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Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
40,001	41,000	2	3	1	5	5	10	11	2	2	-	9	1	51	63,018	494,350
41,001	42,000	6	3	-	3	4	8	6	2	5	2	3	-	42	63,060	496,093
42,001	43,000	-	2	1	1	4	9	6	4	1	3	2	2	35	63,095	497,580
43,001	44,000	-	2	-	2	2	9	8	1	2	4	1	3	34	63,129	499,059
44,001	45,000	-	1	2	3	1	7	3	2	3	1	3	-	26	63,155	500,216
45,001	46,000	-	1	1	2	7	4	1	2	1	-	2	1	22	63,177	501,217
46,001	47,000	2	-	-	-	3	7	1	1	1	-	1	-	16	63,193	501,961
47,001	48,000	1	-	-	3	2	6	3	3	3	1	1	1	24	63,217	503,101
48,001	49,000	1	2	-	-	2	6	2	-	1	-	3	-	17	63,234	503,926
49,001	50,000	2	-	-	-	1	4	4	-	-	-	4	-	15	63,249	504,669
50,001	51,000	-	1	-	-	1	6	3	2	1	1	3	-	18	63,267	505,578
51,001	52,000	2	-	-	1	-	5	5	2	-	2	-	-	17	63,284	506,453
52,001	53,000	1	-	-	-	2	3	1	1	-	-	2	1	11	63,295	507,031
53,001	54,000	-	1	-	-	3	4	4	1	1	-	2	-	16	63,311	507,887
54,001	55,000	-	1	-	1	2	2	2	1	2	1	1	1	14	63,325	508,650
55,001	56,000	1	-	-	2	6	2	-	1	-	1	1	-	14	63,339	509,427
56,001	57,000	1	1	1	1	2	3	6	1	-	-	1	-	17	63,356	510,387
57,001	58,000	-	-	-	1	1	3	7	1	1	2	1	-	17	63,373	511,365
58,001	59,000	-	-	-	1	-	4	4	-	1	1	1	2	14	63,387	512,184
59,001	60,000	1	-	-	-	2	5	1	1	-	1	-	-	11	63,398	512,838
60,001	61,000	-	-	1	-	1	2	1	1	-	-	1	-	7	63,405	513,262
61,001	62,000	1	-	1	1	1	3	-	-	1	2	1	-	11	63,416	513,938
62,001	63,000	-	-	1	1	1	2	-	2	-	-	-	-	7	63,423	514,376
63,001	64,000	1	-	-	-	-	4	1	-	2	2	1	1	12	63,435	515,138
64,001	65,000	-	-	-	1	1	1	-	-	-	1	1	-	5	63,440	515,460
65,001	66,000	-	-	-	-	-	2	-	2	2	-	2	-	8	63,448	515,984
66,001	67,000	-	-	-	-	1	-	1	-	2	-	-	-	4	63,452	516,250
67,001	68,000	-	1	-	1	1	1	2	-	1	-	-	-	7	63,459	516,723
68,001	69,000	1	-	1	-	-	-	-	-	-	-	-	-	2	63,461	516,860
69,001	70,000	1	-	-	-	1	-	1	1	-	-	1	-	5	63,466	517,207
70,001	71,000	-	-	-	1	-	1	-	-	-	-	1	-	3	63,469	517,419
71,001	72,000	-	-	1	-	-	1	-	-	-	1	-	-	3	63,472	517,633
72,001	73,000	-	-	-	-	-	1	1	1	1	-	-	-	4	63,476	517,923
73,001	74,000	-	-	-	-	-	3	1	1	-	-	-	1	6	63,482	518,364
74,001	75,000	-	-	1	-	-	-	-	-	-	-	-	-	1	63,483	518,439
75,001	76,000	-	1	-	-	2	1	-	-	-	-	-	-	4	63,487	518,741
76,001	77,000	-	-	-	-	-	-	1	-	-	-	2	-	3	63,490	518,970
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63,490	518,970
78,001	79,000	1	-	-	-	-	-	-	1	-	-	1	-	3	63,493	519,206
79,001	80,000	-	-	-	-	-	1	-	-	-	-	1	-	2	63,495	519,365
80,001	81,000	-	-	-	-	-	-	1	-	-	-	1	-	2	63,497	519,526

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Residential

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Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
81,001	82,000	-	-	-	-	-	1	-	1	-	-	1	-	3	63,500	519,770
82,001	83,000	2	-	-	-	-	-	1	1	-	-	-	2	6	63,506	520,265
83,001	84,000	-	-	-	-	1	-	-	-	-	-	-	-	1	63,507	520,349
84,001	85,000	-	-	-	-	-	-	1	1	-	-	-	-	2	63,509	520,518
85,001	86,000	-	-	-	-	-	-	1	1	-	-	-	-	2	63,511	520,689
86,001	87,000	-	-	-	-	-	1	-	1	-	1	-	-	3	63,514	520,948
87,001	88,000	-	-	-	-	-	1	2	1	1	-	-	-	5	63,519	521,386
88,001	89,000	-	-	-	-	-	-	1	-	-	-	-	-	1	63,520	521,474
89,001	90,000	-	-	-	-	-	-	1	-	-	-	1	-	2	63,522	521,653
90,001	91,000	-	-	-	-	-	-	-	-	1	1	-	-	2	63,524	521,834
91,001	92,000	-	-	-	1	-	1	-	-	-	-	-	-	2	63,526	522,017
92,001	93,000	-	-	-	-	-	2	1	-	-	-	-	-	3	63,529	522,295
93,001	94,000	1	-	-	-	-	2	-	1	-	-	-	-	4	63,533	522,669
94,001	95,000	-	-	-	-	-	1	-	-	-	-	-	-	1	63,534	522,763
95,001	96,000	-	-	-	-	-	-	-	-	1	-	-	-	1	63,535	522,859
96,001	97,000	-	-	-	1	-	-	-	-	-	-	-	-	1	63,536	522,955
97,001	98,000	-	-	-	-	-	1	-	-	-	-	-	-	1	63,537	523,053
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63,537	523,053
99,001	100,000	-	-	-	-	-	1	-	1	-	-	-	-	2	63,539	523,252
100,136	100,136	-	-	-	-	-	1	-	-	-	-	-	-	1	63,540	523,352
100,462	100,462	-	-	-	-	1	-	-	-	-	-	-	-	1	63,541	523,452
100,697	100,697	-	-	-	-	-	1	-	-	-	-	-	-	1	63,542	523,553
100,846	100,846	-	-	1	-	-	-	-	-	-	-	-	-	1	63,543	523,654
101,194	101,194	-	-	-	-	-	-	-	-	1	-	-	-	1	63,544	523,755
102,006	102,006	-	-	-	-	-	-	-	-	-	-	1	-	1	63,545	523,857
103,495	103,495	-	-	-	-	1	-	-	-	-	-	-	-	1	63,546	523,960
105,746	105,746	-	-	-	-	-	-	1	-	-	-	-	-	1	63,547	524,066
109,586	109,586	1	-	-	-	-	-	-	-	-	-	-	-	1	63,548	524,176
110,105	110,105	-	-	-	-	-	-	-	-	1	-	-	-	1	63,549	524,286
111,203	111,203	-	-	-	-	1	-	-	-	-	-	-	-	1	63,550	524,397
111,286	111,286	-	-	-	-	-	1	-	-	-	-	-	-	1	63,551	524,508
113,039	113,039	-	-	-	-	-	-	-	-	-	-	1	-	1	63,552	524,621
115,319	115,319	-	-	-	-	-	1	-	-	-	-	-	-	1	63,553	524,737
116,367	116,367	1	-	-	-	-	-	-	-	-	-	-	-	1	63,554	524,853
118,872	118,872	-	1	-	-	-	-	-	-	-	-	-	-	1	63,555	524,972
119,053	119,053	-	-	-	-	-	-	1	-	-	-	-	-	1	63,556	525,091
119,912	119,912	-	-	-	-	-	-	-	-	-	1	-	-	1	63,557	525,211
120,674	120,674	-	-	-	-	-	1	-	-	-	-	-	-	1	63,558	525,332
121,716	121,716	-	-	-	-	-	-	-	-	-	-	-	1	1	63,559	525,453
123,631	123,631	-	-	-	-	-	-	-	-	-	1	-	-	1	63,560	525,577
124,372	124,372	-	-	-	-	-	1	-	-	-	-	-	-	1	63,561	525,701

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Residential

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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
126,355	126,355	-	-	-	-	-	-	-	-	1	-	-	-	1	63,562	525,828
126,630	126,630	-	-	-	-	-	-	-	-	-	1	-	-	1	63,563	525,954
130,626	130,626	-	-	-	-	-	1	-	-	-	-	-	-	1	63,564	526,085
131,746	131,746	-	-	-	-	-	1	-	-	-	-	-	-	1	63,565	526,217
132,214	132,214	-	-	-	-	-	1	-	-	-	-	-	-	1	63,566	526,349
132,494	132,494	-	-	-	-	-	-	-	-	1	-	-	-	1	63,567	526,481
133,531	133,531	-	-	-	-	-	-	-	1	-	-	-	-	1	63,568	526,615
137,103	137,103	-	-	-	-	-	-	-	-	1	-	-	-	1	63,569	526,752
138,798	138,798	-	-	-	-	1	-	-	-	-	-	-	-	1	63,570	526,891
140,755	140,755	1	-	-	-	-	-	-	-	-	-	-	-	1	63,571	527,032
149,229	149,229	-	-	-	-	-	-	1	-	-	-	-	-	1	63,572	527,181
154,765	154,765	-	-	-	-	-	-	1	-	-	-	-	-	1	63,573	527,336
158,471	158,471	-	-	-	-	1	-	-	-	-	-	-	-	1	63,574	527,494
158,977	158,977	-	-	-	-	-	-	1	-	-	-	-	-	1	63,575	527,653
161,555	161,555	-	-	-	-	-	-	-	-	1	-	-	-	1	63,576	527,815
165,327	165,327	-	-	-	-	-	-	-	-	-	-	1	-	1	63,577	527,980
170,904	170,904	-	-	-	-	-	1	-	-	-	-	-	-	1	63,578	528,151
177,248	177,248	-	-	-	-	-	-	1	-	-	-	-	-	1	63,579	528,328
194,799	194,799	-	-	-	1	-	-	-	-	-	-	-	-	1	63,580	528,523
207,323	207,323	-	-	-	-	-	-	1	-	-	-	-	-	1	63,581	528,730
208,814	208,814	-	-	-	-	-	-	-	-	-	1	-	-	1	63,582	528,939
214,477	214,477	-	-	-	-	-	-	-	1	-	-	-	-	1	63,583	529,154
233,916	233,916	-	-	-	-	-	-	1	-	-	-	-	-	1	63,584	529,387
258,951	258,951	-	-	-	-	-	-	-	-	1	-	-	-	1	63,585	529,646
272,621	272,621	-	-	-	-	-	1	-	-	-	-	-	-	1	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
	-													-	63,586	529,919
																529,919
Totals		5,011	4,981	4,962	4,977	4,975	5,053	5,174	5,557	5,608	5,700	5,751	5,837	63,586		
										Average Usage				8,334		
										Median Usage				6,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Residential

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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	4	3	3	5	4	3	3	1	1	1	4	2	34	34	-
1	1,000	5	7	9	7	7	7	6	7	8	8	6	7	84	118	42
1,001	2,000	3	3	4	3	1	3	2	5	-	2	3	5	34	152	93
2,001	3,000	4	6	2	2	5	3	6	1	4	4	-	11	48	200	213
3,001	4,000	7	2	6	2	4	2	1	7	5	3	5	13	57	257	413
4,001	5,000	6	8	7	3	3	2	1	5	4	7	6	14	66	323	710
5,001	6,000	2	11	7	8	7	7	5	8	11	7	5	11	89	412	1,199
6,001	7,000	8	12	11	6	5	7	9	9	4	9	3	15	98	510	1,836
7,001	8,000	10	14	10	6	4	2	4	4	7	11	10	4	86	596	2,481
8,001	9,000	11	9	4	6	6	5	1	7	9	7	7	9	81	677	3,170
9,001	10,000	5	5	12	5	5	3	7	7	8	6	9	9	81	758	3,939
10,001	11,000	7	3	12	4	5	4	4	6	5	3	4	6	63	821	4,601
11,001	12,000	6	3	10	7	4	2	7	2	5	2	8	1	57	878	5,256
12,001	13,000	4	5	5	7	3	4	1	5	6	1	4	4	49	927	5,869
13,001	14,000	2	7	6	3	4	2	2	5	4	11	2	4	52	979	6,571
14,001	15,000	6	2	3	3	9	7	4	3	2	5	7	4	55	1,034	7,369
15,001	16,000	4	6	5	1	-	3	1	3	6	1	-	4	34	1,068	7,896
16,001	17,000	8	1	3	4	5	-	4	4	2	7	5	4	47	1,115	8,671
17,001	18,000	4	6	2	7	5	1	2	1	3	4	2	3	40	1,155	9,371
18,001	19,000	2	2	4	3	5	4	4	1	5	5	2	1	38	1,193	10,074
19,001	20,000	4	3	7	1	3	3	1	3	6	1	2	5	39	1,232	10,835
20,001	21,000	2	3	2	3	3	6	3	5	3	6	5	2	43	1,275	11,716
21,001	22,000	2	3	4	3	2	1	6	6	3	3	3	7	43	1,318	12,641
22,001	23,000	1	7	1	2	1	6	1	1	2	3	1	-	26	1,344	13,226
23,001	24,000	3	3	4	2	1	3	1	4	4	1	3	2	31	1,375	13,954
24,001	25,000	4	-	3	6	2	2	5	3	1	2	4	-	32	1,407	14,738
25,001	26,000	6	2	3	4	1	3	3	2	1	4	2	-	31	1,438	15,529
26,001	27,000	-	2	-	2	4	3	4	4	1	-	4	1	25	1,463	16,191
27,001	28,000	2	2	1	5	4	2	1	1	5	5	1	3	32	1,495	17,071
28,001	29,000	1	2	1	2	2	1	2	1	2	2	2	3	21	1,516	17,670
29,001	30,000	3	2	1	1	3	3	7	5	1	1	3	4	34	1,550	18,673
30,001	31,000	1	2	4	2	1	2	6	3	5	4	3	2	35	1,585	19,740
31,001	32,000	-	2	1	4	4	1	-	1	3	3	1	3	23	1,608	20,465
32,001	33,000	2	2	-	4	1	2	-	2	3	-	4	2	22	1,630	21,180
33,001	34,000	4	-	-	3	1	-	1	1	1	4	-	-	15	1,645	21,682
34,001	35,000	3	-	3	4	-	4	1	-	3	1	2	2	23	1,668	22,476
35,001	36,000	-	2	-	4	3	-	3	1	1	1	4	2	21	1,689	23,221
36,001	37,000	1	1	2	1	-	4	-	-	1	1	-	-	11	1,700	23,623
37,001	38,000	1	2	2	2	3	1	3	1	1	-	3	-	19	1,719	24,335
38,001	39,000	1	-	-	3	1	-	1	3	3	1	1	2	16	1,735	24,951

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Residential

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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,001	40,000	1	-	-	3	1	2	3	1	-	2	1	2	16	1,751	25,583
40,001	41,000	1	2	-	3	5	3	1	1	-	1	1	-	18	1,769	26,312
41,001	42,000	-	-	1	-	2	3	1	1	1	1	1	1	12	1,781	26,810
42,001	43,000	1	-	-	2	1	2	3	2	-	-	-	-	11	1,792	27,278
43,001	44,000	-	1	1	1	2	-	2	-	-	2	2	-	11	1,803	27,756
44,001	45,000	-	2	1	-	2	2	-	4	2	1	1	-	15	1,818	28,424
45,001	46,000	2	3	1	-	2	-	2	1	2	-	1	-	14	1,832	29,061
46,001	47,000	-	1	1	1	-	-	-	-	-	2	3	-	8	1,840	29,433
47,001	48,000	-	1	1	-	-	1	-	1	1	-	-	1	6	1,846	29,718
48,001	49,000	-	-	1	2	-	1	2	4	-	-	2	1	13	1,859	30,348
49,001	50,000	3	-	-	1	1	-	1	1	2	-	2	-	11	1,870	30,893
50,001	51,000	2	-	1	-	-	3	2	-	-	1	1	1	11	1,881	31,448
51,001	52,000	-	1	-	-	1	1	1	-	2	1	1	1	9	1,890	31,912
52,001	53,000	-	1	-	1	2	-	1	-	-	-	-	-	5	1,895	32,174
53,001	54,000	1	-	-	2	2	2	1	2	-	-	-	-	10	1,905	32,709
54,001	55,000	-	1	-	-	-	2	1	1	5	1	-	-	11	1,916	33,309
55,001	56,000	-	-	-	1	1	-	-	-	-	-	3	1	6	1,922	33,642
56,001	57,000	1	1	-	-	1	2	1	-	1	-	-	-	7	1,929	34,037
57,001	58,000	1	-	-	-	-	1	-	-	1	-	-	-	3	1,932	34,210
58,001	59,000	1	-	-	-	1	-	1	-	-	1	1	-	5	1,937	34,502
59,001	60,000	-	-	-	1	1	1	1	-	1	1	-	-	6	1,943	34,859
60,001	61,000	1	-	-	-	-	-	-	-	-	1	1	-	3	1,946	35,041
61,001	62,000	-	-	-	1	-	1	3	2	-	1	-	-	8	1,954	35,533
62,001	63,000	-	1	-	-	1	1	-	1	1	1	-	-	6	1,960	35,908
63,001	64,000	-	-	-	-	2	-	-	-	-	2	1	-	5	1,965	36,225
64,001	65,000	-	-	2	-	3	2	-	1	-	1	-	-	9	1,974	36,806
65,001	66,000	-	-	-	1	-	-	1	1	-	-	-	1	4	1,978	37,068
66,001	67,000	-	-	-	-	1	2	1	-	-	-	1	-	5	1,983	37,400
67,001	68,000	-	-	1	-	-	1	-	-	-	-	1	-	3	1,986	37,603
68,001	69,000	-	-	-	-	1	1	1	-	-	2	-	-	5	1,991	37,945
69,001	70,000	1	-	-	-	-	-	-	-	-	-	2	-	3	1,994	38,154
70,001	71,000	1	-	-	-	-	4	2	-	-	-	1	-	8	2,002	38,718
71,001	72,000	1	-	-	-	-	-	1	-	-	1	-	-	3	2,005	38,932
72,001	73,000	1	-	-	-	-	-	3	-	1	-	-	-	5	2,010	39,295
73,001	74,000	1	-	-	1	1	-	-	-	1	-	-	1	5	2,015	39,662
74,001	75,000	-	-	-	1	-	-	1	1	-	-	1	-	4	2,019	39,960
75,001	76,000	1	-	-	-	-	1	-	2	-	1	1	-	6	2,025	40,413
76,001	77,000	-	-	-	-	1	-	-	1	-	-	-	-	2	2,027	40,566
77,001	78,000	-	-	-	-	1	-	-	-	1	-	1	-	3	2,030	40,799
78,001	79,000	-	-	-	-	1	-	-	1	-	-	-	-	2	2,032	40,956

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Residential

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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	2	1	-	-	-	-	-	3	2,035	41,195
80,001	81,000	-	-	-	-	1	-	-	1	-	-	1	-	3	2,038	41,436
81,001	82,000	-	-	-	-	2	1	-	-	1	1	-	-	5	2,043	41,844
82,001	83,000	-	-	-	1	-	1	1	-	-	1	-	-	4	2,047	42,174
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	1	1	2,048	42,257
84,001	85,000	-	-	-	-	1	-	1	-	1	-	-	-	3	2,051	42,511
85,001	86,000	-	1	-	-	-	-	1	-	-	-	-	-	2	2,053	42,682
86,001	87,000	-	-	-	1	-	1	-	1	-	-	-	-	3	2,056	42,941
87,001	88,000	-	-	-	-	-	1	1	-	-	1	-	-	3	2,059	43,204
88,001	89,000	-	-	-	-	-	-	-	2	1	-	-	-	3	2,062	43,469
89,001	90,000	-	-	1	-	1	1	-	1	-	-	-	-	4	2,066	43,827
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,066	43,827
91,001	92,000	-	-	-	1	1	-	-	-	-	-	-	-	2	2,068	44,010
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,068	44,010
93,001	94,000	-	-	-	-	-	-	1	-	-	-	1	-	2	2,070	44,197
94,001	95,000	1	-	-	-	-	1	-	-	-	-	-	-	2	2,072	44,386
95,001	96,000	-	-	-	-	1	1	-	-	1	-	-	-	3	2,075	44,673
96,001	97,000	-	-	-	-	-	-	-	-	-	2	1	-	3	2,078	44,962
97,001	98,000	-	-	-	-	-	-	2	1	-	-	-	1	4	2,082	45,352
98,001	99,000	-	-	-	-	1	-	1	-	-	-	-	-	2	2,084	45,549
99,001	100,000	1	-	-	1	1	-	1	-	-	-	-	-	4	2,088	45,947
132,035	132,035	1	-	-	-	-	-	-	-	-	-	-	-	1	2,089	46,079
192,009	192,009	1	-	-	-	-	-	-	-	-	-	-	-	1	2,090	46,271
203,340	203,340	1	-	-	-	-	-	-	-	-	-	-	-	1	2,091	46,474
125,312	125,312	-	1	-	-	-	-	-	-	-	-	-	-	1	2,092	46,600
163,527	163,527	-	1	-	-	-	-	-	-	-	-	-	-	1	2,093	46,763
118,679	118,679	-	-	1	-	-	-	-	-	-	-	-	-	1	2,094	46,882
129,062	129,062	-	-	1	-	-	-	-	-	-	-	-	-	1	2,095	47,011
111,620	111,620	-	-	-	1	-	-	-	-	-	-	-	-	1	2,096	47,123
133,968	133,968	-	-	-	1	-	-	-	-	-	-	-	-	1	2,097	47,257
219,755	219,755	-	-	-	1	-	-	-	-	-	-	-	-	1	2,098	47,476
109,165	109,165	-	-	-	-	1	-	-	-	-	-	-	-	1	2,099	47,585
110,158	110,158	-	-	-	-	1	-	-	-	-	-	-	-	1	2,100	47,696
174,240	174,240	-	-	-	-	1	-	-	-	-	-	-	-	1	2,101	47,870
222,765	222,765	-	-	-	-	1	-	-	-	-	-	-	-	1	2,102	48,093
100,588	100,588	-	-	-	-	-	1	-	-	-	-	-	-	1	2,103	48,193
103,674	103,674	-	-	-	-	-	1	-	-	-	-	-	-	1	2,104	48,297
104,709	104,709	-	-	-	-	-	1	-	-	-	-	-	-	1	2,105	48,402
111,589	111,589	-	-	-	-	-	1	-	-	-	-	-	-	1	2,106	48,513
111,752	111,752	-	-	-	-	-	1	-	-	-	-	-	-	1	2,107	48,625

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Residential

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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
115,015	115,015	-	-	-	-	-	1	-	-	-	-	-	-	1	2,108	48,740
116,578	116,578	-	-	-	-	-	1	-	-	-	-	-	-	1	2,109	48,857
120,029	120,029	-	-	-	-	-	1	-	-	-	-	-	-	1	2,110	48,977
137,821	137,821	-	-	-	-	-	1	-	-	-	-	-	-	1	2,111	49,114
139,755	139,755	-	-	-	-	-	1	-	-	-	-	-	-	1	2,112	49,254
140,562	140,562	-	-	-	-	-	1	-	-	-	-	-	-	1	2,113	49,395
141,550	141,550	-	-	-	-	-	1	-	-	-	-	-	-	1	2,114	49,536
171,436	171,436	-	-	-	-	-	1	-	-	-	-	-	-	1	2,115	49,708
175,073	175,073	-	-	-	-	-	1	-	-	-	-	-	-	1	2,116	49,883
182,058	182,058	-	-	-	-	-	1	-	-	-	-	-	-	1	2,117	50,065
216,362	216,362	-	-	-	-	-	1	-	-	-	-	-	-	1	2,118	50,281
216,818	216,818	-	-	-	-	-	1	-	-	-	-	-	-	1	2,119	50,498
222,372	222,372	-	-	-	-	-	1	-	-	-	-	-	-	1	2,120	50,720
105,657	105,657	-	-	-	-	-	-	1	-	-	-	-	-	1	2,121	50,826
105,766	105,766	-	-	-	-	-	-	1	-	-	-	-	-	1	2,122	50,932
105,893	105,893	-	-	-	-	-	-	1	-	-	-	-	-	1	2,123	51,038
113,573	113,573	-	-	-	-	-	-	1	-	-	-	-	-	1	2,124	51,151
114,778	114,778	-	-	-	-	-	-	1	-	-	-	-	-	1	2,125	51,266
118,717	118,717	-	-	-	-	-	-	1	-	-	-	-	-	1	2,126	51,385
127,037	127,037	-	-	-	-	-	-	1	-	-	-	-	-	1	2,127	51,512
175,738	175,738	-	-	-	-	-	-	1	-	-	-	-	-	1	2,128	51,688
181,980	181,980	-	-	-	-	-	-	1	-	-	-	-	-	1	2,129	51,870
249,311	249,311	-	-	-	-	-	-	1	-	-	-	-	-	1	2,130	52,119
100,626	100,626	-	-	-	-	-	-	-	1	-	-	-	-	1	2,131	52,219
105,384	105,384	-	-	-	-	-	-	-	1	-	-	-	-	1	2,132	52,325
109,709	109,709	-	-	-	-	-	-	-	1	-	-	-	-	1	2,133	52,435
121,045	121,045	-	-	-	-	-	-	-	1	-	-	-	-	1	2,134	52,556
122,661	122,661	-	-	-	-	-	-	-	1	-	-	-	-	1	2,135	52,678
137,983	137,983	-	-	-	-	-	-	-	1	-	-	-	-	1	2,136	52,816
156,408	156,408	-	-	-	-	-	-	-	1	-	-	-	-	1	2,137	52,973
165,987	165,987	-	-	-	-	-	-	-	1	-	-	-	-	1	2,138	53,139
103,453	103,453	-	-	-	-	-	-	-	-	1	-	-	-	1	2,139	53,242
103,595	103,595	-	-	-	-	-	-	-	-	1	-	-	-	1	2,140	53,346
104,375	104,375	-	-	-	-	-	-	-	-	1	-	-	-	1	2,141	53,450
118,053	118,053	-	-	-	-	-	-	-	-	1	-	-	-	1	2,142	53,568
164,511	164,511	-	-	-	-	-	-	-	-	1	-	-	-	1	2,143	53,733
193,143	193,143	-	-	-	-	-	-	-	-	1	-	-	-	1	2,144	53,926
103,823	103,823	-	-	-	-	-	-	-	-	-	1	-	-	1	2,145	54,030
123,224	123,224	-	-	-	-	-	-	-	-	-	1	-	-	1	2,146	54,153
124,680	124,680	-	-	-	-	-	-	-	-	-	1	-	-	1	2,147	54,278

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
147,290	147,290	-	-	-	-	-	-	-	-	-	1	-	-	1	2,148	54,425
103,141	103,141	-	-	-	-	-	-	-	-	-	-	1	-	1	2,149	54,528
105,050	105,050	-	-	-	-	-	-	-	-	-	-	1	-	1	2,150	54,633
109,764	109,764	-	-	-	-	-	-	-	-	-	-	1	-	1	2,151	54,743
113,892	113,892	-	-	-	-	-	-	-	-	-	-	1	-	1	2,152	54,857
114,667	114,667	-	-	-	-	-	-	-	-	-	-	1	-	1	2,153	54,971
116,252	116,252	-	-	-	-	-	-	-	-	-	-	1	-	1	2,154	55,088
117,356	117,356	-	-	-	-	-	-	-	-	-	-	1	-	1	2,155	55,205
121,805	121,805	-	-	-	-	-	-	-	-	-	-	1	-	1	2,156	55,327
133,940	133,940	-	-	-	-	-	-	-	-	-	-	1	-	1	2,157	55,461
270,647	270,647	-	-	-	-	-	-	-	-	-	-	1	-	1	2,158	55,731
102,619	102,619	-	-	-	-	-	-	-	-	-	-	-	1	1	2,159	55,834
129,516	129,516	-	-	-	-	-	-	-	-	-	-	-	1	1	2,160	55,963
	-													-	2,160	55,963
																55,963
Totals		175	173	178	179	181	184	180	181	181	180	183	185	2,160		
										Average Usage				25,909		
										Median Usage				17,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	2	-	-	-	2	2	-
1	1,000	1	1	-	-	-	-	-	-	-	-	-	-	2	4	1
1,001	2,000	-	-	-	-	1	-	-	-	-	-	-	-	1	5	3
2,001	3,000	-	1	-	-	-	-	-	-	-	-	-	-	1	6	5
3,001	4,000	-	-	-	-	-	1	1	-	-	-	-	-	2	8	12
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	2	2	10	21
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	21
6,001	7,000	-	1	-	1	-	-	-	-	-	-	-	-	2	12	34
7,001	8,000	-	-	1	1	-	-	-	-	-	-	-	-	2	14	49
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	1	1	15	58
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	58
10,001	11,000	-	-	1	-	-	-	-	-	-	-	-	-	1	16	68
11,001	12,000	-	-	-	-	-	-	-	1	-	-	-	-	1	17	80
12,001	13,000	-	-	1	-	-	-	-	-	-	-	-	1	2	19	105
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	19	105
14,001	15,000	-	-	-	-	1	-	-	1	-	-	-	-	2	21	134
15,001	16,000	-	-	-	1	-	-	-	-	-	-	-	-	1	22	149
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	149
17,001	18,000	-	2	2	-	-	-	-	-	-	-	-	-	4	26	219
18,001	19,000	-	-	1	-	-	-	-	1	1	1	-	-	4	30	293
19,001	20,000	2	1	-	1	-	-	1	-	-	-	-	-	5	35	391
20,001	21,000	1	-	-	-	1	-	-	-	-	-	-	-	2	37	432
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37	432
22,001	23,000	-	-	-	1	-	-	-	-	-	1	-	-	2	39	477
23,001	24,000	-	-	1	-	-	-	-	-	-	-	-	-	1	40	500
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	500
25,001	26,000	-	-	1	-	-	-	-	-	-	1	-	1	3	43	577
26,001	27,000	1	-	-	-	-	-	-	1	2	-	1	1	6	49	736
27,001	28,000	-	1	-	-	-	-	-	-	-	-	-	-	1	50	763
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	763
29,001	30,000	1	-	-	-	-	-	1	-	1	-	-	-	3	53	852
30,001	31,000	-	-	1	-	-	-	-	-	-	1	-	1	3	56	943
31,001	32,000	-	-	-	1	-	1	-	-	-	-	-	-	2	58	1,006
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	1	1	59	1,039
33,001	34,000	-	-	1	-	-	-	-	-	1	-	-	-	2	61	1,106
34,001	35,000	1	-	-	-	1	-	-	-	-	-	-	-	2	63	1,175
35,001	36,000	1	-	-	-	-	1	-	1	-	1	-	-	4	67	1,317
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	1	1	68	1,353
37,001	38,000	-	1	-	-	1	-	-	1	-	-	-	-	3	71	1,466
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	1	1	72	1,504

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	1	-	-	-	1	-	-	-	-	-	-	2	74	1,583
40,001	41,000	-	-	-	1	-	-	-	-	-	-	-	-	1	75	1,624
41,001	42,000	-	-	-	-	-	-	-	-	-	-	2	-	2	77	1,707
42,001	43,000	-	-	-	-	-	-	1	-	-	-	-	-	1	78	1,749
43,001	44,000	-	-	-	-	-	-	-	-	-	-	1	-	1	79	1,793
44,001	45,000	-	-	-	1	-	-	-	-	-	-	-	-	1	80	1,837
45,001	46,000	-	-	-	-	-	-	-	-	-	-	1	-	1	81	1,883
46,001	47,000	-	-	-	-	-	-	-	-	-	1	1	-	2	83	1,976
47,001	48,000	-	-	-	-	1	-	-	-	-	-	-	-	1	84	2,023
48,001	49,000	-	1	-	-	-	-	-	-	-	-	-	-	1	85	2,072
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	2,072
50,001	51,000	-	-	-	-	-	-	-	-	-	1	-	-	1	86	2,122
51,001	52,000	-	-	-	-	-	-	-	-	-	1	-	-	1	87	2,174
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	2,174
53,001	54,000	-	-	-	1	-	-	1	1	-	-	-	-	3	90	2,334
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	2,334
55,001	56,000	1	-	-	-	1	-	1	-	-	-	-	-	3	93	2,501
56,001	57,000	-	1	-	-	-	-	-	-	-	-	-	-	1	94	2,557
57,001	58,000	1	-	-	-	-	-	-	-	1	-	-	-	2	96	2,672
58,001	59,000	-	-	-	-	1	-	-	-	2	-	-	-	3	99	2,848
59,001	60,000	-	-	-	-	1	-	-	-	-	-	-	-	1	100	2,907
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	2,907
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	2,907
62,001	63,000	-	-	-	-	1	1	-	1	-	-	-	-	3	103	3,095
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	3,095
64,001	65,000	-	-	-	-	-	-	-	-	-	1	-	-	1	104	3,159
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	3,159
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	3,159
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	3,159
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	3,159
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	3,159
70,001	71,000	-	-	-	-	-	-	-	-	-	-	1	-	1	105	3,230
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	3,230
72,001	73,000	-	-	-	-	-	1	-	-	-	-	-	-	1	106	3,302
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	3,302
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	3,302
75,001	76,000	-	-	-	-	-	1	-	-	-	1	-	-	2	108	3,453
76,001	77,000	-	-	-	-	-	-	1	-	-	-	-	-	1	109	3,530
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	109	3,530
78,001	79,000	-	-	-	-	-	1	1	-	-	-	-	-	2	111	3,687

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	1	-	-	-	-	-	-	-	1	2	113	3,846
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	3,846
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	3,846
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	3,846
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	3,846
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	3,846
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	3,846
86,001	87,000	-	-	-	-	-	-	1	-	-	-	-	-	1	114	3,932
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	3,932
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	3,932
89,001	90,000	-	-	-	-	-	1	-	-	-	-	-	-	1	115	4,022
90,001	91,000	-	-	-	-	-	-	-	1	-	-	-	-	1	116	4,112
91,001	92,000	-	-	-	-	-	-	-	-	-	-	1	-	1	117	4,204
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	117	4,204
93,001	94,000	-	-	-	-	-	-	-	-	1	-	-	-	1	118	4,297
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	4,297
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	4,297
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	4,297
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	4,297
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	4,297
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	4,297
563,219	563,219	-	-	-	-	-	1	-	-	-	-	-	-	1	119	4,860
469,535	469,535	-	-	-	-	-	-	1	-	-	-	-	-	1	120	5,330
101,706	101,706	-	-	-	-	-	-	-	1	-	-	-	-	1	121	5,432
153,254	153,254	-	-	-	-	-	-	-	-	1	-	-	-	1	122	5,585
125,491	125,491	-	-	-	-	-	-	-	-	-	-	1	-	1	123	5,710
208,011	208,011	-	-	-	-	-	-	-	-	-	-	1	-	1	124	5,918
	-													-	124	5,918
																5,918
Totals		10	11	10	10	10	10	10	10	12	10	10	11	124		
										Average Usage				47,728		
										Median Usage				34,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Residential

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,001	9,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1	9
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9
18,001	19,000	-	-	-	-	-	-	-	1	-	-	-	-	1	2	27
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	27
33,001	34,000	-	-	-	-	-	-	1	-	-	-	1	-	2	4	94
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	94
46,001	47,000	-	-	-	1	-	1	-	-	-	-	-	-	2	6	187
47,001	48,000	-	-	-	-	-	-	-	-	-	1	-	-	1	7	235
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	1	1	8	283
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	283
50,001	51,000	-	-	-	-	1	-	-	-	-	-	-	-	1	9	334
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	334
114,011	114,011	-	-	-	-	-	-	-	-	1	-	-	-	1	10	448
	-													-	10	448
																448
Totals		-	-	1	1	1	1	1	1	1	1	1	1	10		

Average Usage	44,752
Median Usage	46,500

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	2	-	-	1	-	1	2	2	3	2	2	1	16	16	-
1	1,000	1	1	1	1	1	1	1	1	-	1	1	-	10	26	5
1,001	2,000	-	-	-	-	1	-	-	-	-	-	-	-	1	27	7
2,001	3,000	-	-	1	-	-	-	-	-	-	-	-	-	1	28	9
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	9
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	9
5,001	6,000	-	-	-	1	-	-	-	-	1	-	-	-	2	30	20
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	20
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	20
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	20
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	20
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	20
11,001	12,000	-	1	-	1	-	-	-	-	-	-	-	-	2	32	43
12,001	13,000	1	-	-	-	-	-	-	-	-	-	1	-	2	34	68
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	68
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	68
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	68
16,001	17,000	-	-	-	-	-	1	-	-	-	-	-	-	1	35	85
17,001	18,000	-	-	-	-	1	-	-	-	-	-	-	-	1	36	102
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	102
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	102
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	102
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	102
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	102
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	102
24,001	25,000	-	-	-	-	1	-	-	-	-	-	-	1	2	38	151
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	151
26,001	27,000	-	1	-	-	-	-	-	-	-	-	-	-	1	39	178
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	178
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	178
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	178
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	178
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	178
32,001	33,000	-	-	-	-	-	-	-	1	-	-	-	-	1	40	210
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	210
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	210
35,001	36,000	-	-	-	-	-	-	-	-	-	1	-	-	1	41	246
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	246
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	246
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	246

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	246
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	246
41,001	42,000	-	-	-	-	-	-	1	-	-	-	-	-	1	42	287
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	42	287
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	42	287
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	42	287
45,001	46,000	-	-	-	-	-	1	-	-	-	-	-	-	1	43	333
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	333
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	333
48,001	49,000	-	-	1	-	-	-	-	-	-	-	-	-	1	44	381
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	381
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	1	1	45	477
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	477
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	477
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	477
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	477
126,000	126,000	-	1	-	-	-	-	-	-	-	-	-	-	1	46	603
225,350	225,350	-	-	1	-	-	-	-	-	-	-	-	-	1	47	828
	-													-	47	828
	-													-	47	828
	-													-	47	828
Totals		4	4	4	4	4	4	4	4	4	4	4	3	47		

Average Usage 17,614
Median Usage 1,500

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	1	-	-	-	-	-	-	2	1	1	5	5	-
1	1,000	1	1	1	1	1	1	1	1	2	-	1	1	12	17	6
1,001	2,000	-	2	1	-	-	-	-	1	1	1	-	2	8	25	18
2,001	3,000	-	1	1	-	1	-	-	1	1	-	-	-	5	30	31
3,001	4,000	2	-	-	1	-	1	-	-	-	-	2	-	6	36	52
4,001	5,000	-	-	-	1	-	-	-	2	-	-	1	1	5	41	74
5,001	6,000	-	1	-	-	-	-	1	-	1	-	1	2	6	47	107
6,001	7,000	-	-	-	-	-	1	-	-	-	-	-	-	1	48	114
7,001	8,000	1	-	1	-	-	-	1	-	-	-	-	-	3	51	136
8,001	9,000	-	-	1	1	-	1	-	-	-	3	-	-	6	57	187
9,001	10,000	-	-	-	-	2	-	-	-	1	1	-	-	4	61	225
10,001	11,000	-	-	-	-	1	-	-	-	1	-	-	1	3	64	257
11,001	12,000	1	-	-	1	1	-	2	1	-	-	-	-	6	70	326
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	1	1	71	338
13,001	14,000	-	-	-	-	1	-	-	1	1	-	-	-	3	74	379
14,001	15,000	-	1	-	-	-	-	1	-	-	1	-	-	3	77	422
15,001	16,000	1	-	-	-	-	-	-	-	-	-	-	2	3	80	469
16,001	17,000	-	-	1	-	-	-	-	2	-	1	-	-	4	84	535
17,001	18,000	1	-	1	-	-	1	-	-	1	-	-	-	4	88	605
18,001	19,000	-	-	-	1	-	-	-	-	1	-	-	-	2	90	642
19,001	20,000	-	-	-	1	-	-	-	-	-	-	-	-	1	91	661
20,001	21,000	-	-	-	1	1	-	-	-	-	-	1	-	3	94	723
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	723
22,001	23,000	-	-	-	-	-	1	-	-	-	-	-	-	1	95	745
23,001	24,000	-	1	-	-	-	1	1	-	-	-	-	-	3	98	816
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	816
25,001	26,000	-	-	-	1	-	-	1	-	-	-	1	-	3	101	892
26,001	27,000	-	-	-	-	-	-	-	-	-	-	1	-	1	102	919
27,001	28,000	-	-	-	-	1	-	-	1	-	2	-	-	4	106	1,029
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	1	1	107	1,057
29,001	30,000	-	-	-	-	-	1	-	-	-	-	-	-	1	108	1,087
30,001	31,000	-	1	1	-	-	-	1	-	1	-	-	-	4	112	1,209
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	112	1,209
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	112	1,209
33,001	34,000	-	-	-	-	-	-	-	1	-	-	-	-	1	113	1,242
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	1,242
35,001	36,000	1	-	-	-	-	-	-	-	-	-	-	-	1	114	1,278
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	1,278
51,001	52,000	-	-	-	-	-	1	-	-	-	-	-	-	1	115	1,329
52,001	53,000	-	-	-	1	-	-	1	-	-	-	1	-	3	118	1,487
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	1	1	119	1,540
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	119	1,540
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	119	1,540
56,001	57,000	-	-	-	-	-	-	-	-	-	-	1	-	1	120	1,597
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	120	1,597
66,001	67,000	-	-	1	-	1	-	-	-	-	-	-	-	2	122	1,730
67,001	68,000	-	-	-	-	-	-	-	-	-	-	1	-	1	123	1,797
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	1,797
83,001	84,000	-	-	-	-	-	-	-	-	-	1	-	-	1	124	1,881
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	1,881
85,001	86,000	-	-	1	-	-	-	-	-	-	-	-	-	1	125	1,966
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	1,966
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	1,966
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	1,966
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	1,966
90,001	91,000	-	-	-	1	-	-	-	-	-	-	-	-	1	126	2,057
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,057
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,057
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,057
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,057
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,057
96,001	97,000	-	1	-	-	-	-	-	-	-	-	-	-	1	127	2,153
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	127	2,153
98,001	99,000	1	-	-	-	-	1	-	-	-	-	-	-	2	129	2,350
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	2,350
101,900	101,900	-	1	-	-	-	-	-	-	-	-	-	-	1	130	2,452
103,000	103,000	-	-	-	-	-	-	-	-	1	-	-	-	1	131	2,555
106,100	106,100	-	-	-	-	-	-	-	1	-	-	-	-	1	132	2,661
117,600	117,600	-	-	-	-	-	1	-	-	-	-	-	-	1	133	2,779
118,400	118,400	-	-	-	-	-	-	1	-	-	-	-	-	1	134	2,897
131,645	131,645	1	-	-	-	-	-	-	-	-	-	-	-	1	135	3,029
141,700	141,700	-	-	-	-	1	-	-	-	-	-	-	-	1	136	3,170
	-													-	136	3,170
																3,170
Totals		10	10	11	11	11	11	11	12	12	12	12	13	136		
										Average Usage				23,312		
										Median Usage				11,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	2	1	-	-	-	1	-	-	-	-	-	4	4	2
1,001	2,000	1	-	-	-	-	-	1	1	1	-	-	-	4	8	8
2,001	3,000	-	-	-	1	1	1	-	1	-	1	-	1	6	14	23
3,001	4,000	-	1	-	-	-	1	-	-	-	-	-	1	3	17	34
4,001	5,000	1	-	-	-	-	-	1	1	2	-	1	1	7	24	65
5,001	6,000	-	-	-	-	-	-	-	-	1	1	-	-	2	26	76
6,001	7,000	-	-	1	1	-	-	-	-	-	1	-	-	3	29	96
7,001	8,000	1	-	1	-	-	-	-	-	-	1	-	-	3	32	118
8,001	9,000	-	-	-	-	-	-	1	1	-	-	1	1	4	36	152
9,001	10,000	-	-	-	-	-	-	-	-	-	-	1	-	1	37	162
10,001	11,000	-	-	-	1	-	-	-	1	-	-	-	-	2	39	183
11,001	12,000	-	-	-	-	3	-	-	-	-	-	-	-	3	42	217
12,001	13,000	-	-	-	-	-	2	-	-	-	-	-	-	2	44	242
13,001	14,000	-	-	-	-	-	-	-	-	-	-	1	-	1	45	256
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	256
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	256
16,001	17,000	-	-	-	-	-	-	1	-	1	-	-	-	2	47	289
17,001	18,000	-	-	-	-	-	-	-	-	-	1	-	-	1	48	306
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	306
19,001	20,000	-	1	-	-	-	-	-	-	-	-	-	-	1	49	326
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	326
21,001	22,000	-	-	2	1	-	-	-	-	-	-	-	1	4	53	412
22,001	23,000	1	-	-	-	-	-	-	-	-	-	1	-	2	55	457
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	457
34,001	35,000	1	-	-	-	-	-	-	-	1	-	-	-	2	57	526
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	526
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	526
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	526
38,001	39,000	1	-	-	-	-	-	-	-	-	-	-	-	1	58	564

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	564
49,001	50,000	-	1	-	-	-	-	-	-	-	-	-	-	1	59	614
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	614
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	614
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	614
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	614
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	614
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	614
56,001	57,000	-	-	-	-	-	-	-	-	-	1	-	-	1	60	670
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	670
67,001	68,000	-	-	-	-	1	-	-	-	-	-	-	-	1	61	738
68,001	69,000	-	-	-	1	-	-	-	-	-	-	-	-	1	62	806
69,001	70,000	-	-	-	-	-	-	-	1	-	-	-	-	1	63	876
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	876
84,001	85,000	-	-	-	-	-	-	-	-	-	-	1	-	1	64	960
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	960
190,914	190,914	-	-	-	-	-	1	-	-	-	-	-	-	1	65	1,151
124,367	124,367	-	-	-	-	-	-	1	-	-	-	-	-	1	66	1,275
107,762	107,762	-	-	-	-	-	-	-	-	-	-	-	1	1	67	1,383
	-													-	67	1,383
																1,383
Totals		6	5	5	5	5	5	6	6	6	6	6	6	67		
										Average Usage				20,643		
										Median Usage				8,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27,001	28,000	-	-	1	-	1	-	1	-	-	-	-	-	3	3	83
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	83
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	83
30,001	31,000	-	-	-	1	-	-	-	-	-	-	-	-	1	4	113
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	113
32,001	33,000	-	1	-	-	-	-	-	-	-	-	-	-	1	5	146
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	146
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	146
35,001	36,000	-	-	-	-	-	-	-	-	-	1	-	-	1	6	181
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	181
37,001	38,000	-	-	-	-	-	1	-	-	-	-	-	-	1	7	219
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	219

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	1	-	-	-	-	-	-	-	-	-	-	-	1	8	258
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	258
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	258
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	258
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	258
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	258
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	258
46,001	47,000	-	-	-	-	-	-	-	1	-	-	-	1	2	10	351
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	351
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	351
49,001	50,000	-	-	-	-	-	-	-	-	1	-	-	-	1	11	401
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	401
66,001	67,000	-	-	-	-	-	-	-	-	-	-	1	-	1	12	467
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	467
	-													-	12	467
																467
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		
										Average Usage				38,917		
										Median Usage				34,000		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	1	2	2	-	-	-	-	-	-	-	-	5	5	-
1	1,000	1	1	1	1	1	1	1	1	1	1	1	1	12	17	6
1,001	2,000	-	-	-	-	-	-	1	-	-	-	-	-	1	18	8
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	8
3,001	4,000	-	-	-	-	-	-	3	-	-	-	-	-	3	21	18
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	18
5,001	6,000	-	-	-	-	-	2	-	-	-	-	-	-	2	23	29
6,001	7,000	-	-	-	-	-	1	-	-	-	-	-	-	1	24	36
7,001	8,000	-	-	-	-	-	1	-	-	-	-	-	-	1	25	43
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	43
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	43
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	1	1	26	54
11,001	12,000	-	-	1	-	-	-	-	-	-	-	-	-	1	27	65
12,001	13,000	1	-	-	-	-	-	-	-	-	-	-	-	1	28	78
13,001	14,000	1	-	-	-	-	-	-	-	-	1	-	-	2	30	105
14,001	15,000	2	1	1	-	-	-	-	-	-	-	-	-	4	34	163
15,001	16,000	-	-	1	-	-	-	-	-	-	-	-	-	1	35	178
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	1	1	36	195
17,001	18,000	1	1	-	-	-	-	-	-	-	1	1	-	4	40	265
18,001	19,000	-	2	-	1	-	-	-	1	-	1	-	1	6	46	376
19,001	20,000	-	-	2	-	-	-	-	-	-	-	-	1	3	49	434
20,001	21,000	-	-	-	-	-	-	-	1	1	-	-	-	2	51	475
21,001	22,000	-	-	-	-	1	-	-	1	-	-	-	1	3	54	540
22,001	23,000	-	1	-	1	-	-	-	-	-	-	1	-	3	57	607
23,001	24,000	-	-	-	1	2	-	-	-	1	-	1	-	5	62	725
24,001	25,000	1	-	-	-	-	-	-	-	1	-	-	-	2	64	774
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	774
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	774
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	774
28,001	29,000	-	-	-	1	1	-	-	-	-	1	-	-	3	67	859
29,001	30,000	-	-	-	-	-	-	-	1	-	-	-	-	1	68	889
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	68	889
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	68	889
32,001	33,000	-	-	1	-	-	-	-	-	-	-	-	-	1	69	921
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	1	1	70	955
34,001	35,000	-	-	-	-	-	-	-	-	1	-	-	-	1	71	989
35,001	36,000	-	-	-	-	1	-	-	-	-	1	-	-	2	73	1,060
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	1	1	74	1,097
37,001	38,000	-	-	-	1	-	-	-	-	-	-	-	-	1	75	1,134
38,001	39,000	-	-	-	-	-	-	-	1	-	-	1	-	2	77	1,211
39,001	40,000	-	-	-	-	-	-	-	-	1	-	-	-	2	79	1,290

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	1,290
41,001	42,000	-	-	-	-	-	1	-	-	-	-	-	-	1	80	1,332
42,001	43,000	-	-	-	1	-	-	-	-	-	-	-	-	1	81	1,374
43,001	44,000	-	-	-	-	-	-	-	-	-	-	1	-	1	82	1,418
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	1,418
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	1,418
46,001	47,000	1	1	-	-	-	-	-	-	-	-	-	-	2	84	1,511
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	1,511
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	1,511
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	1,511
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	1,511
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	1,511
52,001	53,000	1	-	-	-	-	-	-	-	-	-	-	-	1	85	1,563
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	1,563
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	1,563
55,001	56,000	-	1	-	-	-	-	-	-	-	-	-	-	1	86	1,619
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,619
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,619
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,619
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,619
60,001	61,000	-	-	1	-	-	-	-	-	-	-	-	-	1	87	1,679
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	1,679
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	1,679
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	1,679
64,001	65,000	-	-	-	-	-	-	-	-	-	1	-	-	1	88	1,744
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	1,744
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	1,744
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	1,744
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	1,744
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	1,744
70,001	71,000	-	1	-	-	-	-	-	-	-	-	-	-	1	89	1,814
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	1,814
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	1,814
73,001	74,000	-	-	-	-	1	-	-	-	-	-	-	-	1	90	1,888
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,888
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,888
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,888
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,888
78,001	79,000	1	-	-	-	-	-	-	-	-	-	-	-	1	91	1,966
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	1,966
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	1,966

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	1,966
82,001	83,000	-	-	-	-	-	-	-	-	1	-	1	-	2	93	2,131
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,131
106,061	106,061	-	-	-	-	-	-	1	-	-	-	-	-	1	94	2,237
109,035	109,035	-	-	-	1	-	-	-	-	-	-	-	-	1	95	2,346
113,235	113,235	-	-	-	-	-	-	-	-	-	1	-	-	1	96	2,459
124,509	124,509	-	-	-	-	-	-	-	-	1	-	-	-	1	97	2,584
125,101	125,101	-	-	-	-	-	-	-	1	-	-	-	-	1	98	2,709
135,402	135,402	-	-	-	-	-	-	-	-	-	-	-	1	1	99	2,844
144,028	144,028	-	-	-	-	1	-	-	-	-	-	-	-	1	100	2,988
145,390	145,390	-	-	-	-	-	-	-	1	-	-	-	-	1	101	3,134
158,049	158,049	-	-	1	-	-	-	-	-	-	-	-	-	1	102	3,292
164,901	164,901	-	-	-	-	-	-	-	-	-	-	-	1	1	103	3,457
167,309	167,309	-	-	-	-	-	-	-	-	-	1	-	-	1	104	3,624
171,531	171,531	-	-	-	-	-	-	-	-	1	-	-	-	1	105	3,796
176,020	176,020	-	-	-	-	-	-	-	-	-	-	1	-	1	106	3,972
179,867	179,867	-	1	-	-	-	-	-	-	-	-	-	-	1	107	4,151
182,401	182,401	-	-	-	-	-	-	-	-	-	1	-	-	1	108	4,334
182,897	182,897	-	-	-	-	1	-	-	-	-	-	-	-	1	109	4,517
186,704	186,704	-	-	-	-	-	-	1	-	-	-	-	-	1	110	4,703
188,950	188,950	-	-	-	-	-	-	-	-	1	-	-	-	1	111	4,892
195,207	195,207	-	-	-	-	-	-	-	-	-	1	-	-	1	112	5,088
198,359	198,359	-	-	-	-	-	-	1	-	-	-	-	-	1	113	5,286
202,343	202,343	-	-	-	-	-	1	-	-	-	-	-	-	1	114	5,488
203,580	203,580	-	1	-	-	-	-	-	-	-	-	-	-	1	115	5,692

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Commercial

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Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
203,811	203,811	-	-	-	1	-	-	-	-	-	-	-	-	1	116	5,896
208,435	208,435	-	-	-	-	1	-	-	-	-	-	-	-	1	117	6,104
209,920	209,920	-	-	-	-	-	-	-	-	-	-	1	-	1	118	6,314
213,901	213,901	-	-	-	-	-	-	-	-	-	-	-	1	1	119	6,528
214,275	214,275	1	-	-	-	-	-	-	-	-	-	-	-	1	120	6,742
217,460	217,460	-	-	-	-	-	1	-	-	-	-	-	-	1	121	6,960
228,923	228,923	-	-	-	-	-	-	-	1	-	-	-	-	1	122	7,189
233,128	233,128	-	-	-	-	-	-	-	1	-	-	-	-	1	123	7,422
237,650	237,650	-	-	-	-	-	-	-	-	1	-	-	-	1	124	7,659
245,143	245,143	-	-	1	-	-	-	-	-	-	-	-	-	1	125	7,905
246,747	246,747	1	-	-	-	-	-	-	-	-	-	-	-	1	126	8,151
249,445	249,445	-	-	-	-	-	-	-	1	-	-	-	-	1	127	8,401
250,640	250,640	-	1	-	-	-	-	-	-	-	-	-	-	1	128	8,651
250,881	250,881	-	-	-	-	-	-	1	-	-	-	-	-	1	129	8,902
256,674	256,674	-	-	-	-	-	1	-	-	-	-	-	-	1	130	9,159
258,809	258,809	-	-	-	-	-	-	-	-	-	-	-	1	1	131	9,418
262,004	262,004	-	-	-	-	-	-	-	-	-	-	1	-	1	132	9,680
263,263	263,263	-	-	-	-	-	-	-	-	-	-	1	-	1	133	9,943
270,293	270,293	-	-	1	-	-	-	-	-	-	-	-	-	1	134	10,213
276,267	276,267	-	-	-	1	-	-	-	-	-	-	-	-	1	135	10,490
285,462	285,462	-	-	-	-	-	1	-	-	-	-	-	-	1	136	10,775
297,638	297,638	-	-	-	-	1	-	-	-	-	-	-	-	1	137	11,073
298,742	298,742	-	-	-	-	-	-	1	-	-	-	-	-	1	138	11,371
305,115	305,115	-	1	-	-	-	-	-	-	-	-	-	-	1	139	11,677
308,560	308,560	-	-	1	-	-	-	-	-	-	-	-	-	1	140	11,985
308,765	308,765	-	-	-	1	-	-	-	-	-	-	-	-	1	141	12,294
309,551	309,551	1	-	-	-	-	-	-	-	-	-	-	-	1	142	12,603
325,644	325,644	-	-	-	-	-	1	-	-	-	-	-	-	1	143	12,929
346,068	346,068	1	-	-	-	-	-	-	-	-	-	-	-	1	144	13,275
384,405	384,405	-	-	-	-	-	-	-	-	-	-	1	-	1	145	13,660
404,757	404,757	-	1	-	-	-	-	-	-	-	-	-	-	1	146	14,064
443,183	443,183	-	-	-	-	-	-	-	-	-	1	-	-	1	147	14,507
512,613	512,613	-	-	-	1	-	-	-	-	-	-	-	-	1	148	15,020
525,423	525,423	-	-	-	-	-	-	-	-	1	-	-	-	1	149	15,546
589,970	589,970	-	-	-	-	-	-	-	1	-	-	-	-	1	150	16,135
597,255	597,255	1	-	-	-	-	-	-	-	-	-	-	-	1	151	16,733
613,289	613,289	-	-	-	-	1	-	-	-	-	-	-	-	1	152	17,346
615,078	615,078	-	1	-	-	-	-	-	-	-	-	-	-	1	153	17,961
679,233	679,233	-	-	-	-	-	-	-	-	-	-	-	1	1	154	18,640
720,298	720,298	1	-	-	-	-	-	-	-	-	-	-	-	1	155	19,361
764,750	764,750	-	-	-	-	-	-	-	-	-	1	-	-	1	156	20,125

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Commercial

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Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
782,372	782,372	-	-	1	-	-	-	-	-	-	-	-	-	1	157	20,908
815,539	815,539	-	-	-	-	-	-	-	-	-	-	1	-	1	158	21,723
817,251	817,251	-	-	-	-	-	-	1	-	-	-	-	-	1	159	22,541
829,622	829,622	-	-	-	-	-	1	-	-	-	-	-	-	1	160	23,370
890,576	890,576	-	-	-	-	1	-	-	-	-	-	-	-	1	161	24,261
937,994	937,994	-	-	-	-	-	-	1	-	-	-	-	-	1	162	25,199
950,958	950,958	-	-	-	1	-	-	-	-	-	-	-	-	1	163	26,150
980,032	980,032	-	-	-	-	-	-	-	-	1	-	-	-	1	164	27,130
1,082,606	1,082,606	-	-	-	-	-	1	-	-	-	-	-	-	1	165	28,212
1,137,035	1,137,035	-	-	-	-	-	-	-	1	-	-	-	-	1	166	29,349
																29,349
Totals		16	16	15	15	13	13	13	13	13	13	13	13	166		
										Average Usage				176,803		
										Median Usage				46,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	2	2	1	-	2	-	2	-	2	-	2	1	14	14	-
1	1,000	1	-	-	-	-	1	-	-	-	-	-	2	4	18	2
1,001	2,000	-	-	-	-	-	-	-	1	-	-	-	-	1	19	4
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	19	4
3,001	4,000	-	-	1	-	-	-	-	-	-	-	-	-	1	20	7
4,001	5,000	-	-	-	-	-	-	-	1	-	-	-	-	1	21	12
5,001	6,000	-	1	1	-	-	-	-	-	-	-	-	-	2	23	23
6,001	7,000	-	-	-	1	1	-	-	-	-	-	-	-	2	25	36
7,001	8,000	-	-	-	1	-	-	-	-	-	-	-	-	1	26	43
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	43
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	43
10,001	11,000	1	-	-	-	-	1	-	-	-	-	-	-	2	28	64
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	64
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	64
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	64
14,001	15,000	-	-	-	-	-	-	-	-	-	-	1	-	1	29	79
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	79
16,001	17,000	-	-	-	-	-	1	-	-	-	1	-	1	3	32	128
17,001	18,000	-	-	1	-	-	-	-	-	-	-	-	-	1	33	146
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	146
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	146
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	146
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	146
22,001	23,000	-	-	-	1	-	-	-	-	-	-	-	-	1	34	168
23,001	24,000	-	-	1	1	-	-	-	-	-	-	-	-	2	36	215
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	215
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	215
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	215
27,001	28,000	-	-	-	-	-	-	-	-	-	1	-	-	1	37	243
28,001	29,000	1	-	-	-	-	-	-	-	-	-	-	-	1	38	271
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	271
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	271
31,001	32,000	-	-	1	-	-	-	-	-	-	-	-	-	1	39	303
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	303
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	303
34,001	35,000	-	-	-	-	-	-	-	-	-	-	1	-	1	40	337
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	337
36,001	37,000	1	-	-	-	-	-	-	1	-	-	-	-	2	42	410
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	42	410
38,001	39,000	-	1	-	-	-	-	-	-	-	-	-	-	1	43	449
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	449

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	449
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	449
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	449
43,001	44,000	-	-	-	-	1	-	1	-	-	-	-	-	2	45	536
44,001	45,000	-	1	-	-	-	-	-	-	-	-	-	-	1	46	580
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	580
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	580
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	580
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	580
49,001	50,000	1	-	-	-	-	-	-	-	-	-	-	-	1	47	630
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	630
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	630
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	630
53,001	54,000	-	-	-	-	1	-	-	-	-	-	-	-	1	48	683
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	683
67,001	68,000	-	-	-	-	-	-	1	-	-	-	-	-	1	49	751
68,001	69,000	-	-	-	1	-	-	-	-	-	-	-	-	1	50	819
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	819
78,001	79,000	-	-	-	-	-	-	-	-	1	-	-	-	1	51	898
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	898
80,001	81,000	-	1	-	-	-	-	-	-	-	-	-	-	1	52	978

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Commercial

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Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
81,001	82,000	-	-	-	-	-	-	1	1	-	-	-	-	2	54	1,141
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	1,141
90,001	91,000	-	-	-	-	-	-	-	-	-	1	-	-	1	55	1,232
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	1,232
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	1,232
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	1,232
94,001	95,000	-	-	1	-	-	1	-	-	-	-	-	-	2	57	1,421
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	1,421
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	1,421
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	1,421
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	1,421
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	1,421
199,700	199,700	1	-	-	-	-	-	-	-	-	-	-	-	1	58	1,620
929,700	929,700	1	-	-	-	-	-	-	-	-	-	-	-	1	59	2,550
1,731,300	1,731,300	1	-	-	-	-	-	-	-	-	-	-	-	1	60	4,281
420,800	420,800	-	1	-	-	-	-	-	-	-	-	-	-	1	61	4,702
497,700	497,700	-	1	-	-	-	-	-	-	-	-	-	-	1	62	5,200
977,900	977,900	-	1	-	-	-	-	-	-	-	-	-	-	1	63	6,178
1,119,200	1,119,200	-	1	-	-	-	-	-	-	-	-	-	-	1	64	7,297
157,900	157,900	-	-	1	-	-	-	-	-	-	-	-	-	1	65	7,455
210,800	210,800	-	-	1	-	-	-	-	-	-	-	-	-	1	66	7,666
246,300	246,300	-	-	1	-	-	-	-	-	-	-	-	-	1	67	7,912
664,300	664,300	-	-	1	-	-	-	-	-	-	-	-	-	1	68	8,576
423,000	423,000	-	-	-	1	-	-	-	-	-	-	-	-	1	69	8,999
531,000	531,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70	9,530
1,167,200	1,167,200	-	-	-	1	-	-	-	-	-	-	-	-	1	71	10,697
131,300	131,300	-	-	-	-	1	-	-	-	-	-	-	-	1	72	10,829
1,574,700	1,574,700	-	-	-	-	1	-	-	-	-	-	-	-	1	73	12,403
110,600	110,600	-	-	-	-	-	1	-	-	-	-	-	-	1	74	12,514
846,300	846,300	-	-	-	-	-	1	-	-	-	-	-	-	1	75	13,360
914,000	914,000	-	-	-	-	-	-	1	-	-	-	-	-	1	76	14,274
404,500	404,500	-	-	-	-	-	-	-	1	-	-	-	-	1	77	14,679
156,000	156,000	-	-	-	-	-	-	-	-	1	-	-	-	1	78	14,835
824,700	824,700	-	-	-	-	-	-	-	-	1	-	-	-	1	79	15,659

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Commercial

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Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
127,300	127,300	-	-	-	-	-	-	-	-	-	1	-	-	1	80	15,787
523,600	523,600	-	-	-	-	-	-	-	-	-	1	-	-	1	81	16,310
602,500	602,500	-	-	-	-	-	-	-	-	-	-	1	-	1	82	16,913
180,300	180,300	-	-	-	-	-	-	-	-	-	-	-	1	1	83	17,093
434,700	434,700	-	-	-	-	-	-	-	-	-	-	-	1	1	84	17,528
	-													-	84	17,528
																17,528
Totals		10	10	11	8	7	6	6	5	5	5	5	6	84		
										Average Usage				208,665		
										Median Usage				37,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Landscape Irrigation

Exhibit
Schedule H-5
Page 12
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	2	1	1	1	-	2	2	1	-	-	-	1	11	11	-
1	1,000	2	1	-	-	-	-	-	-	-	1	2	1	7	18	4
1,001	2,000	-	-	-	-	-	-	-	1	1	1	1	1	5	23	11
2,001	3,000	-	-	-	-	-	1	-	-	-	1	1	-	3	26	19
3,001	4,000	-	-	-	-	-	-	-	1	1	-	-	2	4	30	33
4,001	5,000	-	-	-	-	1	-	-	-	1	-	2	1	5	35	55
5,001	6,000	-	1	1	-	-	1	1	-	-	2	-	1	7	42	94
6,001	7,000	-	-	-	1	1	1	1	1	-	-	1	-	6	48	133
7,001	8,000	1	-	-	-	-	-	-	-	-	1	-	-	2	50	148
8,001	9,000	-	-	-	-	-	-	-	-	-	1	-	-	1	51	156
9,001	10,000	-	-	1	1	1	-	-	1	-	-	-	1	5	56	204
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	204
11,001	12,000	-	-	1	-	1	-	1	-	-	-	-	-	3	59	238
12,001	13,000	-	-	-	1	-	1	-	1	-	1	-	-	4	63	288
13,001	14,000	-	-	-	-	-	1	-	-	2	-	-	-	3	66	329
14,001	15,000	-	-	-	-	-	-	-	-	1	-	-	-	1	67	343
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	343
16,001	17,000	-	-	-	-	-	-	1	-	-	-	-	-	1	68	360
17,001	18,000	-	1	-	-	-	-	-	-	-	-	-	-	1	69	377
18,001	19,000	-	-	-	-	-	-	-	1	1	-	-	-	2	71	414
19,001	20,000	-	-	-	-	-	-	1	-	-	-	-	-	1	72	434
20,001	21,000	1	-	-	-	-	-	-	-	1	-	-	-	2	74	475
21,001	22,000	-	1	-	-	-	-	-	-	-	-	1	-	2	76	518
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	518
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	518
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	518
25,001	26,000	-	-	1	-	-	-	-	-	-	-	-	-	1	77	543
26,001	27,000	-	-	-	-	-	-	-	1	-	-	-	-	1	78	570
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	570
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	570
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	570
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	570
31,001	32,000	-	-	-	-	-	-	1	-	-	-	-	-	1	79	601
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	601
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	601
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	601
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	601
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	601
37,001	38,000	-	-	-	1	1	-	-	-	-	-	-	-	2	81	676
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	676

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Landscape Irrigation

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Schedule H-5
Page 12
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	676
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	1	1	82	717
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	717
48,001	49,000	-	-	-	-	-	-	-	-	-	-	1	-	1	83	765
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	83	765
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	83	765
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	83	765
52,001	53,000	-	-	-	-	-	1	-	-	-	-	-	-	1	84	818
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	818
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	818
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	818
56,001	57,000	1	-	-	-	-	-	-	-	-	-	-	-	1	85	874
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3/4 Inch Landscape Irrigation

Exhibit
Schedule H-5
Page 12
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	874
	-													-		874
Totals		7	5	5	5	5	8	8	8	8	8	9	9	85		
										Average Usage				10,283		
										Median Usage				6,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Landscape Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	1	1	1	-	-	2	2	2	2	2	2	2	17	17	-
1	1,000	-	-	-	1	2	-	-	-	-	-	2	-	5	22	3
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	3
2,001	3,000	-	-	-	-	-	-	-	1	1	-	-	1	3	25	10
3,001	4,000	-	1	1	1	1	-	-	-	-	-	-	-	4	29	24
4,001	5,000	1	-	-	1	-	1	-	-	-	-	-	1	4	33	42
5,001	6,000	-	-	-	-	-	-	-	1	-	1	-	-	2	35	53
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	53
7,001	8,000	-	-	-	-	-	-	-	-	-	1	-	-	1	36	61
8,001	9,000	-	-	-	-	-	-	-	-	1	-	-	-	1	37	69
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37	69
10,001	11,000	-	-	1	-	-	-	1	-	-	-	-	-	2	39	90
11,001	12,000	-	-	1	-	-	-	-	-	-	-	-	1	2	41	113
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	1	1	42	126
13,001	14,000	-	-	-	-	-	-	-	-	-	1	1	1	3	45	166
14,001	15,000	-	-	1	-	-	-	1	-	-	1	-	-	3	48	210
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	1	1	49	225
16,001	17,000	-	1	-	-	-	-	-	1	1	-	-	-	3	52	275
17,001	18,000	1	1	-	1	-	-	-	-	-	-	-	-	3	55	327
18,001	19,000	-	-	1	-	-	-	-	-	-	-	1	-	2	57	364
19,001	20,000	-	1	-	1	1	-	-	-	-	-	-	-	3	60	423
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	423
21,001	22,000	-	-	-	1	-	1	-	-	-	-	-	-	2	62	466
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	1	1	63	488
23,001	24,000	-	1	-	-	-	-	-	-	-	-	-	-	1	64	512
24,001	25,000	-	-	-	-	2	-	-	-	-	-	-	-	2	66	561
25,001	26,000	-	-	-	-	-	-	1	-	-	-	-	-	1	67	586
26,001	27,000	-	-	-	-	-	-	-	1	-	-	-	-	1	68	613
27,001	28,000	-	-	-	-	-	-	-	-	-	1	-	-	1	69	640
28,001	29,000	-	-	-	-	-	1	1	-	-	1	-	-	3	72	726
29,001	30,000	1	-	-	-	-	-	-	-	-	-	2	-	3	75	814
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	814
31,001	32,000	-	-	-	-	-	-	1	-	1	-	1	1	4	79	940
32,001	33,000	-	-	-	-	-	-	1	-	-	-	-	-	1	80	973
33,001	34,000	-	1	1	-	-	-	-	-	-	-	-	-	2	82	1,040
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	1,040
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	1,040
36,001	37,000	-	-	-	-	1	-	-	-	-	-	-	-	1	83	1,076
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	83	1,076
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	1	1	84	1,115

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Landscape Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	1	-	-	-	-	-	-	-	-	1	85	1,154
40,001	41,000	-	-	-	-	-	1	-	-	-	-	-	-	1	86	1,195
41,001	42,000	1	-	-	-	-	1	-	-	-	-	-	-	2	88	1,278
42,001	43,000	-	-	-	-	-	-	-	-	-	1	-	-	1	89	1,320
43,001	44,000	-	-	-	-	-	-	-	-	-	1	-	-	1	90	1,364
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,364
45,001	46,000	-	-	-	-	-	-	-	-	1	-	-	-	1	91	1,409
46,001	47,000	1	-	-	-	-	-	-	-	-	-	-	-	1	92	1,456
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,456
48,001	49,000	-	-	-	-	-	-	-	1	-	1	-	-	2	94	1,553
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	2	2	96	1,652
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	1,652
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	1,652
52,001	53,000	-	-	1	-	-	-	-	-	-	-	-	-	1	97	1,704
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	97	1,704
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	97	1,704
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	97	1,704
56,001	57,000	-	-	-	-	1	-	-	-	1	-	-	-	2	99	1,817
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,817
58,001	59,000	-	-	-	-	-	1	-	-	1	-	1	-	3	102	1,993
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,993
60,001	61,000	-	-	-	1	-	-	-	-	-	-	-	-	1	103	2,053
61,001	62,000	-	-	-	-	-	-	1	-	-	-	-	-	1	104	2,115
62,001	63,000	-	-	-	-	-	-	-	-	1	-	-	-	1	105	2,177
63,001	64,000	-	-	-	-	-	-	-	-	-	-	1	-	1	106	2,241
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	2,241
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	2,241
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	1	1	107	2,307
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	2,307
68,001	69,000	-	-	-	1	-	-	-	-	-	-	-	-	1	108	2,376
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	2,376
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	2,376
71,001	72,000	-	-	-	-	-	-	-	1	-	-	-	-	1	109	2,447
72,001	73,000	-	-	-	-	1	-	-	-	1	-	-	-	2	111	2,592
73,001	74,000	1	-	-	-	-	-	-	-	-	-	-	-	1	112	2,666
74,001	75,000	1	-	1	-	-	-	-	-	-	-	-	-	2	114	2,815
75,001	76,000	-	-	-	-	-	-	1	1	-	-	-	1	3	117	3,041
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	117	3,041
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	117	3,041
78,001	79,000	-	-	-	-	-	-	-	1	-	-	1	-	2	119	3,198

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Landscape Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	119	3,198
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	119	3,198
81,001	82,000	-	-	-	-	-	-	-	1	-	-	-	-	1	120	3,280
82,001	83,000	-	-	-	-	-	-	-	-	1	-	-	-	1	121	3,362
83,001	84,000	-	-	-	-	-	-	-	-	-	1	-	-	1	122	3,446
84,001	85,000	-	1	-	-	1	-	-	-	-	-	-	-	2	124	3,615
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	3,615
92,001	93,000	-	-	-	-	-	-	1	-	-	-	-	-	1	125	3,707
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	3,707
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	3,707
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	3,707
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	3,707
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	3,707
98,001	99,000	1	-	-	-	-	-	-	-	-	-	-	-	1	126	3,806
99,001	100,000	-	-	-	-	-	-	-	1	-	-	-	-	1	127	3,905
147,597	147,597	1	-	-	-	-	-	-	-	-	-	-	-	1	128	4,053
158,199	158,199	1	-	-	-	-	-	-	-	-	-	-	-	1	129	4,211
226,095	226,095	1	-	-	-	-	-	-	-	-	-	-	-	1	130	4,437
412,495	412,495	1	-	-	-	-	-	-	-	-	-	-	-	1	131	4,849
126,312	126,312	-	1	-	-	-	-	-	-	-	-	-	-	1	132	4,976
146,924	146,924	-	1	-	-	-	-	-	-	-	-	-	-	1	133	5,123
163,209	163,209	-	1	-	-	-	-	-	-	-	-	-	-	1	134	5,286
205,993	205,993	-	1	-	-	-	-	-	-	-	-	-	-	1	135	5,492
346,199	346,199	-	1	-	-	-	-	-	-	-	-	-	-	1	136	5,838
108,512	108,512	-	-	1	-	-	-	-	-	-	-	-	-	1	137	5,947
110,488	110,488	-	-	1	-	-	-	-	-	-	-	-	-	1	138	6,057
230,765	230,765	-	-	1	-	-	-	-	-	-	-	-	-	1	139	6,288
255,835	255,835	-	-	1	-	-	-	-	-	-	-	-	-	1	140	6,544
100,550	100,550	-	-	-	1	-	-	-	-	-	-	-	-	1	141	6,644
191,924	191,924	-	-	-	1	-	-	-	-	-	-	-	-	1	142	6,836
253,183	253,183	-	-	-	1	-	-	-	-	-	-	-	-	1	143	7,089
395,484	395,484	-	-	-	1	-	-	-	-	-	-	-	-	1	144	7,485
177,030	177,030	-	-	-	-	1	-	-	-	-	-	-	-	1	145	7,662
193,495	193,495	-	-	-	-	1	-	-	-	-	-	-	-	1	146	7,855

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 Inch Landscape Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
280,624	280,624	-	-	-	-	1	-	-	-	-	-	-	-	1	147	8,136
466,771	466,771	-	-	-	-	1	-	-	-	-	-	-	-	1	148	8,603
103,127	103,127	-	-	-	-	-	1	-	-	-	-	-	-	1	149	8,706
119,119	119,119	-	-	-	-	-	1	-	-	-	-	-	-	1	150	8,825
324,941	324,941	-	-	-	-	-	1	-	-	-	-	-	-	1	151	9,150
328,707	328,707	-	-	-	-	-	1	-	-	-	-	-	-	1	152	9,479
396,875	396,875	-	-	-	-	-	1	-	-	-	-	-	-	1	153	9,876
490,475	490,475	-	-	-	-	-	1	-	-	-	-	-	-	1	154	10,366
629,231	629,231	-	-	-	-	-	1	-	-	-	-	-	-	1	155	10,995
158,758	158,758	-	-	-	-	-	-	1	-	-	-	-	-	1	156	11,154
296,919	296,919	-	-	-	-	-	-	1	-	-	-	-	-	1	157	11,451
350,039	350,039	-	-	-	-	-	-	1	-	-	-	-	-	1	158	11,801
775,547	775,547	-	-	-	-	-	-	1	-	-	-	-	-	1	159	12,576
268,953	268,953	-	-	-	-	-	-	-	1	-	-	-	-	1	160	12,845
269,245	269,245	-	-	-	-	-	-	-	1	-	-	-	-	1	161	13,115
763,914	763,914	-	-	-	-	-	-	-	1	-	-	-	-	1	162	13,879
163,751	163,751	-	-	-	-	-	-	-	-	1	-	-	-	1	163	14,042
193,713	193,713	-	-	-	-	-	-	-	-	1	-	-	-	1	164	14,236
572,816	572,816	-	-	-	-	-	-	-	-	1	-	-	-	1	165	14,809
148,290	148,290	-	-	-	-	-	-	-	-	-	1	-	-	1	166	14,957
173,037	173,037	-	-	-	-	-	-	-	-	-	1	-	-	1	167	15,130
194,698	194,698	-	-	-	-	-	-	-	-	-	1	-	-	1	168	15,325
241,239	241,239	-	-	-	-	-	-	-	-	-	1	-	-	1	169	15,566
507,977	507,977	-	-	-	-	-	-	-	-	-	1	-	-	1	170	16,074
123,435	123,435	-	-	-	-	-	-	-	-	-	-	1	-	1	171	16,198
126,278	126,278	-	-	-	-	-	-	-	-	-	-	1	-	1	172	16,324
132,186	132,186	-	-	-	-	-	-	-	-	-	-	1	-	1	173	16,456
133,715	133,715	-	-	-	-	-	-	-	-	-	-	1	-	1	174	16,590
185,450	185,450	-	-	-	-	-	-	-	-	-	-	1	-	1	175	16,775
288,277	288,277	-	-	-	-	-	-	-	-	-	-	1	-	1	176	17,063
100,326	100,326	-	-	-	-	-	-	-	-	-	-	-	1	1	177	17,164
137,344	137,344	-	-	-	-	-	-	-	-	-	-	-	1	1	178	17,301
	-													-	178	17,301
																17,301
Totals		13	13	13	13	14	15	15	15	15	17	18	17	178		
										Average Usage				97,197		
										Median Usage				43,000		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	1	-	-	1	2	1	-	-	2	1	8	8	-
1	1,000	-	-	-	-	-	1	1	-	-	-	-	-	2	10	1
1,001	2,000	-	-	-	-	-	-	-	-	1	-	-	-	1	11	3
2,001	3,000	-	-	-	-	-	-	-	-	-	-	1	-	1	12	5
3,001	4,000	-	-	-	-	-	-	-	-	-	1	-	-	1	13	9
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	9
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	9
6,001	7,000	-	-	-	-	-	-	-	-	1	-	-	-	1	14	15
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	15
8,001	9,000	-	-	-	-	-	-	-	-	-	1	-	1	2	16	32
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	32
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	32
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	32
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	32
13,001	14,000	-	-	-	-	1	-	-	-	-	-	-	-	1	17	46
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17	46
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17	46
16,001	17,000	-	-	-	1	-	-	-	1	-	-	-	-	2	19	79
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	1	1	20	96
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	96
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	96
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	96
21,001	22,000	-	-	-	-	-	-	-	-	-	-	1	-	1	21	118
22,001	23,000	-	-	-	-	1	-	-	-	-	-	-	-	1	22	140
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	140
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	140
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	140
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	140
27,001	28,000	-	-	-	-	-	-	-	1	-	-	-	-	1	23	168
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	168
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	168
30,001	31,000	-	-	1	-	-	-	-	-	-	-	-	-	1	24	198
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	1	1	25	230
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	230
33,001	34,000	-	1	-	-	-	-	-	-	-	-	-	-	1	26	263
34,001	35,000	-	-	-	-	-	-	-	-	-	-	1	-	1	27	298
35,001	36,000	-	-	-	-	-	1	-	-	-	-	-	-	1	28	333
36,001	37,000	-	-	-	-	-	-	-	-	-	1	-	-	1	29	370
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	370
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	1	1	30	408

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	408
40,001	41,000	-	-	-	-	-	-	-	-	1	-	-	-	1	31	449
41,001	42,000	-	-	1	-	-	-	-	-	-	-	-	-	1	32	490
42,001	43,000	-	-	-	-	-	1	-	-	-	-	-	-	1	33	533
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	533
44,001	45,000	-	-	-	-	-	-	-	-	1	-	-	-	1	34	577
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	577
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	577
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	577
48,001	49,000	1	-	-	-	-	-	-	-	-	-	-	-	1	35	626
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	626
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	626
51,001	52,000	-	-	1	-	-	-	-	-	-	-	-	-	1	36	677
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	677
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	677
54,001	55,000	-	-	-	-	-	-	-	-	-	-	1	1	2	38	786
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	786
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	786
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	786
58,001	59,000	-	-	-	-	-	-	-	-	-	1	-	-	1	39	845
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	845
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	845
61,001	62,000	-	-	-	-	-	-	-	1	-	-	-	-	1	40	906
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	906
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	906
64,001	65,000	-	-	-	-	-	-	1	-	-	-	-	-	1	41	971
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	971
66,001	67,000	-	-	-	-	-	-	-	-	-	1	-	-	1	42	1,037
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	42	1,037
68,001	69,000	-	-	-	-	-	-	-	-	-	1	-	-	1	43	1,106
69,001	70,000	-	-	-	-	-	-	-	-	-	1	-	-	1	44	1,175
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	1,175
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	1,175
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	1,175
73,001	74,000	-	-	-	-	-	-	-	1	-	-	-	-	1	45	1,249
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	1,249
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	1,249
76,001	77,000	-	-	-	-	-	-	-	-	1	-	-	1	2	47	1,402
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	1,402
85,001	86,000	-	-	-	-	-	-	-	-	-	-	1	-	1	48	1,487
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	1,487
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	1,487
88,001	89,000	-	-	-	1	-	-	-	-	-	1	-	-	2	50	1,664
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	1,664
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	1,664
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	1,664
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	1,664
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	1,664
94,001	95,000	-	-	-	-	1	-	-	-	-	-	-	-	1	51	1,759
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	1,759
96,001	97,000	-	-	1	-	-	-	-	-	-	-	-	-	1	52	1,855
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	1,855
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	1,855
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	1,855
179,584	179,584	1	-	-	-	-	-	-	-	-	-	-	-	1	53	2,035
207,905	207,905	1	-	-	-	-	-	-	-	-	-	-	-	1	54	2,243
400,740	400,740	1	-	-	-	-	-	-	-	-	-	-	-	1	55	2,643
466,638	466,638	1	-	-	-	-	-	-	-	-	-	-	-	1	56	3,110
130,128	130,128	-	1	-	-	-	-	-	-	-	-	-	-	1	57	3,240
145,085	145,085	-	1	-	-	-	-	-	-	-	-	-	-	1	58	3,385
220,657	220,657	-	1	-	-	-	-	-	-	-	-	-	-	1	59	3,606
318,431	318,431	-	1	-	-	-	-	-	-	-	-	-	-	1	60	3,924
338,245	338,245	-	-	1	-	-	-	-	-	-	-	-	-	1	61	4,262
158,726	158,726	-	-	-	1	-	-	-	-	-	-	-	-	1	62	4,421
175,298	175,298	-	-	-	1	-	-	-	-	-	-	-	-	1	63	4,596
517,323	517,323	-	-	-	1	-	-	-	-	-	-	-	-	1	64	5,114
175,967	175,967	-	-	-	-	1	-	-	-	-	-	-	-	1	65	5,290
179,692	179,692	-	-	-	-	1	-	-	-	-	-	-	-	1	66	5,469
531,254	531,254	-	-	-	-	1	-	-	-	-	-	-	-	1	67	6,001
245,407	245,407	-	-	-	-	-	1	-	-	-	-	-	-	1	68	6,246
291,898	291,898	-	-	-	-	-	1	-	-	-	-	-	-	1	69	6,538
303,932	303,932	-	-	-	-	-	1	-	-	-	-	-	-	1	70	6,842
637,618	637,618	-	-	-	-	-	1	-	-	-	-	-	-	1	71	7,480

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 1 1/2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
147,965	147,965	-	-	-	-	-	-	1	-	-	-	-	-	1	72	7,628
242,213	242,213	-	-	-	-	-	-	1	-	-	-	-	-	1	73	7,870
258,583	258,583	-	-	-	-	-	-	1	-	-	-	-	-	1	74	8,128
402,020	402,020	-	-	-	-	-	-	1	-	-	-	-	-	1	75	8,530
619,393	619,393	-	-	-	-	-	-	1	-	-	-	-	-	1	76	9,150
120,682	120,682	-	-	-	-	-	-	-	1	-	-	-	-	1	77	9,270
207,640	207,640	-	-	-	-	-	-	-	1	-	-	-	-	1	78	9,478
269,729	269,729	-	-	-	-	-	-	-	1	-	-	-	-	1	79	9,748
491,068	491,068	-	-	-	-	-	-	-	1	-	-	-	-	1	80	10,239
176,221	176,221	-	-	-	-	-	-	-	-	1	-	-	-	1	81	10,415
229,096	229,096	-	-	-	-	-	-	-	-	1	-	-	-	1	82	10,644
259,779	259,779	-	-	-	-	-	-	-	-	1	-	-	-	1	83	10,904
311,772	311,772	-	-	-	-	-	-	-	-	1	-	-	-	1	84	11,216
287,721	287,721	-	-	-	-	-	-	-	-	-	1	-	-	1	85	11,503
211,070	211,070	-	-	-	-	-	-	-	-	-	-	1	-	1	86	11,715
281,031	281,031	-	-	-	-	-	-	-	-	-	-	1	-	1	87	11,996
318,908	318,908	-	-	-	-	-	-	-	-	-	-	1	-	1	88	12,314
119,209	119,209	-	-	-	-	-	-	-	-	-	-	-	1	1	89	12,434
140,102	140,102	-	-	-	-	-	-	-	-	-	-	-	1	1	90	12,574
-														-	90	12,574
																12,574
Totals		5	5	6	5	6	8	9	9	9	9	10	9	90		
										Average Usage				139,708		
										Median Usage				76,000		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	1	-	2	1	2	1	1	1	-	9	9	-
1	1,000	-	-	-	1	-	3	2	-	-	-	1	2	9	18	5
1,001	2,000	-	1	-	-	-	-	-	-	-	-	-	-	1	19	6
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	19	6
3,001	4,000	-	-	-	-	1	1	1	2	1	1	-	1	8	27	34
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	34
5,001	6,000	-	1	-	-	-	-	-	-	-	2	1	-	4	31	56
6,001	7,000	1	-	-	-	-	-	-	1	-	-	-	-	2	33	69
7,001	8,000	1	-	-	-	-	-	-	-	-	1	-	-	2	35	84
8,001	9,000	1	-	-	-	-	-	-	1	-	-	-	-	2	37	101
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37	101
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37	101
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37	101
12,001	13,000	-	-	1	-	-	-	-	-	-	-	-	-	1	38	114
13,001	14,000	-	-	-	-	-	-	-	-	1	-	-	-	1	39	127
14,001	15,000	-	-	1	-	-	-	-	-	-	-	-	1	2	41	156
15,001	16,000	-	-	-	-	-	-	-	1	-	-	-	-	1	42	172
16,001	17,000	-	-	-	-	-	-	-	-	-	1	-	1	2	44	205
17,001	18,000	-	-	-	1	-	-	-	-	-	-	-	-	1	45	222
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	222
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	222
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	222
21,001	22,000	-	-	-	-	-	-	-	-	-	1	-	-	1	46	244
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	1	1	47	266
23,001	24,000	-	1	-	-	-	-	-	-	-	1	-	-	2	49	313
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	313
25,001	26,000	-	-	-	-	-	-	-	-	1	-	-	-	1	50	339
26,001	27,000	-	-	-	-	-	-	-	-	1	1	-	-	2	52	392
27,001	28,000	-	1	-	-	-	-	-	-	-	1	-	-	2	54	447
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	1	1	55	475
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	475
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	475
31,001	32,000	-	1	-	-	-	-	-	-	-	-	-	-	1	56	507
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	2	2	58	572
33,001	34,000	2	-	-	-	-	-	-	1	-	-	1	-	4	62	706
34,001	35,000	-	-	-	-	-	-	-	-	-	1	1	-	2	64	775
35,001	36,000	-	1	-	-	-	-	-	-	-	-	-	-	1	65	810
36,001	37,000	-	-	1	-	-	1	-	-	-	-	-	-	2	67	883
37,001	38,000	-	-	-	1	-	-	-	-	-	-	-	-	1	68	921
38,001	39,000	1	-	1	-	-	-	-	-	-	-	-	-	2	70	998
39,001	40,000	1	-	-	-	-	-	-	-	-	-	-	-	1	71	1,037
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	1,037
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	1,037
42,001	43,000	-	-	-	1	-	-	-	-	1	-	-	-	2	73	1,122

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
43,001	44,000	1	-	1	-	-	-	-	-	1	-	1	-	4	77	1,296
44,001	45,000	-	1	-	-	-	-	-	-	-	-	1	-	2	79	1,385
45,001	46,000	-	-	1	-	1	-	-	-	-	-	-	-	2	81	1,476
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	1,476
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	1,476
48,001	49,000	-	-	-	-	-	-	-	1	-	1	-	-	2	83	1,573
49,001	50,000	-	-	-	-	-	-	-	-	-	3	-	-	3	86	1,722
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,722
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,722
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,722
53,001	54,000	-	-	1	-	-	-	-	-	-	1	-	-	2	88	1,829
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	1,829
55,001	56,000	-	-	-	-	-	-	-	-	-	-	1	-	1	89	1,884
56,001	57,000	-	-	-	-	-	1	-	-	-	-	-	-	1	90	1,941
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	1	1	91	1,998
58,001	59,000	-	1	-	-	-	-	-	-	-	-	-	1	2	93	2,115
59,001	60,000	-	-	1	-	-	-	-	-	-	-	-	-	1	94	2,175
60,001	61,000	-	-	-	-	-	-	1	-	-	-	-	-	1	95	2,235
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,235
62,001	63,000	-	1	-	-	-	-	-	-	2	-	-	-	3	98	2,423
63,001	64,000	-	-	-	-	-	-	2	-	-	-	-	-	2	100	2,550
64,001	65,000	1	-	-	-	-	-	-	-	-	-	-	-	1	101	2,614
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	1	1	102	2,680
66,001	67,000	-	-	1	-	-	-	-	-	1	-	-	-	2	104	2,813
67,001	68,000	-	-	-	-	-	-	-	-	-	1	-	1	2	106	2,948
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	2,948
69,001	70,000	-	-	-	-	-	-	1	-	-	-	-	1	2	108	3,087
70,001	71,000	-	-	-	-	-	-	1	-	-	1	1	-	3	111	3,298
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	3,298
72,001	73,000	1	-	-	-	-	-	-	-	-	-	-	-	1	112	3,371
73,001	74,000	-	-	-	-	-	-	-	1	-	-	-	-	1	113	3,444
74,001	75,000	-	-	-	-	-	-	-	-	1	-	-	-	1	114	3,519
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	3,519
76,001	77,000	-	-	-	-	-	-	1	-	-	-	-	-	1	115	3,595
77,001	78,000	-	-	-	-	-	-	1	-	-	-	-	-	1	116	3,673
78,001	79,000	-	-	-	-	-	-	-	-	-	1	-	1	2	118	3,830
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	118	3,830
80,001	81,000	1	-	-	-	-	-	-	1	1	-	-	-	3	121	4,071
81,001	82,000	-	-	-	1	-	-	-	-	-	-	-	-	1	122	4,153
82,001	83,000	-	-	-	-	-	-	-	-	1	-	-	-	1	123	4,235
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	4,235
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	4,235
85,001	86,000	-	-	-	-	-	-	-	1	1	-	-	-	2	125	4,406
86,001	87,000	-	-	-	-	-	-	-	-	1	1	-	1	3	128	4,666

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
87,001	88,000	-	-	-	-	-	-	-	-	-	-	1	-	1	129	4,753
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	1	1	130	4,842
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	4,842
90,001	91,000	-	-	-	-	-	-	-	-	1	-	-	1	2	132	5,023
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	132	5,023
92,001	93,000	-	1	-	-	-	-	-	-	-	-	-	-	1	133	5,115
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	133	5,115
94,001	95,000	-	-	1	-	-	-	-	-	-	-	-	-	1	134	5,210
95,001	96,000	-	-	-	-	-	-	-	-	-	1	1	-	2	136	5,401
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	136	5,401
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	136	5,401
98,001	99,000	-	-	1	-	-	-	-	-	-	-	-	-	1	137	5,499
99,001	100,000	-	-	-	1	-	-	-	1	1	-	1	-	4	141	5,897
102,068	102,068	-	-	-	-	-	-	-	-	-	-	-	1	1	142	5,999
102,078	102,078	-	-	-	-	-	-	-	-	-	-	-	1	1	143	6,101
105,058	105,058	-	-	-	-	-	-	-	-	-	-	-	1	1	144	6,206
107,158	107,158	-	1	-	-	-	-	-	-	-	-	-	-	1	145	6,313
107,547	107,547	-	-	-	-	-	-	-	1	-	-	-	-	1	146	6,421
108,247	108,247	-	-	-	-	-	-	-	-	-	-	1	-	1	147	6,529
109,415	109,415	-	-	1	-	-	-	-	-	-	-	-	-	1	148	6,639
109,603	109,603	-	-	-	-	-	-	-	-	-	-	1	-	1	149	6,748
110,035	110,035	-	-	-	-	-	-	-	-	-	-	-	1	1	150	6,858
110,507	110,507	-	-	-	-	-	-	-	-	-	-	-	1	1	151	6,969
112,549	112,549	-	-	-	-	-	-	-	-	1	-	-	-	1	152	7,081
114,030	114,030	-	-	-	-	-	-	-	-	-	1	-	-	1	153	7,195
115,363	115,363	-	-	1	-	-	-	-	-	-	-	-	-	1	154	7,311
116,616	116,616	-	-	-	1	-	-	-	-	-	-	-	-	1	155	7,427
118,251	118,251	-	-	-	-	1	-	-	-	-	-	-	-	1	156	7,546
122,847	122,847	-	-	-	-	-	-	-	-	-	-	1	-	1	157	7,668
123,546	123,546	-	-	-	-	-	-	-	1	-	-	-	-	1	158	7,792
124,730	124,730	-	-	-	-	-	-	-	-	-	1	-	-	1	159	7,917
125,796	125,796	-	-	-	-	1	-	-	-	-	-	-	-	1	160	8,043
125,978	125,978	-	1	-	-	-	-	-	-	-	-	-	-	1	161	8,168
126,265	126,265	-	-	-	1	-	-	-	-	-	-	-	-	1	162	8,295
127,034	127,034	-	1	-	-	-	-	-	-	-	-	-	-	1	163	8,422
128,799	128,799	-	-	-	-	-	-	-	-	-	-	-	1	1	164	8,551
130,398	130,398	-	-	-	-	-	-	-	-	-	1	-	-	1	165	8,681
131,301	131,301	-	-	-	-	-	-	-	1	-	-	-	-	1	166	8,812
134,164	134,164	-	-	-	-	-	-	-	1	-	-	-	-	1	167	8,946
137,084	137,084	-	-	-	-	-	-	-	-	-	1	-	-	1	168	9,084
137,223	137,223	-	-	-	-	1	-	-	-	-	-	-	-	1	169	9,221
137,257	137,257	-	-	-	-	-	-	-	-	-	-	1	-	1	170	9,358
140,250	140,250	-	-	-	-	-	-	-	-	-	-	-	1	1	171	9,498
140,395	140,395	-	-	-	-	-	-	-	-	-	-	1	-	1	172	9,639

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
141,272	141,272	-	-	1	-	-	-	-	-	-	-	-	-	1	173	9,780
142,415	142,415	-	-	-	-	-	-	-	-	1	-	-	-	1	174	9,922
142,846	142,846	-	-	-	-	-	-	-	-	-	-	1	-	1	175	10,065
146,314	146,314	-	-	-	1	-	-	-	-	-	-	-	-	1	176	10,212
148,529	148,529	-	-	-	-	1	-	-	-	-	-	-	-	1	177	10,360
153,294	153,294	-	-	-	-	-	-	-	-	-	-	-	1	1	178	10,513
155,646	155,646	-	-	-	-	-	-	-	-	-	-	1	-	1	179	10,669
157,450	157,450	-	-	-	-	-	-	-	-	-	-	-	1	1	180	10,826
164,567	164,567	-	-	-	-	-	-	-	-	-	-	-	1	1	181	10,991
167,859	167,859	-	1	-	-	-	-	-	-	-	-	-	-	1	182	11,159
168,348	168,348	-	-	-	-	-	-	-	-	-	1	-	-	1	183	11,327
171,270	171,270	-	-	-	-	-	-	-	-	-	1	-	-	1	184	11,498
175,108	175,108	-	-	-	1	-	-	-	-	-	-	-	-	1	185	11,674
176,315	176,315	-	-	-	-	-	-	-	-	1	-	-	-	1	186	11,850
179,368	179,368	-	-	-	-	-	-	-	-	-	-	-	1	1	187	12,029
180,164	180,164	-	1	-	-	-	-	-	-	-	-	-	-	1	188	12,209
183,920	183,920	-	-	-	1	-	-	-	-	-	-	-	-	1	189	12,393
185,408	185,408	-	-	-	-	-	-	-	-	-	-	1	-	1	190	12,579
188,345	188,345	-	-	-	-	-	-	-	-	1	-	-	-	1	191	12,767
189,302	189,302	-	-	1	-	-	-	-	-	-	-	-	-	1	192	12,956
190,647	190,647	-	-	-	-	-	-	1	-	-	-	-	-	1	193	13,147
191,387	191,387	-	-	-	-	-	1	-	-	-	-	-	-	1	194	13,338
191,449	191,449	-	-	1	-	-	-	-	-	-	-	-	-	1	195	13,530
191,887	191,887	-	-	-	-	-	-	-	-	-	-	-	1	1	196	13,722
192,137	192,137	-	-	-	-	-	1	-	-	-	-	-	-	1	197	13,914
192,307	192,307	-	-	1	-	-	-	-	-	-	-	-	-	1	198	14,106
193,513	193,513	-	1	-	-	-	-	-	-	-	-	-	-	1	199	14,300
195,193	195,193	-	-	-	1	-	-	-	-	-	-	-	-	1	200	14,495
198,818	198,818	-	-	-	-	-	-	-	-	-	1	-	-	1	201	14,694
201,807	201,807	-	-	-	-	-	-	-	-	-	1	-	-	1	202	14,896
209,872	209,872	-	-	-	-	-	-	-	1	-	-	-	-	1	203	15,105
210,847	210,847	-	-	-	-	1	-	-	-	-	-	-	-	1	204	15,316
213,683	213,683	-	-	-	-	-	-	-	-	-	1	-	-	1	205	15,530
213,901	213,901	-	-	-	-	-	-	-	1	-	-	-	-	1	206	15,744
214,475	214,475	-	-	-	-	-	-	1	-	-	-	-	-	1	207	15,958
216,082	216,082	-	-	-	-	-	1	-	-	-	-	-	-	1	208	16,174
218,984	218,984	-	-	-	-	-	-	-	-	-	-	-	1	1	209	16,393
219,272	219,272	-	-	-	-	-	-	-	-	-	-	-	1	1	210	16,613
219,742	219,742	-	-	1	-	-	-	-	-	-	-	-	-	1	211	16,832
226,277	226,277	-	-	-	1	-	-	-	-	-	-	-	-	1	212	17,059
227,626	227,626	-	-	-	-	-	1	-	-	-	-	-	-	1	213	17,286
229,367	229,367	-	1	-	-	-	-	-	-	-	-	-	-	1	214	17,516
231,775	231,775	-	-	1	-	-	-	-	-	-	-	-	-	1	215	17,747
244,503	244,503	-	-	-	-	-	-	-	-	-	-	-	1	1	216	17,992

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
247,465	247,465	1	-	-	-	-	-	-	-	-	-	-	-	1	217	18,239
247,820	247,820	-	-	-	-	-	-	-	-	1	-	-	-	1	218	18,487
251,243	251,243	-	-	-	-	-	-	1	-	-	-	-	-	1	219	18,738
253,872	253,872	-	-	-	-	-	-	-	1	-	-	-	-	1	220	18,992
254,251	254,251	-	-	-	-	-	-	1	-	-	-	-	-	1	221	19,247
254,435	254,435	1	-	-	-	-	-	-	-	-	-	-	-	1	222	19,501
255,806	255,806	-	-	-	1	-	-	-	-	-	-	-	-	1	223	19,757
255,949	255,949	1	-	-	-	-	-	-	-	-	-	-	-	1	224	20,013
256,810	256,810	-	-	-	-	-	1	-	-	-	-	-	-	1	225	20,270
257,131	257,131	-	-	1	-	-	-	-	-	-	-	-	-	1	226	20,527
261,229	261,229	-	-	-	-	1	-	-	-	-	-	-	-	1	227	20,788
262,715	262,715	-	-	-	-	-	1	-	-	-	-	-	-	1	228	21,051
264,380	264,380	-	-	-	-	-	-	-	-	-	1	-	-	1	229	21,315
266,250	266,250	-	-	1	-	-	-	-	-	-	-	-	-	1	230	21,581
267,541	267,541	-	-	-	-	-	-	-	-	1	-	-	-	1	231	21,849
268,246	268,246	-	-	-	-	-	-	-	-	1	-	-	-	1	232	22,117
273,718	273,718	-	-	-	-	-	-	-	-	-	-	-	1	1	233	22,391
273,912	273,912	-	-	-	-	1	-	-	-	-	-	-	-	1	234	22,665
275,693	275,693	-	-	-	-	-	-	-	1	-	-	-	-	1	235	22,940
277,114	277,114	-	-	-	-	-	-	-	1	-	-	-	-	1	236	23,218
279,430	279,430	1	-	-	-	-	-	-	-	-	-	-	-	1	237	23,497
281,822	281,822	-	-	-	1	-	-	-	-	-	-	-	-	1	238	23,779
282,731	282,731	-	-	-	-	-	-	-	-	-	-	1	-	1	239	24,062
287,793	287,793	1	-	-	-	-	-	-	-	-	-	-	-	1	240	24,349
288,952	288,952	-	1	-	-	-	-	-	-	-	-	-	-	1	241	24,638
289,050	289,050	-	-	-	-	1	-	-	-	-	-	-	-	1	242	24,927
289,612	289,612	-	1	-	-	-	-	-	-	-	-	-	-	1	243	25,217
292,735	292,735	-	-	-	-	-	-	-	-	-	-	1	-	1	244	25,510
294,447	294,447	-	-	-	-	-	-	-	-	1	-	-	-	1	245	25,804
294,662	294,662	-	-	-	-	-	-	-	1	-	-	-	-	1	246	26,099
299,897	299,897	-	-	-	-	-	-	1	-	-	-	-	-	1	247	26,399
300,683	300,683	-	-	-	-	-	-	-	-	1	-	-	-	1	248	26,699
303,141	303,141	-	-	-	-	-	-	-	-	-	1	-	-	1	249	27,002
303,913	303,913	-	-	-	-	-	-	-	-	-	-	-	1	1	250	27,306
304,058	304,058	-	-	-	-	-	1	-	-	-	-	-	-	1	251	27,610
304,736	304,736	-	1	-	-	-	-	-	-	-	-	-	-	1	252	27,915
304,888	304,888	-	-	-	1	-	-	-	-	-	-	-	-	1	253	28,220
309,705	309,705	-	-	-	1	-	-	-	-	-	-	-	-	1	254	28,530
310,436	310,436	-	-	-	-	-	-	-	-	-	-	-	1	1	255	28,840
311,493	311,493	-	-	-	-	-	1	-	-	-	-	-	-	1	256	29,152
314,767	314,767	-	1	-	-	-	-	-	-	-	-	-	-	1	257	29,466
320,236	320,236	-	-	-	1	-	-	-	-	-	-	-	-	1	258	29,787
321,821	321,821	-	1	-	-	-	-	-	-	-	-	-	-	1	259	30,109
324,359	324,359	-	-	-	-	-	-	-	1	-	-	-	-	1	260	30,433

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
328,903	328,903	-	-	-	1	-	-	-	-	-	-	-	-	1	261	30,762
330,952	330,952	-	-	-	-	-	-	-	1	-	-	-	-	1	262	31,093
330,993	330,993	1	-	-	-	-	-	-	-	-	-	-	-	1	263	31,424
331,815	331,815	-	-	-	-	-	-	-	1	-	-	-	-	1	264	31,756
332,643	332,643	-	-	-	1	-	-	-	-	-	-	-	-	1	265	32,088
335,622	335,622	-	-	-	-	1	-	-	-	-	-	-	-	1	266	32,424
344,200	344,200	-	-	-	-	-	-	-	-	-	1	-	-	1	267	32,768
344,220	344,220	1	-	-	-	-	-	-	-	-	-	-	-	1	268	33,112
346,654	346,654	-	-	-	-	-	-	-	-	-	-	-	1	1	269	33,459
348,371	348,371	-	-	1	-	-	-	-	-	-	-	-	-	1	270	33,807
350,493	350,493	-	-	-	-	-	-	-	-	-	-	-	1	1	271	34,158
352,504	352,504	-	-	-	-	-	-	-	-	1	-	-	-	1	272	34,510
358,920	358,920	-	-	-	-	-	-	-	-	1	-	-	-	1	273	34,869
367,983	367,983	-	-	-	-	-	-	-	-	1	-	-	-	1	274	35,237
369,768	369,768	-	-	-	-	-	-	-	1	-	-	-	-	1	275	35,607
372,302	372,302	-	-	-	-	-	-	-	1	-	-	-	-	1	276	35,979
374,806	374,806	-	-	1	-	-	-	-	-	-	-	-	-	1	277	36,354
375,159	375,159	-	-	-	-	-	-	-	1	-	-	-	-	1	278	36,729
377,407	377,407	-	-	-	-	-	-	-	1	-	-	-	-	1	279	37,107
379,218	379,218	-	-	-	-	1	-	-	-	-	-	-	-	1	280	37,486
381,507	381,507	-	-	-	-	-	-	-	-	-	-	1	-	1	281	37,867
383,393	383,393	-	1	-	-	-	-	-	-	-	-	-	-	1	282	38,251
385,666	385,666	-	-	-	-	-	-	-	-	1	-	-	-	1	283	38,636
385,686	385,686	-	-	-	-	-	-	-	-	-	-	-	1	1	284	39,022
386,158	386,158	-	-	-	-	-	-	1	-	-	-	-	-	1	285	39,408
386,931	386,931	1	-	-	-	-	-	-	-	-	-	-	-	1	286	39,795
388,001	388,001	-	-	-	-	-	-	-	-	1	-	-	-	1	287	40,183
388,156	388,156	1	-	-	-	-	-	-	-	-	-	-	-	1	288	40,571
388,260	388,260	1	-	-	-	-	-	-	-	-	-	-	-	1	289	40,960
393,317	393,317	-	-	-	-	1	-	-	-	-	-	-	-	1	290	41,353
396,692	396,692	-	-	-	-	1	-	-	-	-	-	-	-	1	291	41,750
398,485	398,485	-	-	-	-	-	1	-	-	-	-	-	-	1	292	42,148
401,776	401,776	-	-	1	-	-	-	-	-	-	-	-	-	1	293	42,550
403,437	403,437	-	-	-	-	-	-	-	-	1	-	-	-	1	294	42,953
406,615	406,615	-	-	-	-	1	-	-	-	-	-	-	-	1	295	43,360
408,740	408,740	-	-	-	-	-	-	1	-	-	-	-	-	1	296	43,769
411,702	411,702	-	-	-	-	-	-	-	-	1	-	-	-	1	297	44,180
423,280	423,280	-	-	-	-	-	-	1	-	-	-	-	-	1	298	44,604
432,925	432,925	1	-	-	-	-	-	-	-	-	-	-	-	1	299	45,037
438,023	438,023	-	-	-	1	-	-	-	-	-	-	-	-	1	300	45,475
438,793	438,793	-	-	-	-	-	-	-	-	-	-	1	-	1	301	45,913
440,979	440,979	-	-	-	-	-	-	1	-	-	-	-	-	1	302	46,354
450,732	450,732	-	-	-	-	1	-	-	-	-	-	-	-	1	303	46,805
458,096	458,096	1	-	-	-	-	-	-	-	-	-	-	-	1	304	47,263

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
463,741	463,741	-	-	-	-	-	-	-	-	1	-	-	-	1	305	47,727
464,217	464,217	-	-	-	-	-	-	-	-	-	-	1	-	1	306	48,191
472,492	472,492	-	-	-	-	-	-	-	-	-	-	1	-	1	307	48,664
474,677	474,677	-	-	-	-	1	-	-	-	-	-	-	-	1	308	49,138
477,707	477,707	-	-	-	-	-	-	-	-	-	-	1	-	1	309	49,616
482,659	482,659	-	-	-	-	-	-	-	1	-	-	-	-	1	310	50,099
489,257	489,257	-	-	-	-	-	-	-	-	-	-	1	-	1	311	50,588
489,981	489,981	-	-	-	-	-	-	1	-	-	-	-	-	1	312	51,078
492,203	492,203	-	-	-	-	1	-	-	-	-	-	-	-	1	313	51,570
493,102	493,102	-	-	-	-	-	-	-	-	-	-	1	-	1	314	52,063
493,605	493,605	-	-	-	1	-	-	-	-	-	-	-	-	1	315	52,557
496,871	496,871	-	-	-	-	-	1	-	-	-	-	-	-	1	316	53,054
498,324	498,324	-	-	-	-	-	-	-	-	-	1	-	-	1	317	53,552
501,795	501,795	-	-	-	-	-	-	-	-	-	-	1	-	1	318	54,054
502,053	502,053	-	-	1	-	-	-	-	-	-	-	-	-	1	319	54,556
503,209	503,209	-	-	-	-	-	-	-	1	-	-	-	-	1	320	55,059
504,646	504,646	-	-	-	-	-	-	1	-	-	-	-	-	1	321	55,564
510,600	510,600	-	1	-	-	-	-	-	-	-	-	-	-	1	322	56,074
517,679	517,679	-	-	-	-	-	-	-	-	1	-	-	-	1	323	56,592
522,429	522,429	-	-	-	-	-	-	-	1	-	-	-	-	1	324	57,114
524,641	524,641	-	-	-	-	1	-	-	-	-	-	-	-	1	325	57,639
528,355	528,355	-	-	-	-	-	-	-	-	-	1	-	-	1	326	58,167
528,733	528,733	-	-	1	-	-	-	-	-	-	-	-	-	1	327	58,696
530,697	530,697	-	-	-	-	-	-	1	-	-	-	-	-	1	328	59,227
531,311	531,311	-	-	-	-	-	-	-	-	-	-	1	-	1	329	59,758
534,598	534,598	-	-	-	-	1	-	-	-	-	-	-	-	1	330	60,293
542,207	542,207	-	-	-	-	-	-	-	-	-	1	-	-	1	331	60,835
546,484	546,484	-	-	-	-	-	-	-	-	-	-	1	-	1	332	61,381
551,541	551,541	-	-	-	-	-	-	-	-	-	-	1	-	1	333	61,933
563,172	563,172	-	-	-	-	-	1	-	-	-	-	-	-	1	334	62,496
566,268	566,268	-	-	-	-	-	-	-	-	1	-	-	-	1	335	63,062
573,457	573,457	-	-	-	-	-	1	-	-	-	-	-	-	1	336	63,636
580,780	580,780	-	-	-	-	-	-	1	-	-	-	-	-	1	337	64,217
583,929	583,929	-	-	-	-	-	-	-	1	-	-	-	-	1	338	64,801
584,066	584,066	-	-	-	-	-	-	-	1	-	-	-	-	1	339	65,385
587,459	587,459	-	1	-	-	-	-	-	-	-	-	-	-	1	340	65,972
594,508	594,508	-	-	-	-	-	1	-	-	-	-	-	-	1	341	66,567
601,710	601,710	-	-	1	-	-	-	-	-	-	-	-	-	1	342	67,168
604,037	604,037	-	-	-	-	1	-	-	-	-	-	-	-	1	343	67,772
610,622	610,622	-	-	-	-	-	-	-	-	-	-	1	-	1	344	68,383
611,684	611,684	-	-	-	-	-	1	-	-	-	-	-	-	1	345	68,995
616,942	616,942	-	-	-	1	-	-	-	-	-	-	-	-	1	346	69,612
621,953	621,953	-	-	-	-	-	-	-	1	-	-	-	-	1	347	70,234
624,369	624,369	1	-	-	-	-	-	-	-	-	-	-	-	1	348	70,858

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

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Witness: Bourassa
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
626,821	626,821	-	-	1	-	-	-	-	-	-	-	-	-	1	349	71,485
626,943	626,943	-	1	-	-	-	-	-	-	-	-	-	-	1	350	72,112
631,669	631,669	1	-	-	-	-	-	-	-	-	-	-	-	1	351	72,743
632,697	632,697	-	-	-	-	-	-	1	-	-	-	-	-	1	352	73,376
634,113	634,113	-	-	-	-	-	-	1	-	-	-	-	-	1	353	74,010
635,438	635,438	-	-	-	-	-	-	-	-	-	-	1	-	1	354	74,646
640,583	640,583	1	-	-	-	-	-	-	-	-	-	-	-	1	355	75,286
656,447	656,447	1	-	-	-	-	-	-	-	-	-	-	-	1	356	75,943
660,571	660,571	-	-	-	-	-	1	-	-	-	-	-	-	1	357	76,603
663,119	663,119	-	-	-	-	-	1	-	-	-	-	-	-	1	358	77,266
664,194	664,194	-	-	-	-	-	-	-	-	-	-	-	1	1	359	77,931
666,555	666,555	-	-	-	-	1	-	-	-	-	-	-	-	1	360	78,597
670,378	670,378	-	-	-	-	-	-	-	-	-	1	-	-	1	361	79,267
678,393	678,393	-	-	-	-	-	-	-	-	1	-	-	-	1	362	79,946
698,195	698,195	-	1	-	-	-	-	-	-	-	-	-	-	1	363	80,644
704,151	704,151	-	-	-	-	-	-	-	-	1	-	-	-	1	364	81,348
704,409	704,409	-	-	-	-	1	-	-	-	-	-	-	-	1	365	82,053
706,932	706,932	-	-	-	-	1	-	-	-	-	-	-	-	1	366	82,760
713,244	713,244	-	-	-	1	-	-	-	-	-	-	-	-	1	367	83,473
720,994	720,994	-	-	-	-	1	-	-	-	-	-	-	-	1	368	84,194
729,188	729,188	-	-	-	-	-	-	-	-	-	-	1	-	1	369	84,923
742,068	742,068	-	-	1	-	-	-	-	-	-	-	-	-	1	370	85,665
745,923	745,923	-	-	-	-	-	-	1	-	-	-	-	-	1	371	86,411
747,880	747,880	-	-	-	-	-	1	-	-	-	-	-	-	1	372	87,159
756,659	756,659	-	-	-	1	-	-	-	-	-	-	-	-	1	373	87,916
758,292	758,292	-	1	-	-	-	-	-	-	-	-	-	-	1	374	88,674
760,351	760,351	-	-	-	-	-	-	1	-	-	-	-	-	1	375	89,434
768,310	768,310	-	-	-	-	-	-	-	-	-	-	1	-	1	376	90,202
775,112	775,112	-	-	-	-	-	-	1	-	-	-	-	-	1	377	90,978
796,636	796,636	-	-	-	-	-	-	-	1	-	-	-	-	1	378	91,774
810,366	810,366	-	-	-	-	-	1	-	-	-	-	-	-	1	379	92,585
811,944	811,944	-	-	-	-	-	-	1	-	-	-	-	-	1	380	93,397
815,567	815,567	-	-	-	-	-	-	-	-	-	1	-	-	1	381	94,212
822,417	822,417	-	-	-	-	-	-	-	-	-	-	1	-	1	382	95,035
831,279	831,279	-	-	-	-	-	-	1	-	-	-	-	-	1	383	95,866
835,131	835,131	-	-	-	-	-	-	1	-	-	-	-	-	1	384	96,701
841,356	841,356	-	-	-	-	1	-	-	-	-	-	-	-	1	385	97,542
846,496	846,496	-	-	-	1	-	-	-	-	-	-	-	-	1	386	98,389
850,895	850,895	-	-	-	-	1	-	-	-	-	-	-	-	1	387	99,240
858,497	858,497	-	-	-	-	-	-	-	-	-	-	1	-	1	388	100,098
860,458	860,458	-	-	-	-	-	-	1	-	-	-	-	-	1	389	100,959
864,810	864,810	-	1	-	-	-	-	-	-	-	-	-	-	1	390	101,823
867,325	867,325	1	-	-	-	-	-	-	-	-	-	-	-	1	391	102,691
883,684	883,684	-	-	-	-	-	1	-	-	-	-	-	-	1	392	103,574

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Landscape Irrigation

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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
891,249	891,249	-	-	-	1	-	-	-	-	-	-	-	-	1	393	104,466
942,207	942,207	-	-	-	-	-	1	-	-	-	-	-	-	1	394	105,408
958,464	958,464	-	-	-	-	-	-	-	1	-	-	-	-	1	395	106,366
965,025	965,025	-	-	-	1	-	-	-	-	-	-	-	-	1	396	107,331
970,658	970,658	1	-	-	-	-	-	-	-	-	-	-	-	1	397	108,302
981,397	981,397	-	-	-	-	-	1	-	-	-	-	-	-	1	398	109,283
1,043,714	########	-	-	-	-	-	-	-	-	-	-	1	-	1	399	110,327
1,049,659	########	-	-	-	-	1	-	-	-	-	-	-	-	1	400	111,377
1,060,694	########	-	-	-	-	-	-	1	-	-	-	-	-	1	401	112,438
1,098,415	########	-	-	-	-	-	-	1	-	-	-	-	-	1	402	113,536
1,102,418	########	-	-	-	-	-	1	-	-	-	-	-	-	1	403	114,638
1,133,335	########	-	-	-	-	-	1	-	-	-	-	-	-	1	404	115,772
1,153,802	########	-	-	-	-	-	-	-	-	-	1	-	-	1	405	116,925
1,183,162	########	-	-	-	-	-	1	-	-	-	-	-	-	1	406	118,109
1,184,247	########	-	-	-	-	-	1	-	-	-	-	-	-	1	407	119,293
1,223,448	########	-	-	-	-	-	-	-	-	-	-	1	-	1	408	120,516
1,225,613	########	-	-	-	-	-	-	-	1	-	-	-	-	1	409	121,742
1,251,123	########	-	-	-	-	1	-	-	-	-	-	-	-	1	410	122,993
1,368,375	########	-	-	-	-	1	-	-	-	-	-	-	-	1	411	124,361
1,371,523	########	-	-	-	-	-	-	1	-	-	-	-	-	1	412	125,733
1,389,154	########	-	-	-	-	-	1	-	-	-	-	-	-	1	413	127,122
1,589,597	########	-	-	-	-	-	1	-	-	-	-	-	-	1	414	128,712
1,597,208	########	-	-	-	-	-	-	1	-	-	-	-	-	1	415	130,309
1,685,631	########	-	-	-	-	-	-	1	-	-	-	-	-	1	416	131,995
2,257,427	########	-	-	-	-	-	1	-	-	-	-	-	-	1	417	134,252
2,368,555	########	-	-	-	-	-	1	-	-	-	-	-	-	1	418	136,621
-														-	418	136,621
																136,621
Totals		29	29	29	29	30	37	38	39	38	39	41	40	418		
										Average Usage				326,843		
										Median Usage				219,128		

H2O, Inc.
Test Year Ended December 31, 2006
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Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	-	-	1	-	-	-	-	1	1	1	4	4	-
1	1,000	-	-	1	-	-	-	-	-	-	-	-	1	2	6	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	1
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	1
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	1
6,001	7,000	-	-	-	-	-	-	-	-	1	-	-	-	1	7	8
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8

H2O, Inc.
Test Year Ended December 31, 2006
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REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Construction

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	8
104,583	104,583	-	-	-	-	-	-	-	1	-	-	-	-	1	8	112
106,947	106,947	-	-	-	-	-	-	-	-	-	-	-	1	1	9	219
133,600	133,600	-	-	-	1	-	-	-	-	-	-	-	-	1	10	353
136,062	136,062	-	-	-	-	-	-	-	-	1	-	-	-	1	11	489
138,099	138,099	-	-	-	-	-	-	-	-	-	1	-	-	1	12	627
150,556	150,556	-	-	1	-	-	-	-	-	-	-	-	-	1	13	777
173,246	173,246	-	-	-	-	-	-	1	-	-	-	-	-	1	14	951

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 2 Inch Construction

Exhibit
Schedule H-5
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Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
230,983	230,983	-	-	-	-	1	-	-	-	-	-	-	-	1	15	1,182
269,250	269,250	-	-	-	-	-	1	-	-	-	-	-	-	1	16	1,451
274,133	274,133	-	-	-	-	-	-	-	-	-	-	1	-	1	17	1,725
1,147,352	1,147,352	-	-	-	-	-	-	-	-	-	-	-	1	1	18	2,872
1,964,405	1,964,405	-	-	-	-	-	-	-	-	1	-	-	-	1	19	4,837
1,998,534	1,998,534	-	-	-	-	-	-	-	-	-	1	-	-	1	20	6,835
	-													-	20	6,835
																6,835
	Totals	-	-	2	1	2	1	1	1	3	3	2	4	20		
										Average Usage				341,763		
										Median Usage				1,500		

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 17
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	2	1	1	-	2	3	8	4	1	1	2	25	25	-
1	1,000	-	1	-	-	2	3	5	2	1	-	1	-	15	40	8
1,001	2,000	-	-	-	1	-	-	-	-	-	2	1	-	4	44	14
2,001	3,000	-	-	-	-	1	1	-	-	-	1	1	-	4	48	24
3,001	4,000	-	-	-	-	-	1	-	2	1	-	1	-	5	53	41
4,001	5,000	-	-	-	-	1	-	-	-	-	-	-	-	1	54	46
5,001	6,000	-	-	2	1	-	-	-	1	-	-	-	-	4	58	68
6,001	7,000	-	-	-	-	-	-	1	-	-	1	1	-	3	61	87
7,001	8,000	-	-	-	-	-	-	-	1	-	-	-	-	1	62	95
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	62	95
9,001	10,000	-	-	-	1	-	-	-	-	-	-	-	-	1	63	104
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	1	1	64	115
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	115
12,001	13,000	-	-	-	-	-	1	1	1	-	-	-	-	3	67	152
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	152
14,001	15,000	-	-	-	-	-	-	1	-	-	-	-	2	3	70	196
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	70	196
16,001	17,000	-	-	-	-	-	-	-	-	1	-	-	-	1	71	212
17,001	18,000	-	-	-	-	-	-	-	1	-	-	-	-	1	72	230
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	230
19,001	20,000	-	1	-	-	-	-	-	-	-	-	-	-	1	73	249
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	249
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	249
22,001	23,000	-	-	-	-	1	-	-	-	1	-	-	1	3	76	317
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	317
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	317
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	317
26,001	27,000	-	-	-	-	-	-	-	1	-	-	-	-	1	77	343
27,001	28,000	-	-	-	-	-	-	-	-	1	-	-	-	1	78	371
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	371
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	371
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	371
31,001	32,000	-	-	-	-	-	-	-	1	-	1	-	-	2	80	434
32,001	33,000	-	-	-	-	-	-	-	1	-	-	1	-	2	82	499
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	499
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	499

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 17
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	1	1	83	534
36,001	37,000	-	-	-	-	-	-	-	1	-	-	-	-	1	84	571
37,001	38,000	-	-	-	-	-	1	-	-	-	-	-	-	1	85	608
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	608
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	608
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	608
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	608
42,001	43,000	-	-	-	-	-	-	-	1	-	-	-	-	1	86	651
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	651
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	651
45,001	46,000	-	-	-	-	-	-	1	-	1	-	-	-	2	88	742
46,001	47,000	-	-	-	-	-	-	-	1	-	-	-	-	1	89	788
47,001	48,000	-	-	-	-	-	-	-	-	-	3	-	-	3	92	931
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	931
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	931
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	931
51,001	52,000	-	-	-	-	1	-	-	-	-	1	-	-	2	94	1,034
52,001	53,000	-	-	-	-	-	-	-	-	-	-	1	-	1	95	1,086
53,001	54,000	-	-	-	-	-	1	-	-	-	-	-	-	1	96	1,140
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	1,140
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	1,140
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	1,140
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	1	1	97	1,197
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	97	1,197
59,001	60,000	-	-	-	-	-	-	-	-	-	1	-	-	1	98	1,257
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 17
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,257
75,001	76,000	-	-	-	-	-	1	-	-	-	-	-	-	1	99	1,332
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,332
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,332
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,332
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,332
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,332
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	1,332
82,001	83,000	-	-	-	-	-	-	-	-	1	-	-	-	1	100	1,415
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	1,415
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	1,415
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	1,415
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	1,415
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	1,415
88,001	89,000	-	-	-	-	-	-	1	-	-	-	-	-	1	101	1,503
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	1,503
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	1,503
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	1,503
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	1,503
93,001	94,000	-	-	-	-	-	-	-	-	-	-	1	-	1	102	1,597
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,597
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,597
96,001	97,000	-	-	-	-	-	1	-	-	1	-	-	-	2	104	1,790
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,790
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,790
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,790
102,600	102,600	-	-	-	-	-	1	-	-	-	-	-	-	1	105	1,892
103,900	103,900	-	-	-	-	-	-	1	-	-	-	-	-	1	106	1,996
105,800	105,800	-	-	-	-	-	-	-	-	-	-	-	1	1	107	2,102
109,500	109,500	-	-	-	-	-	-	1	-	-	-	-	-	1	108	2,211
119,200	119,200	-	-	-	-	-	-	1	-	-	-	-	-	1	109	2,331
121,600	121,600	-	-	-	-	-	1	-	-	-	-	-	-	1	110	2,452
134,900	134,900	-	-	-	-	-	-	-	-	-	-	1	-	1	111	2,587

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 17
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
135,900	135,900	-	-	-	-	-	-	-	-	1	-	-	-	1	112	2,723
136,200	136,200	-	-	-	1	-	-	-	-	-	-	-	-	1	113	2,859
151,200	151,200	-	-	-	-	-	-	-	-	-	-	-	1	1	114	3,010
161,500	161,500	-	-	-	-	-	-	-	-	1	-	-	-	1	115	3,172
184,900	184,900	-	-	-	-	1	-	-	-	-	-	-	-	1	116	3,357
185,300	185,300	-	-	-	-	-	-	-	-	-	-	1	-	1	117	3,542
190,000	190,000	-	-	-	-	-	-	-	-	-	-	1	-	1	118	3,732
193,900	193,900	-	-	-	-	-	-	-	-	-	1	-	-	1	119	3,926
208,400	208,400	-	-	-	-	-	-	-	-	1	-	-	-	1	120	4,134
211,000	211,000	-	-	-	-	-	-	-	-	1	-	-	-	1	121	4,345
213,200	213,200	-	-	-	-	-	-	-	-	-	-	-	1	1	122	4,559
236,200	236,200	-	-	-	-	-	-	-	-	-	-	1	-	1	123	4,795
242,100	242,100	-	-	-	-	-	-	-	-	-	1	-	-	1	124	5,037
252,900	252,900	-	-	-	-	-	-	-	-	-	1	-	-	1	125	5,290
286,300	286,300	-	-	-	-	-	-	-	-	-	-	1	-	1	126	5,576
319,400	319,400	-	1	-	-	-	-	-	-	-	-	-	-	1	127	5,895
325,900	325,900	-	-	-	-	-	-	-	-	-	1	-	-	1	128	6,221
328,200	328,200	-	-	-	-	-	-	-	-	-	-	-	1	1	129	6,550
330,600	330,600	-	-	-	-	-	-	-	-	1	-	-	-	1	130	6,880
351,700	351,700	-	-	-	-	-	-	-	-	-	-	-	1	1	131	7,232
372,600	372,600	-	-	-	-	1	-	-	-	-	-	-	-	1	132	7,604
404,100	404,100	-	-	-	-	1	-	-	-	-	-	-	-	1	133	8,009
446,800	446,800	-	-	1	-	-	-	-	-	-	-	-	-	1	134	8,455
470,100	470,100	-	-	-	-	-	-	-	-	-	-	-	1	1	135	8,925
497,900	497,900	-	-	-	-	-	-	-	-	-	-	1	-	1	136	9,423
689,500	689,500	-	-	-	1	-	-	-	-	-	-	-	-	1	137	10,113
753,700	753,700	-	-	-	-	-	-	-	-	-	-	1	-	1	138	10,867
780,300	780,300	-	-	-	-	-	-	-	1	-	-	-	-	1	139	11,647
1,103,400	1,103,400	-	-	-	-	-	-	-	-	-	1	-	-	1	140	12,750
1,299,800	1,299,800	-	-	1	-	-	-	-	-	-	-	-	-	1	141	14,050
1,460,300	1,460,300	-	-	-	-	-	-	1	-	-	-	-	-	1	142	15,510
1,687,300	1,687,300	-	-	-	1	-	-	-	-	-	-	-	-	1	143	17,198
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143	17,198
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143	17,198
	-													-	143	17,198
																17,198

H2O, Inc.
Test Year Ended December 31, 2006
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 17
Witness: Bourassa
REVISED

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
	Totals	-	5	5	7	9	14	17	23	17	16	16	14	143		
										Average Usage				120,263		
										Median Usage				20,000		

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS WATER UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

SUPPORTING EXHIBIT AND SCHEDULES

FOR COST OF CAPITAL

EXHIBIT B

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa
REVISED

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	240,387	13.75%	6.27%	0.86%	229,931	12.31%	6.29%	0.77%
2									
3	Stockholder's Equity (1) (2)	1,507,448	86.25%	10.75%	9.27%	1,638,045	87.69%	10.75%	9.43%
4									
5	Totals	1,747,835	100.00%		10.13%	1,867,976	100.00%		10.20%
6									
7									
8	**(1) Decrease Equity for A/D adjustment 1, B-2, page 2**	**$**	**261,663**						
9	**(2) Increase Equity for A.A. adjustment 2, B-2, page 3**	**$**	**683,565**						
10									
11	SUPPORTING SCHEDULES:								
12	D-1								
13	D-3								
14	D-4								
15	E-1								
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

RECAP SCHEDULES:
A-3

H2O, Inc.
Test Year Ended December 31, 2006
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa
REVISED

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1	Long-term Debt (Decision 56327)	32,444	2,920	9.00%	1.21%	32,444	2,920	9.00%	1.27%
2	WIFA Loan (Decision 62620)	207,943	12,144	5.84%	5.05%	197,487	11,533	5.84%	5.02%
3		-	-	0.00%	0.00%	-	-	0.00%	0.00%
4		-	-	0.00%	0.00%	-	-	0.00%	0.00%
5		-	-	0.00%	0.00%	-	-	0.00%	0.00%
6		-	-	0.00%	0.00%	-	-	0.00%	0.00%
7		-	-	0.00%	0.00%	-	-	0.00%	0.00%
8		-	-	0.00%	0.00%	-	-	0.00%	0.00%
9		-	-	0.00%	0.00%	-	-	0.00%	0.00%
10		-	-	0.00%	0.00%	-	-	0.00%	0.00%
11									
12									
13	Totals	$ 240,387	$ 15,064		6.27%	$ 229,931	$ 14,453		6.29%
14									
15	Supporting Schdules:								
16	E-2								
17									
18									
19									
20									
21									

H2O, Inc.
Test Year Ended December 31, 2006
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa
REVISED

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
18	(a) E-1			(a) D-1			
19							
20							

H2O, Inc.
Test Year Ended December 31, 2006
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa
REVISED

Line No.	
1	
2	The Company is proposing a return on equity of 10.75 percent.
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	SUPPORTING SCHEDULES: RECAP SCHEDULES:
18	(a) E-1 (a) D-1
19	
20	

H2O, Inc.
Summary of Results

Exhibit
Schedule D-4.0
Witness: Bourassa

Line No.		Low	High	Midpoint
1	DCF Constant Growth	10.3%	11.9%	11.1%
2	DCF Sustainable Growth	7.4%	10.6%	9.0%
3	DCF Two-Stage	10.0%	11.3%	10.7%
4				
5	Average DCF Results	9.2%	11.3%	10.2%
6				
7	CAPM	10.8%	13.4%	12.1%
8				
9	Average DCF and CAPM Results	10.0%	12.3%	11.2%
10				
11				
12				
13				
14				
15				
16				
17				
18				

H2O, Inc.
Selected Characteristics of Water Utilities

Exhibit
Schedule D-4.1
Witness: Bourassa

Line No.		% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1						
2						
3						
4	1. American States	78%	$ 293.7	$ 665.2	A-	A2
5	2. Aqua America	79%	$ 590.3	$ 2,349.1	AA-	NR
6	3. California Water	97%	$ 361.8	$ 877.2	NR	NR
7	4. Connecticut Water	92%	$ 64.9	$ 271.1	AAA	NR
8	5. Middlesex	89%	$ 84.0	$ 293.9	A	NR
9	6. SJW Corp.	95%	$ 203.5	$ 431.9	NR	NR
10						
11	Average	88%	$ 266.4	$ 814.7		
12						
13	H2O, Inc.	100%	$ 3.4	$ 11.8	NR	NR
14						
15	Source: AUS Utility Reports (February 2008)					

H2O, Inc.
Capital Structures of Water Utilities Septemeber 2007

Exhibit
Schedule D-4.2
Witness: Bourassa

No.		Book Value Long-Term Debt	Book Value Common Equity	Market Value Long-Term Debt	Market Value Common Equity
1	1. American States	47.3%	52.7%	32.1%	67.9%
2	2. Aqua America	55.9%	44.1%	31.9%	68.1%
3	3. California Water	43.1%	56.9%	28.4%	71.6%
4	4. Connecticut Water	44.4%	55.6%	27.4%	72.6%
5	5. Middlesex	49.0%	51.0%	34.9%	65.1%
6	6. SJW Corp.	45.4%	54.6%	26.7%	73.3%
7					
8	Average	47.5%	52.5%	30.2%	69.8%
9					
10	H2O, Inc.	13.8%	86.2%	N/A	N/A

Sources:
Zacks Investment Research

H2O, Inc.
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.3
Page 1
Witness: Bourassa

Line No.		Company	Five-year historical compound annual changes: Price	Book Value	DPS	EPS	Average Future Growth*
7	1.	American States	13.68%	4.35%	2.41%	6.75%	8.00%
8	2.	Aqua America	13.72%	10.58%	9.34%	6.79%	7.50%
9	3.	California Water	12.76%	7.16%	0.88%	2.73%	7.50%
10	4.	Connecticut Water	1.91%	3.64%	1.51%	1.01%	8.10%
11	5.	Middlesex	6.86%	5.81%	1.93%	2.85%	7.50%
12	6.	SJW Corp.	24.69%	8.72%	4.67%	7.70%	10.00%
15		GROUP AVERAGE	12.27%	6.71%	3.46%	4.64%	8.10%
16		GROUP MEDIAN	13.22%	6.48%	2.17%	4.80%	7.75%

18 * See Schedule D-4.5
19 Sources:
20 Value Line Data
21 Yahoo Finance

H2O, Inc.
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4
Page 1
Witness: Bourassa

Line No.		Company	Ten-year historical compound annual changes: Price	Book Value	DPS	EPS	Average Future Growth*
7	1.	American States	12.35%	4.45%	1.68%	4.60%	8.00%
8	2.	Aqua America	13.87%	9.76%	7.62%	8.23%	7.50%
9	3.	California Water	6.33%	3.61%	0.99%	Negative	7.50%
10	4.	Connecticut Water	8.84%	3.83%	1.26%	1.66%	8.10%
11	5.	Middlesex	9.88%	3.72%	1.98%	2.29%	7.50%
12	6.	SJW Corp.	16.43%	4.74%	3.86%	3.51%	10.00%
15		GROUP AVERAGE	11.28%	5.02%	2.90%	4.06%	8.10%
16		GROUP MEDIAN	11.12%	4.14%	1.83%	3.51%	7.75%

* See Schedule D-4.5

Sources:
Value Line Data
Yahoo Finance

H2O, Inc.
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.5
Witness: Bourassa

Line No.			(1)	(2)	(3)	(4)
1						
2						
3						
4			EPS GROWTH			Average
5					Value	Growth (G)
6		Company	Zacks	S&P	Line	(Cols 1-3)
7	1.	American States	9.00%	5.00%	10.00%	8.00%
8	2.	Aqua America	5.00%	10.00%	7.50%	7.50%
9	3.	California Water	7.00%	8.00%	7.50%	7.50%
10	4.	Connecticut Water				8.10%
11	5.	Middlesex	7.00%		8.00%	7.50%
12	6.	SJW Corp.	10.00%	10.00%	10.00%	10.00%
13						
14						
15		GROUP AVERAGE	7.60%	8.25%	8.60%	8.10%
16		GROUP MEDIAN				7.75%
17						
18	Sources:					
19		Value Line Investment Analyzer February 2008				
20		Zacks Investment Research Site February 4, 2008				
21		S&P Earnings Guide January 2008				
22						
23						
24						
25						

Exhibit
Schedule D-4.6
Witness: Bourassa

H2O, Inc.
Estimates of Sustainable Growth

Line No.		(1)	(2)	(3)	(4)	(5)
1						
2						
3						Average
4						Sustainable
5		Retention	Rate	br	sv	Growth
6	Company	Ratio	of Return	Growth	Growth	(Cols 3+4)
7	1. American States	0.46	11.50%	5.30%	2.20%	7.50%
8	2. Aqua America	0.33	11.50%	3.83%	0.79%	4.63%
9	3. California Water	0.44	10.00%	4.42%	1.35%	5.77%
10	4. Connecticut Water					
11	5. Middlesex					
12	6. SJW Corp.					
13						
14						
15	GROUP AVERAGE	0.41	11.00%	4.52%	1.45%	5.97%
16	GROUP MEDIAN	0.44	11.50%	4.42%	1.35%	5.77%
17						
18	Sources:					
19	Value Line Data					
20						
21						
22						
23						

H2O, Inc.
Estimates of sv Growth

Exhibit
Schedule D-4.7
Witness: Bourassa

Line No.		Company	(1) Stock Financing Rate	(2) Current Market to Book Ratio	(3) v	(4) sv Growth
1						
2						
3						
4						
5						
6						
7	1.	American States	4.03%	2.20	0.55	2.20%
8	2.	Aqua America	1.10%	3.59	0.72	0.79%
9	3.	California Water	2.30%	2.43	0.59	1.35%
10	4.	Connecticut Water				na
11	5.	Middlesex				na
12	6.	SJW Corp.				na
13						
14						
15		GROUP AVERAGE	2.48%	2.74	0.62	1.45%
16		GROUP MEDIAN	2.30%	2.43	0.59	1.35%
17						
18	Sources:					
19		Value Line Data				
20						
21						

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model
Using Projected EPS Growth

Exhibit
Schedule D-4.8
Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) (a) EPS Growth (g)	(5) Indicated Cost of Equity k=Div Yld + g (Cols 3+4)
7	1.	American States	33.15	1.02	3.08%	8.00%	11.1%
8	2.	Aqua America	19.81	0.55	2.78%	7.50%	10.3%
9	3.	California Water	35.77	1.17	3.27%	7.50%	10.8%
10	4.	Connecticut Water	24.65	0.89	3.60%	8.10%	11.7%
11	5.	Middlesex	18.53	0.71	3.81%	7.50%	11.3%
12	6.	SJW Corp.	29.54	0.57	1.92%	10.00%	11.9%
15		GROUP AVERAGE			3.07%	8.10%	11.2%
16		GROUP MEDIAN					11.2%

a) See Rejoinder Schedules D-4.5

Sources:
Value Line Investment Analyzer February 2008
Yahoo Finance February 25, 2008

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Sustainable Growth

Exhibit
Schedule D-4.9
Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Sustainable Growth(a) br	(5) vs	(6) br+sv Growth (g)	(7) Indicated Cost of Equity k=Div Yld + g (Cols 3+6)	(8) Indicated Cost of Equity k=Div Yld + g (Cols 3+6)
7	1.	American States	33.15	1.02	3.08%	5.30%	2.20%	7.50%	10.6%	10.6%
8	2.	Aqua America	19.81	0.55	2.78%	3.83%	0.79%	4.63%	7.4%	7.4%
9	3.	California Water	35.77	1.17	3.27%	4.42%	1.35%	5.77%	9.0%	9.0%
10	4.	Connecticut Water	24.65	0.89	3.60%			5.97%	9.6%	9.6%
11	5.	Middlesex	18.53	0.71	3.81%			5.97%	9.8%	9.8%
12	6.	SJW Corp.	29.54	0.57	1.92%			5.97%	7.9%	7.9%
15		GROUP AVERAGE			3.07%			5.97%	9.0%	9.0%
16		GROUP MEDIAN							9.3%	9.3%

19 a) See Schedule D-4.6 and D-4.7
20 b) Estimate is at or near the cost of Baa investment grade bonds, which are currently at 6.5 percent. Forecasted rate are
21 6.7 percent for the 2008-2009 time period.
22 Sources:
23 Value Line Investment Analyzer February 2008
24 Yahoo Finance February 25, 2008

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Two-Stage Growth - Projected

Exhibit
Schedule D-4.10
Witness: Bourassa

Line No.		Company	(1) Spot Price(P_0)	(2) Next Year's Div (D_1)	(3) Yield (D_1/P_0)	(4) Projected Growth Rates Near Term (a)	(5) Long Term (GDP)	(6) Average (b)	(7) Indicated Cost of Equity
7	1.	American States	33.15	1.02	3.08%	8.00%	6.80%	7.60%	10.7%
8	2.	Aqua America	19.81	0.55	2.78%	7.50%	6.80%	7.27%	10.0%
9	3.	California Water	35.77	1.17	3.27%	7.50%	6.80%	7.27%	10.5%
10	4.	Connecticut Water	24.65	0.89	3.60%	8.10%	6.80%	7.67%	11.3%
11	5.	Middlesex	18.53	0.71	3.81%	7.50%	6.80%	7.27%	11.1%
12	6.	SJW Corp.	29.54	0.57	1.92%	10.00%	6.80%	8.94%	10.9%
15		GROUP AVERAGE			3.07%			7.67%	10.7%
16		GROUP MEDIAN							10.8%

(a) See Schedule D-4.5
(b) Near term growth given weighting of .67

Exhibit
Schedule D-4.11
Witness: Bourassa

H2O, Inc.
Market Betas

Line No.		Company	
1			
2	1.	American States	1.00
3	2.	Aqua America	0.95
4	3.	California Water	1.10
5	4.	Connecticut Water	0.80
6	5.	Middlesex	0.90
7	6.	SJW Corp.	1.10
8		Average	**0.98**
9			
10	Source:		
11	Value Line Investment Analyzer Data for February 2008		
12			
13			
14			
15			
16			

H2O, Inc.
Computation of Current Market Risk Premium

Exhibit
Schedule D-4.12
Witness: Bourassa

Line No.	Month	Dividend Yield	+	Growth	=	Expected Market Return	-	Monthly Average 30 Year Treasury Rate	=	Market Risk Premium
1										
2										
3	**Month**	Yield	+	Growth	=	Return	-	Treasury Rate	=	Premium
4										
5	Aug 2006	2.20%	+	11.69%	=	13.89%	-	5.00%	=	8.89%
6	Sept	2.20%	+	11.34%	=	13.54%	-	4.85%	=	8.69%
7	Oct	2.15%	+	9.75%	=	11.90%	-	4.85%	=	7.05%
8	Nov	2.10%	+	9.72%	=	11.82%	-	4.69%	=	7.13%
9	Dec 2006	2.09%	+	9.41%	=	11.50%	-	4.68%	=	6.82%
10	Jan 2007	2.05%	+	9.57%	=	11.62%	-	4.85%	=	6.77%
11	Feb	2.10%	+	10.47%	=	12.57%	-	4.82%	=	7.75%
12	March	2.10%	+	10.07%	=	12.17%	-	4.72%	=	7.45%
13	April	2.09%	+	9.29%	=	11.38%	-	4.87%	=	6.51%
14	May	2.08%	+	9.15%	=	11.23%	-	4.90%	=	6.33%
15	Jun	2.17%	+	9.71%	=	11.88%	-	5.20%	=	6.68%
16	Jul	2.27%	+	10.91%	=	13.18%	-	5.11%	=	8.07%
17	Aug 2007	2.37%	+	11.92%	=	14.29%	-	4.93%	=	9.36%
18	Sept	2.31%	+	11.16%	=	13.47%	-	4.79%	=	8.68%
19	Oct	2.45%	+	11.90%	=	14.35%	-	4.77%	=	9.58%
20	Nov	2.60%	+	13.41%	=	16.01%	-	4.52%	=	11.49%
21	Dec 2007	2.61%	+	13.51%	=	16.12%	-	4.52%	=	11.60%
22	Jan 2008	2.67%	+	15.19%	=	17.86%	-	4.33%	=	13.53%
23	Feb	2.74%	+	16.47%	=	19.21%	-	4.52%	=	14.69%
24										
25	Recent 12 Mon Avg	2.37%	+	11.89%	=	13.71%	-	4.77%	=	**8.92%**
29										
30	Short-term Trends									
31	Last Nine Months Avg	2.47%	+	12.69%	=	15.15%	-	4.74%	=	10.41%
32	Last Six Months Avg	2.56%	+	13.61%	=	15.35%	-	4.58%	=	10.71%
33	Last Three Months Avg	2.67%	+	15.06%	=	17.73%	-	4.46%	=	13.27%
34										
35	Sources									
36	Value Line Investment Analyzer Software Data									
37	Federal Reserve									
38										
39										

H2O, Inc.
Test Year Ended December 31, 2006
Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.13
Witness: Bourassa

Line No.		Rf	+	beta[3]	x	Rp	=	k
1								
2								
3	Historical Market Risk Premium CAPM[1]	3.4%	+	0.98	x	7.5% [4]	=	10.8%
4								
5	Current Market Risk Premium CAPM[2]	4.7%	+	0.98	x	8.9% [5]	=	13.4%
6								
7								
8	Average							12.1%
9								
10								
11								

12 [1] Federal Reserve February 25, 2008 average of 5, 7 and 10 year Treasury rates (Rf)
13 [2] Federal Reserve Feburary 25, 2008 30 year Treasury rate (Rf)
14 [3] Value Line Investment Analyzer data. See Schedule D-4.11
15 [4] Historical Market Risk Premium from (Rp) MoriningStar SBBI 2008 Yearbook Table A-2 Intermediate-Horizon ERP 1926-2007
16 [5] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
17 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schdule D-4.12.
18
19
20

**********USED FOR COMPARATIVE PURPOSES**********

Exhibit 1
Witness: Bourassa

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Market Price

Line No.		(1) Company	(2) Projected Div	(3) 5 Year Historical Average Div. Growth	(4) Recent Price	(5) 5 Year Historical Annual Compound Price Growth	(6) Year 5 Price	(7) EXPECTED CASH FLOWS Recent Price	(8) Year 1 Div	(9) Year 2 Div	(10) Year 3 Div	(11) Year 4 Div	(12) Year 5 Div + Price	(13) **Implied ROE = Internal Rate of Return (Cols 7-12)**
7	1.	American States	$ 1.00	2.47%	$ 33.15	13.68%	$ 62.93	$ (33.15)	$ 1.00	$ 1.02	$ 1.05	$ 1.08	$ 64.04	16.2%
8	2.	Aqua America	0.55	9.84%	19.81	13.72%	37.67	(19.81)	0.55	0.60	0.66	0.73	38.47	16.3%
9	3.	California Water	1.18	0.88%	35.77	12.76%	65.21	(35.77)	1.18	1.30	1.42	1.56	66.79	15.9%
10	4.	Connecticut Water	0.89	1.51%	24.65	1.91%	27.10	(24.65)	0.89	0.98	1.07	1.18	28.29	6.0%
11	5.	Middlesex	0.71	1.94%	18.53	6.86%	25.82	(18.53)	0.71	0.78	0.86	0.94	26.77	10.8%
12	6.	SJW Corp.	0.57	4.70%	29.54	24.69%	89.03	(29.54)	0.57	0.63	0.69	0.76	89.82	26.2%
15		GROUP AVERAGE		3.56%		12.27%								15.2%
16		GROUP MEDIAN		2.21%		13.22%								16.0%

Sources:
Value Line Data
Yahoo Finance - Stock Price February 1, 2008

Exhibit 2
Witness: Bourassa

H2O, Inc.
Historical Compound Annual Total Market Returns

	Company	3 Yr.** Return	5 Yr.** Return	10 Yr.*** Return
1.	American States	18.96%	16.31%	19.95%
2.	Aqua America	8.67%	15.87%	15.63%
3.	California Water	5.53%	16.07%	9.21%
4.	Connecticut Water	3.06%	5.38%	12.18%
5.	Middlesex	6.87%	10.43%	13.15%
6.	SJW Corp.	28.39%	26.46%	17.88%
	Average	11.91%	15.09%	14.67%

* 2005-2007
** 2003-2007
*** 1998-2007

Sources:
Value Line Data
Yahoo Finance

Exhibit 3
Witness: Bourassa

H2O, Inc.
Historical Compound Annual Capital Appreciation Returns

	Company	3 Yr.* Return	5 Yr.** Return	10 Yr.*** Return
1.	American States	16.28%	13.68%	12.35%
2.	Aqua America	6.81%	13.72%	13.87%
3.	California Water	2.47%	12.76%	6.33%
4.	Connecticut Water	-0.40%	1.91%	8.84%
5.	Middlesex	3.35%	6.86%	9.88%
6.	SJW Corp.	26.63%	24.69%	16.43%
	Average	9.19%	12.27%	11.28%

* 2005-2007
** 2003-2007
*** 1998-2007

Sources:
Value Line Data
Yahoo Finance

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model
***Using* Analyst Estimates of DPS Growth**

Exhibit 4

Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Div. Growth	(5) Indicated Equity Cost k=Div Yld + G (Cols 1+4)	[6] Indicated Equity Cost k=Div Yld + G (Cols 1+4)
1	1.	American States	33.15	1.02	3.08%	3.25%	6.3%	*
2	2.	Aqua America	19.81	0.55	2.78%	9.25%	12.0%	12.0%
3	3.	California Water	35.77	1.17	3.27%	1.00%	4.3%	*
4	4.	Connecticut Water	24.65	0.89	3.60%	Not Available		
5	5.	Middlesex	18.53	0.71	3.81%	Not Available		
6	6.	SJW Corp.	29.54	0.57	1.92%	Not Available		
7		GROUP AVERAGE					7.5%	12.0%
8		GROUP MEDIAN					6.3%	12.0%
9		Current Baa interest rate					7.0%	
10		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Top 10					7.5%	
11		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Bottom 10					6.3%	
12		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Consensus					6.9%	

* Indicated equity cost below current cost of debt (Baa) or negative growth.

Sources:
- Value Line Analyzer Data February, 2008
- Yahoo Finance Stock Price February 25, 2008
- Federal Reserve February 25, 2008
- Blue Chip Financial Forecast June 2007

Exhibit 5
Witness: Bourassa

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Historical
Using 5 Year Historical Dividend Growth

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Historical Div. Growth	(5) Indicated Equity Cost k=Div Yld + G (Cols 1+4)	[6] Indicated Equity Cost k=Div Yld + G (Cols 1+4)
1	1.	American States	33.15	1.02	3.08%	2.47%	5.5%	*
2	2.	Aqua America	19.81	0.55	2.78%	9.84%	12.6%	12.6%
3	3.	California Water	35.77	1.17	3.27%	0.88%	4.2%	*
4	4.	Connecticut Water	24.65	0.89	3.60%	1.51%	5.1%	*
5	5.	Middlesex	18.53	0.71	3.81%	1.94%	5.8%	*
6	6.	SJW Corp.	29.54	0.57	1.92%	4.70%	6.6%	*
7		GROUP AVERAGE				3.6%	6.6%	12.6%
8		GROUP MEDIAN				3.8%	5.7%	12.6%
9		Current Baa interest rate					7.0%	
10		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Top 10					7.5%	
11		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Bottom 10					6.3%	
12		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Consensus					6.9%	

* Indicated equity cost below current cost of debt (Baa) or negative growth.

Sources:
- Value Line Analyzer Data February, 2008
- Yahoo Finance Stock Price February 25, 2008
- Federal Reserve February 25, 2008
- Blue Chip Financial Forecast June 2007

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Historical
Using 5 Year Historical EPS Growth

Exhibit 6

Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Historical EPS Growth	(5) Indicated Equity Cost k=Div Yld + G (Cols 1+4)	[6] Indicated Equity Cost k=Div Yld + G (Cols 1+4)
7	1.	American States	33.15	1.02	3.08%	8.37%	11.4%	11.4%
8	2.	Aqua America	19.81	0.55	2.78%	6.90%	9.7%	9.7%
9	3.	California Water	35.77	1.17	3.27%	3.26%	6.5%	*
10	4.	Connecticut Water	24.65	0.89	3.60%	1.01%	4.6%	*
11	5.	Middlesex	18.53	0.71	3.81%	3.69%	7.5%	7.5%
12	6.	SJW Corp.	29.54	0.57	1.92%	8.44%	10.4%	10.4%
15		GROUP AVERAGE				5.3%	8.4%	9.7%
16		GROUP MEDIAN				5.3%	8.6%	10.0%
18		Current Baa interest rate					7.0%	
20		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Top 10					7.5%	
21		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Bottom 10					6.3%	
22		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Consensus					6.9%	

24 * Indicated equity cost below current cost of debt (Baa) or negative growth.

28 Sources:
29 Value Line Analyzer Data February, 2008
30 Yahoo Finance Stock Price February 25, 2008
31 Federal Reserve February 25, 2008
32 Blue Chip Financial Forecast June 2007

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS WATER UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT,

REVENUE REQUIREMENT, RATE DESIGN)

EXHIBIT C

I. INTRODUCTION AND QUALIFICATIONS.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

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

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

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

In my private practice, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission"). A summary of my regulatory work experience is attached.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the applicant, H2O, Inc. ("H2O" or "the Company"). In this proceeding, H2O is seeking a determination of (i) the fair value of its water utility properties for ratemaking purposes, (ii) a fair and

reasonable rate of return thereon, and (iii) increases in its rates and charges for water utility service in its certificated service area, which is located in Maricopa County.

II. OVERVIEW OF THE COMPANY'S APPLICATION.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My direct testimony in this proceeding is being filed in two parts. In this portion of my direct testimony, I am sponsoring testimony that addresses the Company's water division rate base, its income statement (revenue and operating expenses), its required level of revenues, and its rate design and proposed rates and charges for service. Schedules A through H, except the D schedules, are attached to this portion of my direct testimony. I was responsible for the preparation of these schedules based on my investigation and review of the relevant books and records for the Company.

In the second portion of my direct testimony, to which the D schedules are attached, I address cost of capital. The Company is requesting a return on common equity of 10.75%. As shown on Schedule D-1, the Company's capital structure consists of approximately 14 percent debt and 86 percent equity. The weighted cost of capital is 10.13 percent.

For the convenience of the Commission and the parties, the two portions of my direct testimony, each with the relevant schedules attached, are being filed separately in this case.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The test year used by H2O is the 12-month period ending December 31, 2006. The Company has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses and revenues.

These pro forma adjustments are consistent with normal ratemaking and with the Commission's rules and regulations. They are also necessary to obtain a normal or realistic relationship between revenues, expenses and rate base.

As stated above, the Company is requesting a return of 10.13 percent on its fair value rate base. The resulting decrease in revenues needed to provide that return is approximately $3,122,824 a decrease of approximately 7.6 percent compared the adjusted and annualized test year revenues.

Q. WHY IS H2O FILING FOR NEW RATES AT THIS TIME?

A. The Company present rates were approved in Decision 58641 (May 27, 1994). In Decision 69413 (April 16, 2007), in which the Company requested a tariff revision, the Company was ordered to file a rate case by September 31, 2007 using a test year of 2006 or later. The Company filed a rate application on September 31, 2007 which was found to be insufficient. This latest filing addresses the deficiencies and modifies its earlier filing.

III. SUMMARY OF A, E AND F SCHEDULES.

Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the rate base, adjusted operating income, current rate of return, required rate of return, operating income deficiency, and the increase (decrease) in gross revenue. Revenues at present and proposed rates and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains the Company's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction, and plant in service for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the Company's changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on H2O's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2004, 2005, and 2006.

Schedule E-2, page 1, contains the income statement for the years 2004, 2005, and 2006.

Schedule E-3 contains the statements of changes in the Company's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in stockholder's equity.

Schedule E-5 contains the Company's plant in service at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended December 31, 2004, December 31, 2005, and December 31, 2006.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes (if any) to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements.

Q. PLEASE CONTINUE.

A. Schedule F-1 contains the results of operations at the present rates (actual and

adjusted), and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows the Company's projected construction requirements for 2004, 2005, and 2006.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

IV. RATE BASE (B SCHEDULES).

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the working capital allowance. The results produced by the "formula method" of computing the working capital allowance are shown only for informational purposes on Schedule B-5. The Company is not requesting a working capital allowance in this case, as reflected on Schedules B1 and B2.

Q. WHY ISN'T THE COMPANY SEEKING WORKING CAPITAL?

A. In order to simplify this filing and to reduce issues that might be in dispute.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE RATE BASE SCHEDULES.

A. The Company requests that its original cost rate base be used as its fair value rate base. Accordingly, schedules B-3 and B-4 are excluded from the Company's filing.

Q. HAVE YOU PREPARED A SCHEDULE SHOWING ADJUSTMENTS TO THE ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2, page 1, shows adjustments to the original cost rate base. Schedules B-2, pages 2 through 4 are the supporting schedules. These adjustments are, in summary:

Adjustment number 1 increases accumulated depreciation by the amount of the difference between the book balance of accumulated depreciation at the end of the test year and the computed accumulated depreciation balance.

Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON SCHEDULE B-2 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. The plant balances start with the plant approved in Decision 58641. Plant additions and retirements last rate case have been added to and deducted from total plant shown on schedule B-2. The B-2 schedules, pages 2.1 through 2.16, show the details for the recomputed accumulated depreciation through the end of the test year using half-year convention for depreciation. The Company has used a composite depreciation rate of 3.6 percent in the re-computation of accumulated depreciation. This was the depreciation rate approved in Decision 58641.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE RATE BASE.

A. Adjustment number 2 increases the balance contributions-in-aid of construction ("CIAC") and related accumulated amortization to the computed amount. The re-computation starts with the CIAC balance approved in Decision 58641.

Adjustment number 3 decreases balance of CIAC and AIAC included in rate base. The Company had approximately $2,395,001 of unexpended CIAC and AIAC funds on the books at the end of the test year. In other words, there is no plant-in-service amount in rate base to offset the cash balance on unexpended CIAC and AIAC.

Q. BUT HAVEN'T YOU CREATED A MISMATCH BETWEEN RATE BASE,

REVENUES AND EXPENSES?

A. No, not at all. The adjustment for unexpended CIAC and AIAC is necessary in order to properly match the amount of plant-in-service with the amount of CIAC and AIAC used to fund plant-in-service. Since the unexpended CIAC and AIAC has not been used to fund any on the plant-in-service amount in rate base, a mismatch would have been created had I not adjusted the CIAC and AIAC.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF RATE BASE ADJUSTMENTS.

A. Adjustment number 4 decreases CIAC for CIAC funds used for construction work-in-progress. The Company is not proposing any post-test year plant to be included in rate base. Since there is not corresponding plant-in-service included in rate base to match CIAC included in rate base, CIAC has been reduced to avoid a mismatch.

Q. WILL THE COMPANY USE THESE FUNDS?

A. Yes. As shown on the F-3 schedule, the Company expects capital expenditures over the next two to three years to be over $10 million and is expected to expend these funds in a relatively short period of time.

V. <u>INCOME STATEMENT (C SCHEDULES)</u>.

Q. LET'S MOVE ON TO THE C SCHEDULES. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The details of the adjustments are shown on Schedule C-2, pages 1 to 13. The adjustments are then carried forward to the C-1 Schedule, which contains the adjusted test year income statement.

Adjustment 1 annualizes depreciation expense. The depreciation rate

approved in the Decision 58641 was a composite rate equal to 3.6 percent for all plant. The Company requests authority to use individual rates by plant account to more realistically reflect individual plant lives. The Commission has been moving away from the use of composite depreciation rates in favor of individual rates. Uniform rates are not always appropriate because they do not reflect a realistic expected life of the plant. The Company's proposed depreciation rates are published by the ACC Staff and are considered "typical and customary".

Adjustment 2 increases the property taxes based on proposed revenues. The Company's adjustment recognizes the recently passed Arizona legislation (H.B. 2779) now codified in A.R.S. § 42-15001, entitled "Assessed Valuation of Class One Property"). The law reduces the assessment ratio ½ percent (0.5%) for the next 10 years starting in 2006. The Company has proposed a 23 percent assessment rate which will be in effective for the property tax year 2009.

Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED RATES?

A. To determine full cash value, I used the method employed by the Arizona Department of Revenue - Centrally Valued Properties ("ADOR" or "the Department"). This method determines full cash value by using twice the average of three years of revenue, plus an addition for CWIP and a deduction for the book value of transportation equipment. In the instant case, I used two times the adjusted revenues for 2007, and revenues at proposed rates. The assessed value (23 percent of full cash value) was then multiplied by the property tax rate to determined adjusted property tax expense.

Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?

A. Yes. It has been used by the Commission consistently for water and sewer

utilities for the past several years. *E.g., Black Mountain Sewer Corporation,* Decision No. 69164 (December 5, 2006), at 10-12; *Rio Rico Utilities*, Decision No. 67279 (October 5, 2004), at 8; *Arizona Water Company*, Decision No. 64282 (December 28, 2001) at 12-13; *Bella Vista Water Company*, Decision No. 65350 (November 1, 2002), at 16; *Arizona-American Water Company*, Decision No. 67093 (June 30, 2004), at 9-10.

Q. WHY HAS THE COMMISSION UTILIZED THIS METHODOLOGY?

A. In the Commission's own words, "using only historical revenues to calculate property taxes to include in the cost of service fails to capture the effects of future revenue from new rates, and can result in an understatement or overstatement of property tax expense." Decision No. 67093 at 9-10. When it comes to property tax expense, each utility has the same characteristics, only the numbers change. So there is no reason to change the ratemaking formula.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 3 shows the rate case expense. The Company is proposing $120,000 of rate case expense to be amortized over three years.

Q. HOW DID YOU DETERMINE THE AMOUNT OF RATE CASE EXPENSE?

A. The $120,000 is an estimate based on my experience and I believe it is an appropriate starting point in this case. My adjustment for rate case expense will have to be revisited periodically as the rate case progresses.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT.

A. Adjustment 4 annualizes revenues to the year-end number of customers for each

meter size. This adjustment is intended to increase revenues on the basis that the number of customers at year-end were receiving service during the entire 12 months of the test year. The annualization for most meter sizes was based on the number of customers at the end of the test year, compared to the actual number of customers on each size meter during each month of the test year. Average revenues by month were computed for the test year for each meter size. The average revenues were then multiplied by the increase (or decrease) in number of customers for each month of the test year.

Adjustment 5 removes non-utility revenues and expenses to eliminate the effects on income taxes.

Adjustment 6 annualizes purchased power based on additional gallons from the revenue annualization. Adjustment 6 is intended to match additional expenses with the additional revenues from the revenue annualization made in adjustment 4.

Adjustment number 7 increases postage expense for a postage rate increase in 2007.

Adjustment 8 annualizes postage expense for additional bills in the revenue annualization. Adjustment 8 is intended to match additional expenses with the additional revenues from the revenue annualization made in adjustment 4.

Adjustment 9 annualizes payroll expenses.

Adjustment 10 synchronizes interest expense with the Company's FVRB. The weighted cost of debt from Schedule D-1 is multiplied by the FVRB contained on Schedule B-1 to derive the interest expense for computation of the income taxes.

Adjustment 11 removes construction management expense from operating

expenses that were paid to individuals also receiving a salary.

Adjustment 12 reflects the change to incomes taxes at the effective tax rate under proposed revenues.

VI. RATE DESIGN (H SCHEDULES)

Q. WHAT ARE THE COMPANY'S PRESENT RATES

A. The monthly charges at present rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 15.00	1,000
3/4	$ 18.00	1,000
1	$ 37.00	1,000
1 1 /2	$ 75.00	1,000
2	$ 120.00	1,000
3	No Tariff	
4	No Tariff	
6	No Tariff	

The commodity charges and tiers by meter size are:

All Classes

Meter Size	Tier (gallons)	Charge per 1,000 gallons
All	1,001 to 20,000	$ 1.78
	20,000 and above	$ 2.11

Q. WHAT ARE THE COMPANY'S PROPOSED RATES?

A. The monthly charges at proposed rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 11.34	0
3/4	$ 17.01	0
1	$ 28.35	0
1 1 /2	$ 56.70	0
2	$ 90.72	0
3	$ 181.44	0
4	$ 283.50	0
6	$ 567.00	0
8	$ 907.20	0
10	$1,360.80	0

The commodity charges and tiers by meter size are:

Residential, Commercial, Industrial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8 and 3/4	1 to 4,000	$1.14
	4,001 to 10,000	$1.54
	Over 10,000	$1.99
1	1 to 25,000	$1.54
	Over 25,000	$1.99
1 1/2	1 to 50,000	$1.54
	Over 50,000	$1.99

2	1 to 80,000	$1.54
	Over 80,000	$1.99
3	1 to 160,000	$1.54
	Over 160,000	$1.99
4	1 to 250,000	$1.54
	Over 250,000	$1.99
6	1 to 500,000	$1.54
	Over 500,000	$1.99
8	1 to 800,000	$1.54
	Over 800,000	$1.99
10	1 to 1,100,000	$1.54
	Over 1,100,000	$1.99
Standpipe		
All Meter Sizes	All gallons	$1.99
Construction		
All Meter Sizes	All gallons	$1.99

Q. HAS THE COMPANY PROPOSED A CHANGE IN THE RATE DESIGN?

A. Yes. As found, the current rate design is a two-tier design with one break-over point of 20,000 gallons for all meter sizes. The Company has proposed a three-tier rate design for residential 5/8 and ¾ inch meters and a two tier rate design for commercial, industrial and irrigation meters from 5/8 inch up to 10 inch. This rate design is similar to Staff recommended rate designs in recent cases.

For the 5/8 inch and ¾ inch residential meters, the first break-over point is 4,000 gallons. The second break-over point is 10,000 gallons, or 2 ½ times the first tier break-over point. The 1 inch and larger meter break-over points are

scaled on the relative meter flows compared to a 5/8 inch meter using the first break-over point of 10,000 gallons for the 5/8 inch and ¾ inch commercial, industrial, and irrigation meters as the base.

Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON AN AVERAGE ¾ INCH METERED RESIDENTIAL CUSTOMER?

A. The present monthly bill for a ¾ inch metered residential customer using an average of 8,334 gallons is $31.05. The proposed monthly bill for a ¾ inch metered residential customer using an average of 8,334 gallons is $28.24 a decrease of $2.81 or approximately 9 percent compared to the present rates.

Q. ARE THERE ANY CHANGES TO THE MISCELLANOUES SERVICE CHARGES?

A. No.

Q. ARE THERE ANY CHANGES TO THE METER AND SERVICE LINE INSTALLATION CHARGES?

A. Yes. The Company has proposed meter and service line charges based on Staff's recent memo on typical meter and service line charges.

Q. DOES THE COMPANY HAVE AN EXISTING OFF-SITE-FACILITIES HOOK-UP-FEE?

A. Yes. The existing off-site facilities hook-up fee ("HUF") is used, and has been used, for off-site facilities to provide water production, delivery, storage and pressure to new service connections. The current HUF charges are shown on H-3, page 5. As shown, the current HUF for a ¾ inch meter connection is $1,050. No change is proposed.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)

EMPLOYMENT EXPERIENCE

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager
1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.
1981-1982	Employed by Purdue University, West Lafayette, Indiana as Teaching Assistant.

SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED CONSULTANT

COMPANY/CLIENT	FUNCTION
ICR Water Users Association	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design.
Diamond Ventures – Verano	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Valley Utilities	Financing Application.
Litchfield Park Service Company	Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.
Golden Shores Water Company	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Diablo Village Water Company	Off-site facilities hook-up fee application.
Utility Source, L.L.C.	Permanent Rate Application- Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Goodman Water Company	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Cost of Capital.
Links at Coyote Wash Utilities	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT	FUNCTION
New River Utilities	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Johnson Utilities	Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Bachmann Springs Utility	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Avra Valley Co-Op	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Gold Canyon Sewer Company	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Far West Water and Sewer Company	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Black Mountain Sewer Company	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Balterra Sewer Company	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT	FUNCTION
Community Water Company	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
McClain Water Systems	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Valley Utilities Water Company	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Beardsley Water Company	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Chaparral City Water Company	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.
Pine Water Company, Inc.	Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.
Tierra Linda Home Owners Association	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Diamond Ventures - Red Rock Utilities	Certificate of Convenience and Necessity – Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT	FUNCTION
Arizona-American Water Company, Inc.	Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Bella Vista Water Company, Inc.	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Green Valley Water Company	Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Gold Canyon Sewer Company	Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant. Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Rio Verde Utilities, Inc.	Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Chaparral City Water Company	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Livco Water and Sewer Company	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

COMPANY/CLIENT	FUNCTION
Cave Creek Sewer Company	Revenue Requirement, Rate Adjustment and Rate Design - Sewer.
Avra CO-OP, Inc.	Permanent Rate Application – Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Town of Oro Valley	Revenue Requirements, Water Rate Adjustments and Rate Design.
Far West Water Company (Water and Sewer)	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.
Sedona Venture Water and Sewer	Permanent Rate Application – Water and Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Vail Water Company	Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
E&T Water Company	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
New River Utility	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Golden Shores Water	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Ponderosa Utility Company	Permanent Rate Application – Water. Assisted in preparation of schedules for

COMPANY/CLIENT	FUNCTION
	Rate Base, Plant, Income Statement, and Rate Design.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

EXHIBIT D

I. INTRODUCTION AND QUALIFICATIONS.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. ARE YOU THE SAME THOMAS J. BOURRASSA THAT FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A. Yes, and all of my background information and testimony regarding my qualifications is contained in that portion of my direct testimony.

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A. This portion of my direct testimony will focus on cost of capital issues for H2O, Inc. ("H2O" or the "Company"). I will testify in support of the Company's proposed rate of return on its fair value rate base. I am sponsoring the Company's D Schedules, which are attached to this testimony. Also attached to this testimony are Exhibits 1 through 6, which are discussed below. As noted above, I am also sponsoring direct testimony that addresses the Company's water division and wastewater division rate base, income statement (revenue and operating expenses), required increase in revenue, and rate design and proposed rates and charges for service. For the convenience of the Commission and the parties, that testimony and my related schedules are being filed separately in this case.

Q. PLEASE SUMMARIZE YOUR RECOMMENDED COST OF DEBT AND EQUITY, AND YOUR RECOMMENDED RATE OF RETURN ON RATE BASE.

A. At the end of the test year, December 31, 2006, H2O had adjusted total capital of $1,747,835, consisting of $240,387 long-term debt and $1,507,448 common equity, as shown in Schedule D-1. Thus, the Company's capital structure consisted of 13.73 percent debt and 86.25 percent common equity. The Company's cost of long-term debt is 6.27 percent, as shown on Schedule D-2. I am recommending a return on equity of 10.75 percent. My recommendation is based on (i) cost of equity estimates using constant growth and multi-stage growth discounted cash flow ("DCF") models and the capital asset pricing model ("CAPM") for the sample group of publicly traded utilities, and (ii) my review of the economic conditions expected to prevail during the period in which new rates will be in effect. This results in a weighted cost of capital of 10.13 percent, as shown on Schedule D-1. The weighted cost of capital is applied to the Company's fair value rate base to compute the Company's required operating income.

Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Generally, when a firm engages in debt financing, it exposes itself to risks that, once debt becomes significant relative to the total capital structure, increase in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects on the investor. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity protection for debt falls. A decline in

the protection afforded debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method. For a firm already perceived as being over-leveraged, this additional borrowing would cause the marginal cost of both equity and debt to increase. On the other hand, if the same firm instead employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

Q. DOES THE COMPANY HAVE AN APPROPRIATE CAPITAL STRUCTURE GIVEN ITS SIZE AND OTHER CHARACTERIZSTICS?

A. The theoretical optimum ratio of debt to equity in the capital structure will vary considerably from one industry to another and, to a very significant extent, among companies within a given industry, based on the size of the company and its ability (or inability) to attract capital. A theoretically "balanced" capital structure is one that provides debt with adequate protection, yet contains enough leverage to produce equity earnings sufficient to attract new equity capital (but not so large a degree of leverage as to introduce earnings instability and render equity investment speculative). For small utilities, financial leverage often has detrimental impacts with very slight increases in expenses. As a consequence, small utilities cannot support the same percentage of debt in their capital structure as a large, publicly traded utility.

The relatively low percentage of debt in H2O's capital structure implies lower financial risk. I have taken the lower financial risk together with other "firm-specific" factors into consideration in my return on equity recommendation.

Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE THE COST OF EQUITY FOR THE COMPANY.

A. The cost of equity for H2O cannot be estimated directly because H2O's common stock is not publicly traded. Therefore, there is no market data for H2O. Consequently, I applied the DCF models and CAPM models using data from a sample of water utilities selected from the *Value Line Investment Survey*. There are six water utilities in my sample: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. I selected these particular utilities because the Commission's Utilities Division ("Staff") has relied on data for these water utilities in a number of recent water and sewer utility rate cases. Computations of common equity returns using DCF and CAPM approaches are shown on Schedules D-4.9 through D-4.10 and Schedule D-4.13.

Using Staff's sample group, the DCF analyses indicate that a return on equity ("ROE") in the range of 9.2 percent to 11.3 percent is appropriate. The CAPM analysis, again using Staff's sample group, indicates that a ROE in the range of 10.8 percent to 13.4 percent is appropriate. These cost of equity analyses indicate that an ROE in the range of 10.0 percent to 12.3 percent is appropriate.

An ROE of 10.75 percent is within the range of the averages of the results produced by both types of equity cost estimates. I should note my cost of equity estimate for H2O is 45 basis points less than the average of the mid-points (11.2 percent) of my estimates to account for lower financial risk. I believe my estimate is conservative when H2o small size relative to the six water utilities in Staff's sample group and other business risks not captured by the market data are considered. The higher return for H2O takes into consideration the higher business risk in Arizona, especially as the result of Arizona regulation. As I will

discuss below, there are significant differences in business risk between Arizona and California.

Q. HAVE YOU CRITICIZED STAFF'S USE OF THE CAPM IN ESTIMATING THE COST OF EQUITY IN THE PAST?

A. Yes, I have done so in testimony in prior rate cases before the Commission. The short-comings of the CAPM have been widely discussed in academic circles.[1] The DCF also has serious short-comings when the stock of a company is trading at prices substantially in excess of book value.[2] I will discuss the short-comings of both the DCF and the CAPM later in my testimony. For now, suffice it to say that each model possesses its own way of examining investor behavior, and each model requires the exercise of considerable judgment on the reasonableness of the assumptions underlying them and on the inputs and proxies used. As Dr. Morin states, "No one individual method provides the necessary level of precision for determining a fair return, but each method provides useful evidence to facilitate the exercise of an informed judgment."[3]

Q. GIVEN THE CRITICISM OF THE CAPM, WHY HAVE YOU DECIDED TO EMPLOY THAT MODEL IN YOUR COST OF EQUITY ANALYSES?

A. I have done so to reduce the number of issues in this case. Staff has employed the CAPM in a number of recent rate cases, and the Commission has accepted the CAPM as a means of estimating the cost of equity in those cases.

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[1] See, e.g., Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

[2] See, e.g., Win Whitaker, "The Discounted Cash Flow Methodology: Its Use in Estimating a Utility's Cost of Capital," *Energy Law Journal* (1991) 265-290.

[3] Roger A. Morin, *New Regulatory Finance* (2006) 428.

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

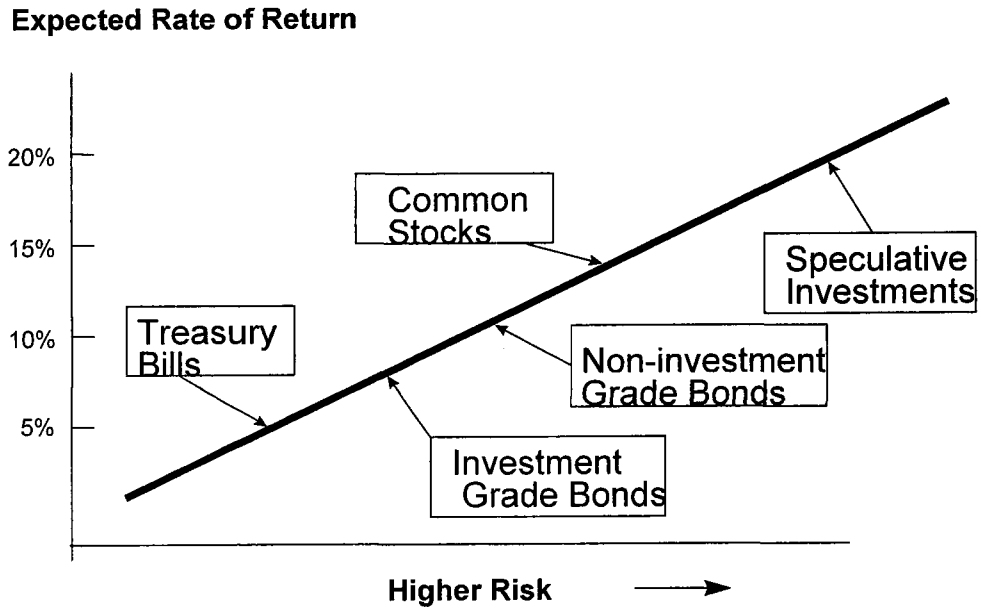
Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A. Put simply, the cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose to invest in many types of assets, not simply publicly traded stock. Each investment will have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models that are used to estimate the cost of equity often rely on this basic concept.

Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.

The Capital Market Line (CML)



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases as one moves upward and to the right along the CML. As the risk of an investment increases, the expected return on the investment also increases.

Q. HOW DOES THE RISK-RETURN TRADE-OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As already suggested by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return

investors will require to compensate investors for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum because they are exposed to more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation as well as market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment versus another. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms, and therefore they must be estimated from market data. Estimating the cost of equity capital is a matter of informed judgment about the relative risk of the company in question and the expected rate of return characteristics of other alternative investments.

Q. HOW IS THE COST OF EQUITY FOR A PARTICULAR UTILITY DETERMINED?

A. The estimation of a utility's cost of equity is a complex topic. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long- and short-term) from banks and other financial institutions. In the capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest; and,

2) The uncertainty or risk premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to additional risk).

Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.

A. The pure rate of interest essentially reflects both the time preference for, and the productivity of, capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forego present consumption and offer the funds thus saved to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without risk do not exist. Every commitment of funds involves some degree of uncertainty.

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital.

Investors are regarded as risk adverse and require that the rate of return increase as the risk (uncertainty) associated with an investment increase.

Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A. Yes. Conceptually,

Required Return for Common Stocks	=	Return on a risk-free asset	+	Risk Premium

where the risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML, above. As I will discuss later in this testimony, this concept is the basis of risk premium methods, such as the CAPM, that are used to estimate the cost of equity.

Q. WHAT IS THE CURRENT OUTLOOK FOR INTEREST RATES, INFLATION, AND THE ECONOMY?

A. The U.S. economy is currently at the edge of a possible recession. Economic growth slowed to an anemic 0.6 percent in the 4th quarter of 2007 and is expected to remain week through the end of 2008. The *Blue Chip Financial Forecasts* (*Blue Chip*) (March 2008) consensus forecasts of real GDP growth for the 3rd and 4th quarters of 2008 are 2.0 and 2.1 percent, respectively. By the 2nd quarter of 2009, the consensus forecast is for modest GDP growth of 2.8 percent.

The Federal Reserve has taken a series of rate cut actions starting in September 2007 to address the weakening economy. After a series of rate cuts, the Federal Open Market Committee ("FMOC") at its March 18, 2008 meeting cut the federal funds target rate 75 basis points from 3.00 percent to 2.25 percent. This action, along with earlier actions by the FOMC, were taken in order to

promote economic growth and to mitigate risks to economic activity. There remain expectations of further easing of interest rates as forecasts for economic growth remain weak. Federal Reserve Chairman Ben Bernanke noted in recent Congressional testimony that financial markets are currently under considerable stress and that broader retrenchment in the willingness of investors to bear risk, troubles in the credit markets, and a weaker outlook of economic growth have added to that stress.

At the recent FOMC meeting, the FOMC also noted that inflation has been elevated and that uncertainty over inflation has increased. In fact, while forecasts of economic growth went down of the past few months, forecasts of inflation have gone up. The short-term expectations are for the FOMC to cut interest rates further in order to address the overall weakness in the economy, however, the FOMC is expected to eventually lift interest rates to help dampen higher inflation as the economy strengthens.

Q. WHAT ARE THE BLUE CHIP CONSENSUS FORECASTS OF INTEREST RATES?

A. The *Blue Chip* consensus forecasts of for the 5, 10 and 30 year U.S. Treasuries are 3.5 percent, 4.3 percent, and 4.8 percent, respectively, for the 2nd quarter of 2009. Long-range estimates for the 5, 10, and 30 year U.S. Treasuries (2011) are 4.5 percent, 4.6 percent, and 4.7 percent, respectively.

Q. HOW DOE THESE COMPARE TO CURRENT RATES?

A. The spot yield of the 5, 10, and 30 year U.S. Treasuries on February 25, 2008 was 2.98 percent, 3.41 percent, and 3.91 percent, respectively.

Q. IS H2O AFFECTED BY THE SAME MARKET UNCERTAINTIES AND CONCERNS THAT AFFECT THE BROADER MARKET?

A. Yes. Also, to varying degrees, all the water utilities in the sample group are affected by these market forces.

Q. WHAT ARE THE RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY AFFECTING UTILITY INVESTMENTS AND THE MARKET?

A. Although the water utilities in the sample have recently encountered a more favorable regulatory environment in many states, such as California, the water utility industry is expected to confront increasing infrastructure demands. According to the *Value Line Investment Survey*, many utilities have infrastructures that are over 100 years old and in need of significant maintenance and, in some cases, massive renovation and replacement. In addition, the EPA continues to impose more stringent water quality and operational standards, such as new maximum contaminant levels for public drinking water systems. Additional operational requirements have also been imposed to address the threat of bio-terrorism on U.S. water systems. As infrastructure costs continue to climb, many smaller companies are at a serious disadvantage. Without sufficient resources to fund improvements to meet new and more stringent requirements, many smaller companies are being forced to sell to larger utilities, which have greater operational flexibility and resources, as well as access to capital.

Q. WOULD YOU PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS?

A. With reference to specific utilities, risk is often discussed as consisting of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence,

it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. For utilities, business risk also includes the volatility of revenues due to abnormal weather conditions, degree of operational leverage, regulation, and regulatory climate. Put simply, the greater the degree of uncertainty regarding the various factors affecting a company's business, the greater the risk of an investment in a company and the greater the compensation required by the investor.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. As I discussed earlier, permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility in the common equity owners.

Although often discussed separately, the two types of risks are actually interrelated. Specifically, a common equity investor may seek to offset exposure to high financial risk by investing in a firm perceived to have a low degree of business risk. In other words, the total risk to an investor would be high if the enterprise was characterized as a high business risk with a large portion of its permanent capital financed with senior debt. To attract capital under these

circumstances, the firm would have to offer higher rates of return to its common equity investors.

IV. THE CRITERIA THAT ARE USED TO DETERMINE WHETHER THE AUTHORIZED RATE OF RETURN IS JUST AND REASONABLE IN A "FAIR VALUE" CONTEXT

Q. HAS THE UNITED STATES SUPREME COURT SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A. Yes. In 1923, the Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertaking which are attended by corresponding risks and uncertainties .... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

In summary, under *Bluefield Water Works*:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

In addition to being widely followed by courts and regulatory commissions, the Court's discussion of the criteria that should be used to determine a reasonable rate of return is important because *Bluefield Water Works* involved the application of the "fair value" standard, which is embodied in the Arizona Constitution. Thus, in discussing the criteria for determining a fair rate of return, the Court applied the rate of return, judged according these criteria, to the current or "fair" value of the utility's plant and property devoted to public service.

Q. HOW HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A. The application of the "reasonableness" criteria laid down by the Supreme Court cases has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity), used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. However, there is no consensus regarding the best method of estimating the cost of equity capital. The increasing regulatory emphasis on objectivity in determining the rate of return has resulted in a proliferation of market-based finance models that are used in equity return determination. As will be discussed more fully below, however, none of these models introduced has been universally accepted.

V. THE ESTIMATED COST OF EQUITY FOR THE COMPANY

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity

Q. PLEASE BRIEFLY DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR H2O.

A. As I have stated, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves the determination the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ various techniques that provide a link to actual capital market data and assist in defining the various relationships that underlie the equity cost estimation process.

Since H2O is not publicly traded, the information required to directly estimate H2O's cost of equity is not available. Accordingly, I used a sample group of water utilities to develop an appropriate cost of equity for H2O. There are six water utilities included in the sample group: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. All these companies are followed by the *Value Line Investment Survey*, and, as explained previously, these particular utilities have consistently been used by the Staff to estimate the cost of equity in a number of recent water and sewer utility rate cases.

Q. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO H2O?

A. No. However, they have enough similarity to provide a useful starting point for developing a cost of equity for H2O. I emphasize "starting point" because H2O is not publicly traded, nor is there market data available for smaller utilities, like

H2O, that can be used to develop cost of equity estimates. Nevertheless, all of the sample companies are regulated water utilities, and their primary source of revenues is from regulated services. While all of them primarily provide water service, some of the companies provide both water and wastewater services.

Q. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY SAMPLE CAPTURE ALL OF THE MARKET RISKS THAT H2O MIGHT FACE IF IT WERE PUBLICLY TRADED?

A. In my opinion, no. First, as I stated, there is no comparable market data for utility companies the size of H2O. The average revenue of the water utility sample companies is over 78 times that of H2O and the average net plant of the water utility sample companies is over 69 times that of H2O. Even the smallest company in the sample, Connecticut Water, has nearly 23 times the net plant of H2O, and over 19 times H2O's revenues.

Second, market data for the sample water utilities do not include data for water utilities primarily serving the Arizona market and thus primarily subject to Arizona rate regulation. The Commission requires the use of historical test years with limited out-of-period adjustments. Moreover, current Commission policy strongly disfavors adjustment mechanisms that allow for prompt recovery of increases in the cost of purchased water and power, in contrast to other jurisdictions. In short, the Commission's current policies make it difficult for water utilities to earn their authorized rates of return.

Q. HOW DOES THIS IMPACT H2O?

A. H2O faces the risk that unexpected changes in costs during the period in which new rates will be in effect will not be recovered without a costly and lengthy general rate case. The water sample is heavily weighted with utilities doing

business in California. American States, California Water, and SJW Corp. are based in California and receive the bulk of revenues from utility service in that state. These utilities face less regulatory risk because the California Public Utilities Commission allows the use of future test years and balancing accounts for expenses such as purchased water and power. Aqua America, the largest water utility in the group, has operations in more than 10 states. As a result, Aqua America's systems are regulated by different state commissions and are less affected by unfavorable decisions and policies of a particular regulatory commission.

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE.

A. Schedule D-4.1 lists the operating revenues and net plant for the six water utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports) and H2O. In addition, below is a general description of each of the companies:

(1) American States Water primarily serves the California market through Southern California Water Company, which provides water services to over 1 million people within 75 communities in 10 counties in the State of California, primarily in Los Angeles, San Bernardino, and Oranges counties. It has one subsidiary serving the Arizona market with approximately 13,000 customers in Fountain Hills and Scottsdale. Approximately 91 percent of American States revenues were derived from Southern California Water. Revenues for American States were over $268 million in 2006 and net plant was over $750 million at the end of 2006.

(2) Aqua America owns regulated utilities in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Maine, Missouri, New York, and South Carolina, serving over 927,000 customers at the end of 2006. Revenues for Aqua America were over $533 million in 2006 and net plant was over $2.5 billion at the end of 2006.

(3) California Water Service Group owns subsidiaries in California, New Mexico, Washington, and Hawaii serving over 480,000 customers. The California operations account for over 95 percent of customers and over 96 percent of operating revenues. Revenues for California Water were over $334 million in 2006 and net plant was over $941 million at the end of 2006.

(4) Connecticut Water Services owns subsidiaries in Connecticut and Massachusetts serving over 87,000 customers. Revenues for Connecticut Water Service were over $46 million in 2006 and net plant was over $263 million at the end of 2006.

(5) Middlesex Water owns subsidiaries in New Jersey and Delaware serving over 84,000 customers and provides water service under contract to municipalities in central New Jersey to a population of over 267,000. Revenues for Middlesex Water were over $81 million in 2006 and net plant was over $310 million at the end of 2006.

(6) SJW Corp. owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities. Revenues for SJW Corp were over $189 million in 2006 and net plant was over $506 million at the end of 2006.

Q. HOW DOES H2O COMPARE TO THE SAMPLE WATER UTILITES?

A. At the end of the test year, H2O had approximately 6,400 water utility customers. Its revenues totaled approximately $3.1 million, and its net plant was approximately $11.8 million. And H2O is not diversified. Compared to the publicly traded water utility companies, H2O has a relatively small service territory and no alternative sources of revenue.

Q. BASED ON WHAT YOU HAVE JUST STATED, IT DOESN'T APPEAR THAT H2O IS ACTUALLY COMPARABLE TO THE SAMPLE WATER UTILITIES.

A. For the reasons I have stated, a good argument could be made that H2O is not comparable to the six publicly traded water utilities in the same group. Unfortunately, as I testified, the approaches commonly used to estimate a utility's cost of equity require market data, which is not available for smaller companies, like H2O. As a result, much larger, public companies must be used as proxies. This is an important factor to keep in mind, because the criteria established by the Supreme Court in decisions such as *Bluefield Water Works* require the use of comparable companies, i.e., companies that would be viewed by investors as having similar risks. A rational investor would not regard H2O has having the same level of risk as Aqua America or even Connecticut Water. Consequently, the results produced by the DCF and CAPM methodologies, utilizing data for the sample utilities, likely understate the cost of equity for H2O.

Q. YOU PREVIOUSLY DISCUSSED FINANCIAL RISK, WHICH IS RELATED TO A FIRM'S CAPITAL STRUCTURE. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO H2O?

A. Schedule D-4.2 shows the capital structure of H2O contains 2.8 percent debt and 97.2 percent equity compared to the average of the water utility sample of 46.4 percent debt and 53.6 percent equity. Having less debt in its capital structure implies less financial risk than the water utility sample, which may offset the other factors that make H2O more risky than the sample group.

B. <u>Current Stocks Prices and Their Effect on Estimating the Cost of Equity</u>

Q. DO YOU HAVE ANY GENERAL CONCERNS WITH THE DATA AVILABLE TO MAKE COST OF EQUITY ESTIMATES FOR THE WATER UTILITIES?

A. Yes. Schedule D-4.3 shows that common stock prices have increased significantly during the past five years, and those increases have exceeded the average annual increases in dividends per share ("DPS"), earnings per share ("EPS") and book value per share. As a result, the current market-to-book ratio for the sample water utilities is approximately 2.5. *Value Line* (January 2004) suggested that part of the reason for increases in the stock prices is consolidation in the water utility industry. In January 2004, *Value Line* advised investors to expect stock prices from an acquisition to be as much as four times book value. *Value Line* (April 2007) continued to advise investors to expect mergers and acquisitions. *Value Line* (January 2008) notes that mergers and acquisition activity remains at a relatively high pace.

Irrespective of investor merger and acquisition expectations, stock price growth has exceeded book growth and both stock price growth, and book growth have exceeded dividends and earnings growth. Schedule D-4.4 shows that common stock prices have had annual price increases during the past 10 years that

have exceeded the annual increases in dividends per share, earnings per share, and book value per share. The market-to-book ratios of most publicly traded utilities, including the sample water utilities, have been well above 1.0 for a number of years, and there is no reason to expect those ratios to significantly change in the future, given continuing increases in the stock markets and overall economic conditions.

Q. WHAT IMPLICATIONS DOES THIS HAVE FOR ESTIMATING THE COST OF EQUITY USING THE SAMPLE WATER UTILITIES?

A. If investors have bid up prices for utility stocks in anticipation of a merger or acquisition, the stock prices will reflect the investor's expected premium at acquisition. This distorts the results produced by the DCF model by underestimating dividend yield, lowering the indicated equity cost.

Alternatively, investors may have bid up the prices for the water utility stocks because they expect increases in earnings and dividends in the future. In other words, investors expect the water utilities to be authorized, and to actually earn higher returns on equity. *Value Line* (April 2007), for example, advised investors that the extremely consumer-conscious regulatory environments of the past several years and the corresponding delayed rate relief and unfavorable decisions appear to be at an end, especially in California. The April 2007 *Value Line* Water Utility Industry report states:

> The [California Public Utilities Commission] is currently reviewing a general rate case petitioning for a water revenue adjustment mechanism ("RAM"), which would allow recovery of revenues when actual sales are lower than adopted sales assumed in a general rate case. This would remove volatility due to weather conditions and provide some revenue stability going forward.

This is good news for both the utility companies and investors. This positive news continues to be noted in the January 2008 *Value Line*. There is no doubt investor expectations are influenced by events such as these.

C. Overview of the DCF and CAPM Methodologies

Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A. There two broad approaches:

1) identify comparable-risk sample companies and estimate the cost of capital directly, and,
2) find the location of the CML and estimate the relative risk of the company that jointly determines the cost of capital.

The DCF model is an example of a method falling into the first general approach. It is a direct method, but uses only a subset of the total capital market evidence. The DCF model rests on the premise that the fundamental value of an asset (stock) is its ability to generate future cash flows to the owner of that asset (stock). I will explain the DCF model in more detail later. For now, the DCF is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are more difficult to obtain.

The CAPM is an example of a method falling into the second general approach. It uses information on all securities rather than a small subset. I will explain the CAPM in more detail later. For now, the CAPM is a risk-return relationship, often depicted graphically as the CML. The CAPM is the sum of a risk-free return and a risk premium.

Each of these two methods has their own way of measuring investor expectations. In the final analysis, cost of equity estimates are subjective and should be based on sound, informed judgment. I have applied several versions of the DCF, as well as two versions of the CAPM that I believe brackets the fair cost of equity capital for H2O, without taking into account the additional risks that H2O possesses.

D. <u>Explanation of the DCF Model and Its Inputs</u>

Q. PLEASE EXPLAIN THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model is an attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. It rests on the assumption that investors rely on the expected returns (i.e., cash flow they expect to receive) to set the price of a security. The DCF model in its most general form is:

(1) $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + CF_n/(1+k)^n$

where k is the cost of equity; n is a very large number; P0 is the current stock price; and, CF1, CF2,...CFn are all the expected future cash flows expected to be received in periods 1, 2, ... n.

Equation (1) can be written to show that the current price (P0) is also equal to

(2) $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + P_t/(1+k)^t$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or

capital gain), the price the investor would pay today in anticipation of receiving that premium would increase. In other words, by estimating the cash flows from the purchase of a stock in the form of dividends and capital gains, we can calculate the investor's required rate of return, i.e., the rate of return an investor presumptively used in bidding the current price to the stock (P_0) to its current level.

Equation (2) is a Market Price version of the DCF model. As with the general form of the DCF model in equation (1), in the Market Price approach the current stock price (P_0) is the present value of the expected cash inflows. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price (P_t).

Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is 5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share, expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his capital by purchasing the stock.

I have provided a Market Price DCF model in Exhibit 1 to illustrate the Market Price DCF model approach further. The model computes the implied rate of return from a stream of cash flows. The first cash flow is negative and is the purchase price of the stock. I used the spot price at February 25, 2008, as reported by Yahoo Finance as the initial purchase price. The next series of cash flows are the expected dividends for the next four years. The final cash flow is the dividend in year 5 plus the expected selling price of the stock. The selling price of the stock is based on the historical 5-year average annual price growth for each of the stocks. The average implied rate of return is 12.7 percent.

Q. HOW DOES THE RESULT OF YOUR MARKET PRICE DCF COMPARE TO THE HISTORICAL COMPOUND ANNUAL MARKET RETURNS FOR THE WATER UTILITY SAMPLE?

A. As shown in Exhibit 2, the average 5-year historical compound annual total market return for the water utility sample is over 15 percent. Despite the fact that the historical 5-year total market returns as well as the market price DCF indicate returns in the range of 13 to 15 percent, I do not rely on this method. I have instead used it to evaluate the reasonableness of the results produced by the other versions of my DCF model.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A. Under the assumption that future cash flows are expected to grow at a constant rate ("g"), equation (1) can be solved for k and rearranged into the simple form:

$$(3) \qquad k = CF_1/P_0 + g$$

where CF_1/P_0 is the expected dividend yield and g is the expected long term dividend (price) growth rate ("g"). The expected dividend yield is computed as

the ratio of next period's expected dividend ("CF_1") divided by the current stock price ("P_0"). This form of the DCF model is known as the constant growth DCF model and recognizes that investors expect to receive a portion of their total return in the form of current dividends and the remainder through future dividends and capital (price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. This has not been historically true for the water utility sample, as shown by the data shown in Schedules D-4.3 and D-4.4. As a result, estimates of long-term growth rates (g) should take this into account.

Q. HOW IS THE FORMULA FOR THE MULTI-STAGE DCF MODEL DERIVED?

A. Under the multi-stage growth DCF model, equation (1) is expanded to incorporate two or more growth rate periods and is written as:

$$(4)\ P_0 = CF_0(1+g_1)/(1+k) + \ldots + CF_0(1+g_2)^n/(1+k)^n + CF_0(1+g_t)^{(t+1)}/k-g_t)$$

where g_1, g_2, etc., represent growth rates for periods 1, 2, etc., and g_t represents the growth rate from period t to infinity. This version of the DCF model assumes that cash flow growth will occur at different rates for one or more periods and ultimately reach a terminal growth stage that continues indefinitely.

Q. ARE THERE ANY GENERAL CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A. There are a number of reasons why caution must be used when applying the DCF model to utility stocks. First, as I have already discussed, the stock price and dividend yield component may be unduly influenced by structural changes such as mergers and acquisitions, which influences investor expectations. Second, the DCF model is based on a number of assumptions which may not be realistic given

the current capital market environment. The traditional DCF model assumes that the stock price, book value, dividends, and earnings all grow at the same rate. This has not been historically true for the sample water utility companies. Third, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations only when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that the market-derived return produced by the DCF is often applied to book value rate base by regulators. Fourth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be downward biased as a result of the impact of acquisitions, mergers, unfavorable regulatory decisions, and even abnormal weather patterns.

Q. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

A. I used the spot price for each of stocks of the water utilities in the sample group on February 25, 2007 as reported by Yahoo Finance. The dividend is the expected 2008 dividend.

Q. EARLIER YOU TESTIFIED THAT STOCK PRICES HAVE BEEN INCREASING DUE TO STRUCTURAL CHANGES SUCH AS POTENTIAL MERGERS AND ACQUISITIONS. HOW DOES THIS IMPACT THE DIVIDEND YIELD?

A. The DCF model results will be negatively biased because the dividend yield (CF_1/P_0) is reduced by virtue of having a larger denominator, the stock price (P_0). This impact is not by itself problematic because the DCF model is intended to take into account changes in the stock price (upward or downward). Investors may have bid up the price of the stocks of the water utilities in the sample group because they expect increased growth in earnings and, as a result, increased dividend growth and appreciation in the price of the stock. However, if stock prices have been bid up in anticipation of a merger or an acquisition, then the DCF model estimate will not reflect true market conditions and understate the cost of equity.

Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A. I have used earnings growth forecasts, where available, from three different, widely-followed sources: *Zack's Investment Research*, *Standard & Poor Earnings Guide*, and *Value Line Investment Survey*. Schedule D-4.6 reflects estimates of earnings growth. The currently available estimates from these three sources provide at least two estimates for each of the sample water utility companies. There are three estimates for the majority of the companies.

I have also used forecasts of book returns, retention ratios, and growth in the number of common shares from *Value Line* to determine sustainable growth estimates, which I describe in more detail below. Schedules D-4.7 and D-4.8 show my calculations of sustainable growth.

For the multi-stage DCF, I employed a two-stage model with short-term and long-term growth rates. I used analysts' forecasts of EPS growth for the near term and average long-term GDP growth for the long-term.

Q. DID YOU USE THE ARITHMETIC MEAN OR THE GEOMETRIC MEAN FOR GDP GROWTH?

A. The arithmetic mean. It is well established that if the cost of capital is estimated from historical data, an arithmetic average should be used. Dr. Morin, in his text on regulatory finance, provides a detailed explanation of why this is the case, citing various authorities, including Professors Brealey, Myers and Allen, authors of the leading graduate textbook on corporate finance.[4]

Q. WHY DID YOU USE FORECASTED GROWTH RATES IN YOUR MODELS?

A. The DCF model requires estimates of growth that investors expect in the future. Accordingly, I used analysts' forecasts of growth. Logically, in estimating future growth, financial institutions and analysts have taken into account all relevant historical information on a company as well as other more recent information.[5] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, a stock's current price reflects known historic information on that company, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

Q. HAVE YOU COMPARED THE ANALYSTS' ESTIMATES OF GROWTH WITH HISTORICAL DATA?

A. Yes. As shown in Exhibit 3, the average 5-year historical compound annual capital (price) appreciation is 12.27 percent. The average 10-year historical

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[4] Roger A. Morin, *New Regulatory Finance* (2006) 133-43.

[5] David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55.

compound annual capital (price) appreciation is 11.28 percent. This is significantly higher than the average of the analysts' estimates of growth, 8.10 percent. While historical returns do not necessarily reflect what will occur in the future, the analysts' estimates of EPS growth are significantly less than the historical capital appreciation and the historical total returns. Thus, I believe using the analysts' estimates of EPS growth for the growth rate in the DCF model is conservative.

Q. WHY DIDN'T YOU USE FORECASTS OF DIVIDEND GROWTH?

A. The average annual forecast of DPS growth is extremely low. When forecasted dividend growth is used in the DCF model, it produces a cost of equity below the cost of debt for two of the three sample water utility companies for which a forecasted growth rate is available. Only one cost of equity estimate is above the cost of debt (Baa bonds). This single estimate for Aqua America is 12.0 percent.

Q. HAVE YOU PERFORMED CONSTANT GROWTH DCF ESTIMATES USING ANALYSTS' ESTIMATES OF DPS GROWTH?

A. Yes. Exhibit 4, attached hereto, reflect constant growth DCF results using analysts' estimates of DPS growth. While the average result is 7.5 percent, two of the three estimates are well below the current yield on an investment grade bond (7.0 percent) – one as low as 4.3 percent.

Q. HAVE YOU PREPARED CONSTANT GROWTH DCF MODELS USING HISTORICAL DPS AND EPS GROWTH RATES?

A. Yes. Exhibit 5, attached hereto, reflects constant growth DCF results using five-year historical annual growth rates for DPS. The DCF results using five-year historical annual growth rates using historical DPS growth is 6.6 percent – below

the cost of debt. Four of the six estimates are significantly below the cost of debt, with the lowest being only 4.3 percent.

Exhibit 6, attached hereto, reflects constant growth DCF results using five-year historical annual growth rates for DPS. The DCF result using five-year historical annual EPS growth rates is 8.4 percent. Two of the six estimates are less than the cost of debt – one as low as 4.6 percent.

Q. WHY HAVEN'T YOU INCLUDED ANALYSTS' FORECASTS OF DPS GROWTH AND HISTORICAL DPS GROWTH IN YOUR DCF ESTIMATE OF GROWTH?

A. Using analysts' forecasts of DPS growth and historical DPS growth results in returns which are unrealistic. It is important to keep in mind that there is a great deal of empirical evidence demonstrating that, on average, stocks are riskier than bonds and achieve higher returns. Morningstar (formerly Ibbotson Associates), for example, annually publishes its comprehensive study of historical returns on stocks and bonds.[6]

Putting aside the potential distortions to the result produced by the DCF model caused by structural changes to the industry and abnormal weather conditions, it does not make sense to employ grow rates that result in indicated equity returns less than the cost of debt, especially when those results fly in the face of a large body of empirical evidence. Investors would not bid up the price of a utility stock if the expected return is equivalent to returns on bonds and other debt investments. As the CML depicted previously illustrates, common stocks are higher and to the right of investment grade bonds on the CML continuum because they are riskier investments. Again, the empirical evidence supports this

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[6] Morningstar, *SBBI Valuation Edition 2006 Yearbook.*

conclusion. The results using the analysts' expectations of DPS growth and historical DPS growth are unreasonable.

Q. YOU MENTIONED SUSTAINABLE GROWTH EARLIER. PLEASE EXPLAIN WHAT SUSTAINABLE GROWTH IS?

A. Sustainable growth is derived by combining the expected growth from future retained earnings and expected future growth from sales of common stock. The growth rate (g) becomes:

$$g = br + sv \quad (5)$$

where b is the expected retention ratio; r is the expected return on common equity; s is the funds raised from the sale of stock as a fraction of existing common equity; and v is the fraction of funds raised from the sale of stock that accrues to shareholders.

Q. HOW DID YOU ESTIMATE "br" GROWTH?

A. I used projected rates of return, dividends per share, and earnings per share reported in *Value Line* to estimate "br" growth.

Q. HOW DID YOU ESTIMATE "sv" GROWTH?

A. I used *Value Line*'s projections of new issues of common stock to estimate "s" and reported books values and the spot price to estimate "v". All of the water utility stocks used in my sample are currently selling at prices above book value and thus have "sv" growth.

Q. HOW DO YOUR ESTIMATES FOR SUSTAINABLE GROWTH COMPARE TO THE HISTORICAL COMPOUND ANNUAL CAPITAL APPRECIATION RETURN?

A. The average sustainable growth for the utility sample as shown in Schedule D-4.7 is 5.97 percent, which is lower than the average 5-year and 10-year historical

compound annual capital appreciation return of 12.27 percent and 11.28 percent, respectively.

E. Explanation of the CAPM and Its Inputs

Q. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. As I already indicated, the CAPM is a type of risk premium methodology that is often depicted graphically in a form identical to the CML. Put simply, the CAPM formula is the sum of a risk-free rate plus a risk premium. It quantifies the additional return required by investors for bearing incremental risk. The risk-free rate is the reward for postponing consumption by investing in the market. The risk premium is the additional return compensation for assuming risk.

The CAPM formula provides a formal risk-return relationship premised on the idea that only market risk matters, as measure by beta. The CAPM formula is:

$$(6) \quad k = R_f + \beta(R_m - R_f)$$

where k is the expected return, R_f is the risk-free rate, R_m is the market return, $(R_f - R_m)$ is the market risk premium, and β is beta.

The difficulty with the CAPM is that it is a prospective or forward-looking model while most of the capital market data required to match the input variables above is historical.

Q. WHAT IS THE RISK-FREE RATE?

A. It is the return on an investment with no risk. U.S. Treasury rate serve as the basis for the risk-free rate because the yields are directly observable in the market and are backed by the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons and

because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

Q. WHAT IS BETA AND WHAT DOES IT MEASURE?

A. Beta is measure of the relative risk of a security and the market. In other words, it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

Beta for the market is 1.0. A security with a beta greater than 1.0 is considered riskier than the market. A security with a beta less than 1.0 is considered less risky than the market.

There are computational problems surrounding beta. It depends on the return data, the time period used, its duration, the choice of the market index, and whether annual, monthly, or weekly return figures are used. Betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[7]

Q. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR H2O?

A. I used the average beta of the sample water utility companies. Betas were obtained from *Value Line* Analyzer data (February 2008). *Value Line* is the source for estimated betas that Staff has used in a number of recent rate cases. The average beta as shown on Schedule D-4.12 is 0.98. In the past few years, beta for the sample water utility companies has increased significantly, indicating an

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[7] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

upward trend. I should note that because H2O is not publicly traded, H2O has no beta. I believe that H2O, if it were publicly traded, would have a higher beta than the sample water utility companies.

Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM?

A. The market-risk premium (R_m-R_f) is the return an investor expects to receive as compensation for market risk. It is the expected market return minus the risk-free rate. Approaches for estimating the market risk premium can be historical or prospective.

Since expected returns are not directly observable, historical realized returns are often used as a proxy for expected returns on the basis that the historical market risk premium follows what is known in statistics as a "random walk." If the historical risk premium does follow the random walk, then one should expect the risk premium to remain at its historical mean. Based on this argument, the best estimate of the future market risk premium is the historical mean. Morningstar's *SBBI Valuation Edition 2007 Yearbook* provides historical market returns for various asset classes from 1926 to the present. This publication also provides market risk premiums over U.S. Treasury bonds, which make it an excellent source for historical market risk premiums.

Prospective market risk premium estimation approach necessarily examining the returns expected from common equities and bonds. They can be extremely volatile, especially when examining very short periods of time. When such methods shown to be volatile, they should be avoided. One method employs applying the DCF model to a representative market index such as the S&P 500 index or the *Value Line* Composite Index. The expected return from the DCF is measured for a number of periods of time, and then subtracted from the prevailing

risk-free rate for each period to arrive at market risk premium for each period. The market risk premium subsequently employed in the CAPM is the average market risk premium of the overall period.

Q. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR H2O?

A. I prepared two market risk premium estimates: An historical market risk premium and a current market risk premium.

Q. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK PREMIUM?

A. I used the Morningstar's *SBBI Valuation Edition 2007 Yearbook* measure of the average premium of the market over intermediate-term treasury securities from 1926 through 2007. The average historical market risk premium over intermediate-term treasury securities is 7.5 percent.

Q. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

A. I derived a market risk premium by, first, using the DCF model to compute an expected market return for each of the past 12 months (March 2007 to February 2008) using *Value Line's* projections of the average dividend yield and average price appreciation (growth) on the *Value Line* 1700 stocks. I then subtracted the average 30-year Treasury yield for each month from the expected market returns to arrive at the expected market risk premiums. Finally, I averaged the computed market risk premiums to determine the current market risk premium. The data and computations are shown on Schedule D-4.13. The average market risk premium is 8.92 percent.

Q. WHY DID YOU USE THE 30-YEAR TREASURY AS OPPOSED TO THE 5, 7, OR EVEN 10 YEAR TREASURIES IN COMPUTING YOUR EXPECTED MARKET RISK PREMIUMS?

A. To properly match the risk-free rate (based the 30-year Treasury rate) with the expected market risk premium I used in the current market risk premium CAPM.

F. The Results of the DCF and CAPM Models, and Recommended ROE for H2O

Q. PLEASE DISCUSS YOUR ANALYSIS OF THE COST OF EQUITY FOR H2O.

A. In the first part of my analysis, I applied two versions of the constant growth DCF and a two-stage DCF models to the six water utilities in the sample group. The DCF analyses appear on Schedules D-4.9, D-4.10, and D-4.11. The DCF models produce an indicated equity cost in the range of 9.2 percent to 11.2 percent.

In the second part of my analysis, I applied two versions of the CAPM – an historical risk premium CAPM and a current market risk premium CAPM. The CAPM analyses appear on Schedule D-4.13 and produce an indicated cost of equity in the range of 10.8 percent to 13.4 percent.

Q. PLEASE SUMMARIZE YOUR RESULTS.

A. The following table summarizes the results of the models I have used:

	Range	Midpoint
DCF Constant Growth (earnings growth)	10.2% - 11.9%	11.1%
DCF Constant Growth (sustainable growth)	7.4% - 10.6%	9.0%
Two-Stage Growth Model	10.0% - 11.3%	10.7%
DCF Average Results	**9.2% - 11.3%**	**10.2%**
CAPM Historical MRP		10.8%

CAPM Current MRP		13.4%
Average CAPM Results	**10.8%-13.4%**	**12.1%**
Average Overall Results	**10.0%-12.3%**	**11.2%**

Based on the DCF and CAPM results, and with consideration of current market, industry, and other factors relevant to smaller utilities like H2O, I believe a return on equity of 10.5 percent is conservative. While H2O has lower financial risk due to a low percentage of debt it its capital structure, the lower financial risk is somewhat offset by its smaller size and higher business and operational risks compared to the sample publicly traded water utilities. At 10.5 percent, my recommended cost of equity is in the lower end of the range of the estimates produced by the DCF and CAPM models – 60 basis points less than the mid-point of the range of estimates. My recommendation represents a reasonable balance between the economic forecasts of interest rates during the period in which rates will be in effect, the reduced equity costs obtained from low dividend yields using the DCF model, and my judgment about H2O's lower financial risks and the additional business risks not captured by the market models for utility companies like H2O.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Richard L. Sallquist
SALLQUIST, DRUMMOND & O'CONNOR, P.C.
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
Telephone: (480) 839-5202
Fax: (480) 345-0412
Attorneys for H2O, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC., AN ARIZONA CORPORATION, FOR A DETERMINIATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	)	DOCKET NO. W-02234A-07-0557 **RESPONSE TO LETTER OF DEFICIENCY**

H2O, Inc., ("H2O" or the "Company"), by and through the undersigned counsel, hereby submits its response to the Staff's Letter of Deficiency dated November 2, 2007, a copy of which is attached hereto. The Responses will be provided without restating the Deficiency:

1. Please see Attachment 1 hereto.
2. Please see Attachment 2 hereto.
3. Please see Attachment 3 hereto.
4. Please see Attachment 4 hereto.
5. The irrigation customers listed on the H-2 Schedule and elsewhere in the H Schedules are landscape irrigation customers and use potable water.
6. In order to begin service to development within H2O's CCN area lying west of Rittenhouse Road and South of Chandler Heights Road (N ½ Section 25 and a part of the NW ¼, NW ¼, Section 26) which consisted as a 17-lot development in 1999 making it inequitable to install the approximate 2-miles of transmission main and Rail Road crossing, Queen Creek Water Company agreed to provide temporary supply to H2O's on-site distribution system within the Cloud Creek Ranch subdivision from it's adjacent distribution system in Cloud Road. Subsequent to that event, H2O began service to the 75-lot Villages II subdivision with supply from QCWC. H2O in

cooperation with William Lyon Homes is planning the Church Farm development and has filed plans with Maricopa County for approval to construct a permanent connection from H2O's distribution system east of the Rail Road/Rittenhouse Rd. connecting to H2O's Maricopa County System #04-904. When this is completed later this year, H2O will no longer need to purchase water from QCWC

Please see Attachment 6 hereto, Decision No. 60241 which approved the Agreement. Also attached is the Addendum to the Agreement.

7. The Arsenic Results are as follows:

POE-001 (Well #4)	0.003
POE-002 (Castlegate Well)	<0.002
POE-003 (Pecan Creek North)	0.003

Please see attached Attachment 7.

8. Please see the summary Schedule and Invoices appended hereto as Attachment 8.

9. The Curtailment Tariff, incorporating Staff's recommendations, was docketed on July 5, 2007, and is attached hereto as Attachment 9. The Cross-Control Connection Tariff, approved May 26,1994, is also attached.

10. Schedule H-3, page 5 is included in the Revised Schedules filed herewith.

Respectfully submitted this 13th day of May, 2008.

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

By_____

Richard L. Sallquist
4500 S. Lakeshore Drive, Suite 339
Tempe, AZ 85282
Attorneys for H2O, Inc.

43032.00000.286

COMMISSIONERS
MIKE GLEASON-CHAIRMAN
WILLIAN A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

ARIZONA CORPORATION COMMISSION

Dean S. Miller
Interim Executive Director

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2007 NOV -1 P 3: 49
AZ CORP COMMISSION
DOCKET CONTROL

November 2, 2007

Mr. Richard L. Sallquist
Sallquist, Drummond & O'Conner, P.C.
4500 South Lakeshore Drive, Suite 339
Tempe, Arizona 85282

RE: H2O, INC. - APPLICATION FOR A RATE DECREASE, DOCKET NO. W-02234A-07-0557

LETTER OF DEFICIENCY

Dear Mr. Sallquist:

In reference to your rate application received on October 1, 2007, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until November 15, 2007, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

The Staff person assigned to your application is Brendan C. Aladi. He can be reached at (602) 542-0785, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

Elijah Abinah
Assistant Director/Acting Chief Accountant
Financial & Regulatory Analysis Section
Utilities Division

EAA;BCA:red

CC: Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

H20, INC
RATES APPLICATION
DOCKET No. W-02234A-07-0557

LIST OF DEFICIENCIES

1. The application does not contain statements from the county for the property tax expenses incurred during the test year.

2. Application does not contain a copy of the ADEQ Compliance Report for H20 water system and Queen Creek water system.

3. The application does not contain an inventory of the major plant in service during the test year -Water Company Plant Description (three pages) found on ACC's website at www.azcc.gov/divisions/utilities/forms.

4. The application does not contain Water Use Data Sheet (one page) found on ACC's website at www.azcc.gov/divisions/utilities/forms.

5. The application/Schedule H-2 lists **irrigation** customers. State if irrigation customers using water from **potable** water wells. Unless these customers using water from potable water wells, the Company should report them separately from potable water customers in the Water Use Data Sheet.

6. The application/ Schedule E-2 indicate Purchased Water.
   a). Please explain the need for purchase.

   b). Please provide a copy of the water service agreement between H20 and Queen Creek Water Co.

7. The application does not contain most recent lab analyses for the arsenic levels for each well **in service** during the test year.

8. The application does not provide a breakdown for water testing expenses for the H2O water system during the test year.
   a). State what is the water testing cost (per each test) and number of tests per year for Lead & Copper, Total Coliform, Nitrate and Disinfection/Disinfection By-Product and other required tests for the water system.

   b). Provide invoices related to testing for above referenced water system.

9. If it has not been previously filed, the application should include a copy of the proposed curtailment tariff and cross connection/backflow tariff. Suggested formats can be found on ACC's website at www.azcc.gov/divisions/utilities/forms.

10. Staff did not find Schedule H-3, Page 5 in the application.

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
88-204/1031

5366

4/3/2006

PAY TO THE ORDER OF PINAL COUNTY TREASURER $ **29,979.58

Twenty-Nine Thousand Nine Hundred Seventy-Nine and 58/100********** DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

MEMO 2nd half of 2005

COPY NOT NEGOTIABLE

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⑈005366⑈ ⑆103102041⑆ 1002322 7⑈

H2O, INC. / OPERATING ACCOUNT

5366

PINAL COUNTY TREASURER

4/3/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
					Check Amount	29,979.58

OPERATING ACCOU 2nd half of 2005 29,979.58

H2O, INC. / OPERATING ACCOUNT

5366

PINAL COUNTY TREASURER

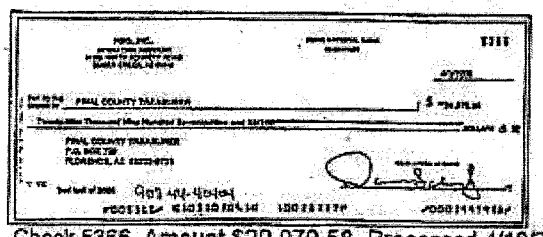
4/3/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
					Check Amount	29,979.58

PAYMENT RECORD

OPERATING ACCOU 2nd half of 2005 29,979.58

ATTACHMENT 1



Check 5366, Amount $29,979.58 Processed 4/10/2008

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

6172

10/23/2006

PAY TO THE ORDER OF PINAL COUNTY TREASURER $ **36,701.22

Thirty-Six Thousand Seven Hundred One and 22/100 DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

MEMO

⑈006172⑈ ⑆104204⑆ 1002322 7⑈

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H2O, INC. / OPERATING ACCOUNT

6172

PINAL COUNTY TREASURER 10/23/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
					Check Amount	36,701.22

OPERATING ACCOU 36,701.22

H2O, INC. / OPERATING ACCOUNT

6172

PINAL COUNTY TREASURER 10/23/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
					Check Amount	36,701.22

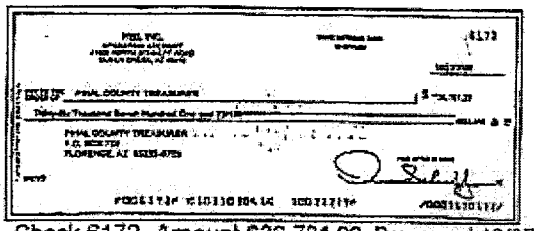
OPERATING ACCOU 36,701.22

PAYMENT RECORD

READY TO REORDER? CALL 1-800-433-8810 OR VISIT US AT www.intuitmarket.com/orderchecks

Account 10023227

Home National – Image Statement



Check 6172, Amount $36,701.22 Processed 10/27/2006

Pinal County Treasurer

Choose a destination below

Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

Castlegate

The Parcel Number shows the following information:

Parcel Number: 104-69-001F1

Legal Information:

COM @ E1/4 COR OF SEC 22-2S-8E S89D52'31 W-1176 TO POBS0D07'29 E-167.02 TO THE BEG OF A TANGENT CURVE OF 401' RAD CONCAVE NELY SELY ALONG SAID CURVE A DISTANCE OF100.52 S14D29'11 E-43.67 S75D30'49 W-32 S14D29'11 E-176 S75D30'49 W-200 N14D29'11 W-200 N75D 30'49 E-208 N14D29'11 W-19.67 TO THE BEG OF A TANGENT CURVE OF 425'RAD CONCAVE NELY NWLY ALONG SAID CURVE 106.53 SEC 22-2S-8E 47545 SQ FT 1.09 AC

Name: H20 INC

Attn:

Address:

Address: 41502 N SCHNEPF RD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: **06/27/2007**

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2004	$11.06 $0.00	$11.06 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$500.00				
2005	$10.98 $0.00	$10.98 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$500.00				
2006	$10.38 $0.00	$10.38 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$500.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

If you wish to print this page, please set your printer to "LandScape" for best results.

Pinal County Treasurer

Choose a destination below

Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

Castlegate System

The Parcel Number shows the following information:

Parcel Number: 908-44-403F2

Legal Information:

TOTAL VALUE OF OPERATING PROPERTY104-69-001-F 500

Name: H20 INC

Attn: DONALD L SCHNEPF/PRESIDENT

Address:

Address: 41502 N SCHNEPF ROAD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: **06/27/2007**

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2005	$17.14 $0.00	$17.14 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$500.00				
2006	$15.94 $0.00	$15.94 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$500.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

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Pinal County Treasurer

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Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

The Parcel Number shows the following information:

Parcel Number: 908-44-40404

Legal Information:

TOTAL VALUE OF OPERATING PROPERTY104-22-038-B 33,800 104-26-1392,580 104-46-061-B 500 104-46-07

Name: H20 INC

Attn: DONALD L SCHNEPF/PRESIDENT

Address:

Address: 41502 N SCHNEPF ROAD

City: QUEEN CREEK

State: AZ

Zip: 85274

Plant / CMF

Last Updated: 06/27/2007

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2004	$21,550.19 $21,550.19	$21,550.19 $21,550.19	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$1,247,403.00				
2005	$29,979.58 $29,979.58	$29,979.58 $29,979.58	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$1,760,500.00				
2006	$36,351.36 $36,351.36	$36,351.36 $36,351.36	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$2,309,500.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

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Pinal County Treasurer

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Treasurer's Office Website

Treasurer Search - Parcel Details

Back To List New Search

Listo / Cambria

The Parcel Number shows the following information:

Parcel Number: 104-22-038B6

Legal Information:

BEG AT N1/4 COR OF SEC 20-2S-8E; TH E-198.92' TO TPOB TH E-200' OF S-283' TH W-200' TH N-283' SEC 20-25-8E 1.30 AC

Name: H20 INC

Attn:

Address:

Address: 41502 N SCHNEPF RD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: 06/27/2007

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2004	$278.26 $278.26	$278.26 $278.26	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$33,800.00				
2005	$0.00 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00 $0.00	$0.00	06/30/2007
	Value:	$0.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search | Back To List

If you wish to print this page, please set your printer to "LandScape" for best results.

Pinal County Treasurer

Choose a destination below

Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

Well #2

The Parcel Number shows the following information:

Parcel Number: 104-47-038B3

Legal Information:

QUEEN CREEK RANCHOS: TRACT 2-A .23 AC

Name: H 20 INC

Attn:

Address:

Address: 41502 N SCHNEPF RD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: **06/27/2007**

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2004	$69.78	$69.78	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$3,795.00				
2005	$75.76	$75.76	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$3,795.00				
2006	$86.32	$86.32	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$6,072.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

If you wish to print this page, please set your printer to "LandScape" for best results.

Pinal County Treasurer

Choose a destination below

Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

Weel #3

The Parcel Number shows the following information:

Parcel Number: 104-46-077C5

Legal Information:

QUEEN CREEK RANCHOS: TRACT 9 .52 AC

Name: LAWYERS TITLE OF AZ TR 1129

Attn:

Address:

Address: 41502 N SCHNEPF RD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: **06/27/2007**

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2004	$50.89	$50.89	$0.00	$0.00		
	$50.89	$50.89	$0.00	$0.00	$0.00	06/30/2007
	Value:	$4,603.00				
2005	$92.94	$92.94	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$4,240.00				
2006	$94.44	$94.44	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$4,557.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

If you wish to print this page, please set your printer to "LandScape" for best results.

Pinal County Treasurer

Choose a destination below

Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

The Parcel Number shows the following information:

Well #4

Parcel Number: 104-46-061B5

Legal Information:

QUEEN CREEK RANCHOS: TRACT 3 .18 AC

Name: H 20 INC

Attn:

Address:

Address: 41502 N SCHNEPF RD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: 06/27/2007

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2004	$68.46	$68.46	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$3,094.00				
2005	$62.78	$62.78	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$2,865.00				
2006	$63.48	$63.48	$0.00	$0.00		
	$0.00	$0.00	$0.00	$0.00	$0.00	06/30/2007
	Value:	$3,065.00				

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

If you wish to print this page, please set your printer to "LandScape" for best results.

Pinal County Treasurer

Choose a destination below

Treasurer's Office Website

Treasurer Search - Parcel Details

New Search

Pecan Creek South

The Parcel Number shows the following information:

Parcel Number: 104-22-008S2

Legal Information:

COM @ SE COR OF SEC 29-2S-8E TH N-1790.88 TH W-73.03 TOPOB CONT W-92.21 TH S-68D W-18 TO NON-TANG CURVE SWLYHAVING 55 RAD TH NWLY THROUGH CENT ANGLE 52D31'57 AN ARC LENGHT OF 50.43 TH N-238.02 TH NWLY ALONGCURVE 55.52 TH E-115.29 TH S-307.89 TO POB 0.99 AC

Name: H2O INC

Attn:

Address:

Address: 41502 N SCHNEPF RD

City: QUEEN CREEK

State: AZ

Zip: 85242

Last Updated: **06/27/2007**

Year	1st ½ Billed 2nd ½ Billed	1st ½ Paid 2nd ½ Paid	1st ½ Int 2nd ½ Int	1st ½ Due 2nd ½ Due	Total Due	If Paid By:
2006	$79.30	$79.30	$0.00	$0.00		
	$79.30	$79.30	$0.00	$0.00	$0.00	06/30/2007

Value: $9,900.00

TOTAL DUE:	**$0.00**	**06/30/2007**
TOTAL DUE:	**$0.00**	**07/31/2007**
TOTAL DUE:	**$0.00**	**08/31/2007**

Click on the current year above for a list of specific tax information for this parcel.

New Search

If you wish to print this page, please set your printer to "LandScape" for best results.

2005 PINAL COUNTY

THIS IS THE ONLY TAX NOTICE YOU WILL RECEIVE.

he Office of County Treasurer has elected to send individual property tax statements to the owner of record to enable the property owner to examine the manner in which valuation of taxable properties as affected assessments. IF PROPERTY TAXES ARE PAID THROUGH MORTGAGE IMPOUNDMENTS (MONTHLY PAYMENTS TO FINANCIAL INSTITUTIONS, BANKS, SAVINGS AND LOAN ETC.) LEASE FORWARD THIS TAX STATEMENT TO THE FINANCIAL INSTITUTION TO WHICH IMPOUND PAYMENTS ARE REGULARLY MADE.

2005 PINAL COUNTY TAX STATEMENT LEVY TYPE: PRM = Primary Value, SEC = Secondary Value

FINAL CD.		AREA CODE
11	104-22-03886	44040

AUTHORITY NUMBER	TAX AUTHORITY	LEVY TYPE	PURPOSE	2005 TAX DISTRIBUTION	2004 TAX DISTRIBUTION	INCREASE OR DECREASE	TAX RATE
00300	MCOB Accom/Altern School	PRM		5.82	5.70	.12	.1331
02000	Pinal County	PRM		[illegible]	[illegible]	[illegible]	[illegible]
02000	Pinal County	SEC	Bonds	[illegible]	[illegible]	[illegible]	[illegible]
02000	Schools Equalization	PRM		[illegible]	[illegible]	[illegible]	[illegible]
05044	JO Combs ESD #044	PRM		235.82	222.78	13.04	5.3901
05044	JO Combs ESD #044	PRM	Maintenance	[illegible]	[illegible]	[illegible]	[illegible]
05044	JO Combs ESD #044	SEC	Bonds	[illegible]	[illegible]	[illegible]	[illegible]
08150	Pinal County Jr College	PRM		91.88	85.52	6.36	2.1000
08150	Pinal County Jr College	SEC	Bonds	[illegible]	[illegible]	[illegible]	[illegible]
08900	Fire Dist Assistance Tax	SEC		[illegible]	[illegible]	[illegible]	[illegible]
12666	Electrical District #6	SEC		.00	.00	.00	.0000
14613	Central AZ Water Conservation	SEC		[illegible]	[illegible]	[illegible]	[illegible]
14900	Pinal County Library	SEC		[illegible]	[illegible]	[illegible]	[illegible]
15625	Pinal County Flood	SEC		4.86	4.88	.02-	.0900
15600	Queen Creek Drng	SEC		[illegible]	[illegible]	[illegible]	[illegible]
30000	East Valley Institute/Tech #1	SEC		[illegible]	[illegible]	[illegible]	[illegible]
30001	East Valley Institute/Tech #1	SEC	Bonds	.00	2.58	2.58-	.0000
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	TOTAL	[illegible]		603.78	555.52	[illegible]	[illegible]

0078423 01 AV 0.2

PRIMARY

FULL CASH VALUE	RATIO
27,343	.1600
EXEMPTION	
NET ASSESSED	
4,375	
TAX RATE	
13.293900	
REDUCTION RATE	
3.293900	

GROSS PRIMARY TAXES
581.62
LESS STATE AID
.00
2005 PRIMARY TAXES
581.62

SECONDARY

FULL CASH VALUE	RATIO
33,800	.1600
EXEMPTION	
NET ASSESSED	
5,408	
TAX RATE	
.409800	

2005 SECONDARY TAXES
22.16

TAX

2005 TOTAL TAXES	FIRST HALF TAXES	SECOND HALF TAXES	DELINQUENT TAXES AS OF August 23, 2005	TOTAL TAXES DUE
603.78	301.89	301.89	.00 if paid by November 1, 2005	603.78

BEG AT N1/4 COR OF SEC 20-2S-8E; TH E-198.92' TO TPOB T
H E-200' OF S-283' TH W-200' TH N-283' SEC 20-2S-8E 1.
30 AC

16605 1.3000

Units Plant

0078423 01 AV 0.2

INSTRUCTIONS

. To pay full year taxes send full year coupon.

. To pay 1st half ONLY send 1st half coupon ONLY with your payment. IRST HALF IS DUE NOT LATER THAN NOV 1, 2005 UNLESS HE FULL YEAR TAX BILL EXCEEDS $100.00 AND THE FULL EAR IS PAID BY DEC 31, 2005 (EXCLUDING DELINQUENCIES HAT ARE DUE NOV 1, 2005). Arizona Revised Statute 42-18052 equires that all tax of $100.00 or less becomes due and payable in

DELINQUENT DATES

1st Half Year Taxes become delinquent on- November 1, 2005 at 5:00 P.M., unless the full year tax bill exceeds $100.00 and the full year is paid by December 31, 2005 (excluding delinquencies that are due November 1, 2005).

2nd Half Year Taxes become delinquent on May 1, 2006 at 5:00 P.M.

This tax statement reflects taxes set by several taxing authorities. The Treasurer's office does not set tax rates. The Treasurer's office oversees the collection of taxes.

- The State Legislature, through statutes, sets the rates for School Equalization and Fire District Assistance Tax.
- The Board of Supervisors sets the tax rates for ONLY Pinal County, Pinal County Library District and Pinal County Flood

DATE: 01/23/06
LATEST ACTIVITY: / /
REPORT:PS1220-12

CENTRALLY VALUED PROPERTIES SYSTEM

OPERATING LAND BY TAXPAYER

TAXPAYER PAGE 1
PS1224

TAXPAYER NUMBER CLASS-NUM	COUNTY ALPHA	AREA NUMBER	CODE	PARCEL NUM BK MP PARC	ACREAGE	LAND FCV	LINE NO	LEGAL DESCRIPTION
55-084	11	4403		104 69 001F	1.09	500	01	22 02S 08E COM AT E1/4 COR OF SEC 22 S89D52'31" W 1176'
				Assessed			02	TO POB S0D07'29" E 167.02' TO THE BEG OF A TANGENT CURVE
							03	OF 401' RED CONCAVE NELY SELY ALONG SAID CURVE A DISTANCE
							04	OF 100.52' S14D29'11" E 43.67' S75D30'49" W 32' S14D29'
							05	11" E 176' S75D30'49" W 200' N14D29'11" W 200' N75D30'49"
							06	E 208' N14D29'11" W 10.67' TO THE BEG OF A TANGENT CURVE
							07	OF 425' RAD CONCAVE NELY NWLY ALONG SAID CURVE 106.53'
							08	CONT 47545 SQ FT, 1.09 AC
AREA TOTAL		1 PARCELS			1.09	500		
55-084	11	4404		104 22 038B	1.30	33,800	01	20 02S 08E BEG AT N1/4 COR OF SEC 20; TH E 198.92' TO
				Links			02	TPOB; TH E 200' TH S 283' TH W 200' TH N 283' CONT 1.30
							03	AC M/L
55-084	11	4404		104 26 139 CMF	.11	2,580	01	1902S008E COUNTRY MINI-FARMS AMEND TR B CONT .11AC
55-084	11	4404		104 46 061B #4	.18	500	01	16 02S 08E QUEEN CREEK RANCHOS: TRACT 3 0.18 AC
55-084	11	4404		104 46 077C #3	.52	500	01	16 02S 08E QUEEN CREEK RANCHOS: TRACT 9 0.52 AC
55-084	11	4404		104 46 095B #1	.92	3,600	01	16 02S 08E QUEEN CREEK RANCHOS; TRACT B
AREA TOTAL		5 PARCELS			3.03	40,980		
COUNTY TOTAL		6 PARCELS			4.12	41,480		
TAXPAYER TOTAL		6 PARCELS			4.12	41,480		

We are being assess by Pinal Cnty on this Parcel. (See attached)

TAXPAYER NAME	TRANS CODE	TRANSACTION KEY TP CL-NUM	A CO AREA	ACTION CODE	CURRENT YEAR BLDG & STRUCTURES	CURRENT YEAR PERSONAL PROP	PREVIOUS YEAR BLDG & STRUCTURES	PREVIOUS YEAR PERSONAL PROP	% CHANGE
H2O INC DONALD L SCHNEPF/PRESIDENT									
	30	55-084	11 4404	-	----------	----------	173,487	7,103,451	
COUNTY TOTAL			11		000	000	173,487	7,103,451	
TAXPAYER TOTAL		55-084			000	000	173,487	7,103,451	

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

5366

4/3/2006

PAY TO THE ORDER OF PINAL COUNTY TREASURER $ **29,979.58

Twenty-Nine Thousand Nine Hundred Seventy-Nine and 58/100********** DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

MEMO 2nd half of 2005

© 2005 INTUIT INC. # 4811 1-800-433-8810

⑈005366⑈ ⑆103102041⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

5366

PINAL COUNTY TREASURER 4/3/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
					Check Amount	29,979.58

OPERATING ACCOU 2nd half of 2005 29,979.58

H2O, INC. / OPERATING ACCOUNT

5366

PINAL COUNTY TREASURER 4/3/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
					Check Amount	29,979.58

OPERATING ACCOU 2nd half of 2005 29,979.58

PAYMENT RECORD

527346 (0/05)

H2O, INC.
Pinal County Property Taxes

2005

Due May 2006

PARCEL #	2005	1st Half	Ck	Tr Rec	2nd Half	Ck	Tr Rec	Int/Fee	Amount
Due Date-->		*10/1/05*	No.	Date	*4/1/06*	No.	Date		*Paid*
104-47-038B	75.76	75.76			-				
Tr 2-A Well #2									
104-46-061B	62.78	62.78			-				
Tr 3 Well #4									
104-46-077C	92.94	92.94			-				
Tr 9 Well #3									
908-44-44040	59,959.16	29,979.58			29,979.58				
(104-46-095B)Plant									
(104-26-139) CMF									
908-44-403F2	17.14	17.14			-				
CG System									
(104-69-001F) Site									
104-22-038B	603.78	301.89			301.89	Due Not pay per Carol @ AZ Dept of Rev.			
Links/Cambria Site									
104-46-095C					-				
Shop									
104-69-001F	10.98	10.98			-				
Castlegate Site									
Totals Pinal County	60,822.54	30,541.07			30,281.47				-

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

6172

10/23/2006

PAY TO THE ORDER OF PINAL COUNTY TREASURER $ **36,701.22

Thirty-Six Thousand Seven Hundred One and 22/100 DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

MEMO

COPY NOT NEGOTIABLE

⑈006172⑈ ⑆103102041⑆ 1002322 7⑈

H2O, INC. / OPERATING ACCOUNT

6172

PINAL COUNTY TREASURER 10/23/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
					Check Amount	36,701.22

OPERATING ACCOU 36,701.22

H2O, INC. / OPERATING ACCOUNT

6172

PINAL COUNTY TREASURER 10/23/2006

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
					Check Amount	36,701.22

OPERATING ACCOU 36,701.22

PAYMENT RECORD

READY TO REORDER? CALL 1-800-433-8810 OR VISIT US AT **www.intuitmarket.com/orderchecks**

535716 (5/06)

2006 PINAL COUNTY

THIS IS THE ONLY TAX NOTICE YOU WILL RECEIVE.

The Office of County Treasurer has elected to send individual property tax statements to the owner of record to enable the property owner to examine the manner in which valuation of taxable properties has affected your tax bill.

2006 PINAL COUNTY TAX STATEMENT

LEVY TYPE: PRM = Primary Value, SEC = Secondary Value

PINAL CO.	PARCEL ID	AREA CODE
11	104-69-001F1	44032

AUTHORITY NUMBER	TAX AUTHORITY	LEVY TYPE	PURPOSE	2006 TAX DISTRIBUTION	2005 TAX DISTRIBUTION	INCREASE OR DECREASE	TAX RATE
00300	MCOB Accom/Altern School	PRM		.12	.12	.00	.1331
02000	Pinal County	PRM		3.44	3.56	.12-	4.3035
02010	School Equalization	PRM		.00	.34	.34-	.0000
05044	JO Combs ESD #044	PRM		4.34	4.32	.02	5.4374
05044	JO Combs ESD #044	PRM	Adj. Ways	.48	.62	.14-	.6042
05044	JO Combs ESD #044	SEC	Adj. Bonds	.00	.00	.00	.0000
08150	Pinal County Jr College	PRM		1.64	1.68	.04-	2.0528
08150	Pinal County Jr College	SEC	Bonds	.00	.00	.00	.0000
11900	Fire Dist Assistance Tax	SEC		.08	.08	.00	.0864
12666	Electrical District #6	SEC		.00	.00	.00	.0000
14613	Central AZ Water Conservation	SEC		.10	.10	.00	.1200
14900	Pinal County Library	SEC		.04	.04	.00	.0570
15625	Pinal County Flood	SEC		.10	.08	.02	.1100
30001	East Valley Institute/Tech #1	SEC		.04	.04	.00	.0500
30001	East Valley Institute/Tech #1	SEC	Bonds	.00	.001	.00	.0000
	TOTAL			10.38	10.98	.60-	

0087157 01 AV 0.2

PRIMARY

FULL CASH VALUE	RATIO
500	.1600
EXEMPTION	
NET ASSESSED	
80	
TAX RATE	
12.531000	
REDUCTION RATE	
2.531000	

GROSS PRIMARY TAXES
10.02
LESS STATE AID
.00
2006 PRIMARY TAXES
10.02

SECONDARY

FULL CASH VALUE	RATIO
500	.1600
EXEMPTION	
NET ASSESSED	
80	
TAX RATE	
.423400	

2006 SECONDARY TAXES
.36

TAX

2006 TOTAL TAXES	FIRST HALF TAXES	SECOND HALF TAXES	DELINQUENT TAXES AS OF August 23, 2006	TOTAL TAXES DUE
10.38	10.38	.00	.00 If paid by November 1, 2006	10.38

LEGAL: COM @ E1/4 COR OF SEC 22-2S-8E S89D52'31 W-1176 TO POB S0D07'29 E-167.02 TO THE BEG OF A TANGENT CURVE OF 401' RAD CONCAVE NELY SELY ALONG SAID CURVE A DISTANCE OF 100.52 S14D29'11 E-43.67 S75D30'49 W-32 S14D29'11 E-176 S75D30'49 W-200 N14D29'11 W-200 N75D 30'49 E-208 N14D29'11 W-19.67 TO THE BEG OF A TANGENT CURVE OF 425'

Cps 11-got c

0087157 01 AV 0.2

INSTRUCTIONS

- Send the coupon for the period you are paying
- 1st half is due by 11/01/2006

GENERAL INFORMATION

- A fee of $25.00 will be charged for reversal of any payment
- Post dated checks will be returned
- A fee of $31.25 will be charged for all checks returned by the bank

RATE INFORMATION

This tax statement reflects taxes set by several taxing authorities. The Treasurer's office does not set tax rates. The Treasurer's office oversees the collection of taxes.

- The State Legislature, through statutes, sets the rates for School Equalization and Fire District Assistance Tax.
- The Board of Supervisors sets the tax rates for ONLY Pinal

2006 PINAL COUNTY

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2006 PINAL COUNTY TAX STATEMENT

LEVY TYPE: PRM = Primary Value, SEC = Secondary Value

PINAL CO.	PARCEL ID	AREA CODE
11	908-44-403F2	44032

AUTHORITY NUMBER	TAX AUTHORITY	LEVY TYPE	PURPOSE	2006 TAX DISTRIBUTION	2005 TAX DISTRIBUTION	INCREASE OR DECREASE	TAX RATE
00300	MCOB Accom/Altern School	PRM		.16	.18	.02-	.1331
02000	Pinal County	PRM		5.30	5.58	.28-	4.3008
02010	School Equalization	PRM		.00	.54	.54-	.0000
05044	JO Combs ESD #044	PRM		6.68	6.74	.06-	5.4374
05044	JO Combs ESD #044	PRM	Adl Ways	.74	.98	.24-	.6042
05044	JO Combs ESD #044	SEC	AV Bonds	.00	.00	.00	.0000
08150	Pinal County Jr College	PRM		2.52	2.64	.12-	2.0528
08150	Pinal County Jr College	SEC	Bonds	.00	.00	.00	.0000
11900	Fire Dist Assistance Tax	SEC		.12	.10	.02	.0884
12666	Electrical District #6	SEC		.00	.00	.00	.0000
14613	Central Az Water Conservation	SEC		.14	.15	.02-	.1200
14900	Pinal County Library	SEC		.08	.06	.02	.0570
15625	Pinal County Flood	SEC		.14	.12	.02	.1100
80001	East Valley Institute Tech #1	SEC		.06	.06	.00	.0500
80001	East Valley Institute Tech #1	SEC	Bonds	.00	.00	.00	.0000
	TOTAL			15.94	17.14	1.20-	

0095596 01 AV 0.2

PRIMARY

FULL CASH VALUE	RATIO
500	.2450
EXEMPTION	
NET ASSESSED	
123	
TAX RATE	
12.531000	
REDUCTION RATE	
2.531000	

GROSS PRIMARY TAXES
15.40
LESS STATE AID
.00
2006 PRIMARY TAXES
15.40

SECONDARY

FULL CASH VALUE	RATIO
500	.2450
EXEMPTION	
NET ASSESSED	
123	
TAX RATE	
.423400	

2006 SECONDARY TAXES
.54

TAX

2006 TOTAL TAXES	FIRST HALF TAXES	SECOND HALF TAXES	DELINQUENT TAXES AS OF August 23, 2006		TOTAL TAXES DUE
15.94	15.94	.00	.00	If paid by November 1, 2006	15.94

LEGALS

TOTAL VALUE OF OPERATING PROPERTY
104-69-001-F 500

0095596 01 AV 0.2

INSTRUCTIONS

- Send the coupon for the period you are paying

GENERAL INFORMATION

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RATE INFORMATION

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- The State Legislature, through statutes, sets the rates for School Equalization and Fire District Assistance Tax.
- The Board of Supervisors sets the tax rates for ONLY Pinal

2006 PINAL COUNTY

THIS IS THE ONLY TAX NOTICE YOU WILL RECEIVE.

The Office of County Treasurer has elected to send individual property tax statements to the owner of record to enable the property owner to examine the manner in which valuation of taxable properties has affected your tax bill.

2006 PINAL COUNTY TAX STATEMENT

LEVY TYPE: PRM = Primary Value, SEC = Secondary Value

PINAL CO.	PARCEL ID	AREA CODE
11	104-46-077C5	44040

AUTHORITY NUMBER	TAX AUTHORITY	LEVY TYPE	PURPOSE	2006 TAX DISTRIBUTION	2005 TAX DISTRIBUTION	INCREASE OR DECREASE	TAX RATE
00300	MCOB Accom/Altern School	PRM		.98	.92	.06	.1331
02000	Pinal County	PRM		31.36	30.18	1.18	4.3035
02010	School Equalization	PRM		.00	2.96	2.96-	.0000
05044	JO Combs ESD #044	PRM		39.64	36.56	3.08	5.4374
05044	JO Combs ESD #044	PRM	Add'l Ways	4.40	5.28	.88-	.6042
05044	JO Combs ESD #044	SEC	TA1 Bonds	.00	.00	.00	.0000
08150	Pinal County Jr College	PRM		14.96	14.24	.72	2.0528
08150	Pinal County Jr College	SEC	Bonds	.00	.00	.00	.0000
11900	Fire Dist Assistance Tax	SEC		.64	.58	.06	.0864
12666	Electrical District #6	SEC		.00	.00	.00	.0000
14613	Central AZ Water Conservation	SEC		.88	.82	.06	.1200
14900	Pinal County Library	SEC		.42	.40	.02	.0570
15625	Pinal County Flood	SEC		.80	.60	.20	.1100
16605	Queen Creek Irrg	ACRE		.00	.00	.00	.0000
30001	East Valley Institute/Tech #1	SEC		.36	.40	.04-	.0500
30001	East Valley Institute/Tech #1	SEC	Bonds	.00	.00	.00	.0000
	TOTAL			94.44	92.94	1.50	

0086878 01 AV 0.2

PRIMARY

FULL CASH VALUE	RATIO
4,557	.1600
EXEMPTION	
NET ASSESSED	
729	
TAX RATE	
12.531000	
REDUCTION RATE	
2.531000	

GROSS PRIMARY TAXES
91.34
LESS STATE AID
.00
2006 PRIMARY TAXES
91.34

SECONDARY

FULL CASH VALUE	RATIO
4,557	.1600
EXEMPTION	
NET ASSESSED	
729	
TAX RATE	
.423400	

2006 SECONDARY TAXES
3.10

TAX

2006 TOTAL TAXES	FIRST HALF TAXES	SECOND HALF TAXES	DELINQUENT TAXES AS OF August 23, 2006	TOTAL TAXES DUE
94.44	94.44	.00	.00 If paid by November 1, 2006	94.44

LEGALS QUEEN CREEK RANCHOS: TRACT 9 .52 AC

16605 .5200

0086878 01 AV 0.2

INSTRUCTIONS

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2006 PINAL COUNTY TAX STATEMENT

LEVY TYPE: PRM = Primary Value, SEC = Secondary Value

PINAL CO.	PARCEL ID	AREA CODE
11	104-47-03883	44040

AUTHORITY NUMBER	TAX AUTHORITY	LEVY TYPE	PURPOSE	2006 TAX DISTRIBUTION	2005 TAX DISTRIBUTION	INCREASE OR DECREASE	TAX RATE
00300	MCOB Accom/Altern School	PRM		.88	.74	.14	.1331
02000	Pinal County	PRM		28.22	24.54	3.68	4.6035
02010	School Equalization	PRM		.00	2.40	2.40	.0000
05044	JO Combs ESD #044	PRM		35.68	29.70	5.98	5.4374
05044	JO Combs ESD #044	PRM	M&O Ways	3.96	4.30	.34	.6042
05044	JO Combs ESD #044	SEC	A Bonds	.00	.00	.00	.0000
08150	Pinal County Jr College	PRM		13.46	11.58	1.88	2.0528
08150	Pinal County Jr College	SEC	Bonds	.00	.00	.00	.0000
11900	Fire Dist Assistance Tax	SEC		.84	.52	.32	.0864
12666	Electrical District #6	SEC		.00	.00	.00	.0000
14613	Central AZ Water Conservation	SEC		1.18	.72	.46	.1200
14900	Pinal County Library	SEC		.54	.36	.18	.0570
15625	Pinal County Flood	SEC		1.08	.54	.54	.1100
16605	Queen Creek Irrig	ACRE		.00	.00	.00	.0000
30001	East Valley Institute/Tech #1	SEC		.48	.36	.12	.0500
30001	East Valley Institute/Tech #1	SEC	Bonds	.00	.00	.00	.0000
	TOTAL			86.32	75.76	10.56	

0086931 01 AV 0.2

PRIMARY

FULL CASH VALUE	RATIO
4,100	.1600
EXEMPTION	
NET ASSESSED	
656	
TAX RATE	
12.531000	
REDUCTION RATE	
2.531000	

GROSS PRIMARY TAXES
82.20
LESS STATE AID
.00
2006 PRIMARY TAXES
82.20

SECONDARY

FULL CASH VALUE	RATIO
6,072	.1600
EXEMPTION	
NET ASSESSED	
972	
TAX RATE	
.423400	

2006 SECONDARY TAXES
4.12

TAX

2006 TOTAL TAXES	FIRST HALF TAXES	SECOND HALF TAXES	DELINQUENT TAXES AS OF August 23, 2006	TOTAL TAXES DUE
86.32	86.32	.00	.00 If paid by November 1, 2006	86.32

LEGALS

QUEEN CREEK RANCHOS: TRACT 2-A .23 AC

16605 .2300

0086931 01 AV 0.

INSTRUCTIONS

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2006 PINAL COUNTY

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2006 PINAL COUNTY TAX STATEMENT

LEVY TYPE: PRM = Primary Value, SEC = Secondary Value

PINAL CO.	PARCEL ID	AREA CODE
11	104-46-06185	44040

AUTHORITY NUMBER	TAX AUTHORITY	LEVY TYPE	PURPOSE	2006 TAX DISTRIBUTION	2005 TAX DISTRIBUTION	INCREASE OR DECREASE	TAX RATE
00300	MCOB Accom/Altern School	PRM		.66	.62	.04	.1331
02000	Pinal County	PRM		21.08	20.38	.70	4.38035
02010	School Equalization	PRM		.00	2.00	-2.00	.0000
05044	JO Combs ESD #044	PRM		26.64	24.70	1.94	5.4374
05044	JO Combs ESD #044	PRM	Adj Ways	3.36	3.36	.00	.6042
05044	JO Combs ESD #044	SEC	A Bonds	.00	.00	.00	.0000
08150	Pinal County Jr College	PRM		10.06	9.62	.44	2.0528
08150	Pinal County Jr College	SEC	A Bonds	.00	.00	.00	.0000
11900	Fire Dist Assistance Tax	SEC		.42	.40	.02	.0864
12666	Electrical District #6	SEC		.00	.00	.00	.0000
13613	Central AZ Water Conservation	SEC		.60	.54	.06	.1200
14900	Pinal County Library	SEC		.28	.28	.00	.0570
15625	Pinal County Flood	SEC		.54	.40	.14	.1100
16605	Queen Creek Irrg	AGRE		.00	.00	.00	.0000
30001	East Valley Institute/Tech #1	SEC		.24	.20	.04	.0500
30001	East Valley Institute/Tech #1	SEC	Bonds	.00	.00	.00	.0000
	TOTAL			63.48	62.78	.70	

0086857 01 AV 0.2

PRIMARY

FULL CASH VALUE	RATIO
3,065	.1600
EXEMPTION	
NET ASSESSED	
490	
TAX RATE	
12.531000	
REDUCTION RATE	
2.531000	

GROSS PRIMARY TAXES
61.40
LESS STATE AID
.00
2006 PRIMARY TAXES
61.40

SECONDARY

FULL CASH VALUE	RATIO
3,065	.1600
EXEMPTION	
NET ASSESSED	
490	
TAX RATE	
.423400	

2006 SECONDARY TAXES
2.08

TAX

2006 TOTAL TAXES	FIRST HALF TAXES	SECOND HALF TAXES	DELINQUENT TAXES AS OF August 23, 2006	TOTAL TAXES DUE
63.48	63.48	.00	.00 If paid by November 1, 2006	63.48

LEGALS QUEEN CREEK RANCHOS: TRACT 3 .18 AC

16605 .1800

0086857 01 AV 0.2

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H2O, INC.
PROPERTY TAXES

2006

PARCEL # *Due Date-->*	2006	**1st Half** ***11/1/06***	Ck No.	Tr Rec Date		**2nd Half** ***5/1/07***	Ck No.	Tr Rec Date	Int/Fee	***Amount Paid***
✓ **104-47-038B** Tr 2-A Well #2	86.32	86.32				-				
✓ **104-46-061B** Tr 3 Well #4	63.48	63.48				-				
✓ **104-46-077C** Tr 9 Well #3	94.44	94.44				-				
✓ **908-44-44040** (104-46-095B)Plant (104-26-139) CMF	72,702.72	36,351.36				36,351.36				
✓ **908-44-403F2** CG System (104-69-001F) Site	15.94	15.94				-				
✓ **104-22-038B** Links/Cambria Site						-				
✓ **104-69-001F** Castlegate Site	10.38	10.38				-				
104-22-008S Pecan Creek South	158.60	79.30				79.30				
Totals Pinal County	73,131.88	36,701.22				36,430.66				-

ENTERED

ENTERED

608-02
GEN

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov

Stephen A. Owens
Director

FS-06-695
June 28, 2006

CERTIFIED LETTER
Return Receipt Requested
7006-0100-0001-3360-3118

H20 Water Company
Attn: Don Schnepf
41502 N. Schnepf Road
Queen Creek, Arizona 85242

RE: Operation and Maintenance Inspection Results for the H20 Water Company Public Water System (PWS) 11-06D
ICE Database Inspection Identification Number 75801

Dear Mr. Schnepf:

The Arizona Department of Environmental Quality, Water Quality Compliance Section, Water Quality Field Services Unit conducted an inspection at the referenced public water system on May 18, 2006, in accordance with Arizona Revised Statutes §41-1009 and Arizona Administrative Code R18-4-122. Based on the inspection, ADEQ has determined that the operation and maintenance of the referenced water system is in compliance with respect to the ADEQ Safe Drinking Water Rules.

As indicated in the enclosed "Summary of Inspection," no deficiencies were observed during the inspection and during the review of ADEQ records by WQFSU staff. No ADEQ action will result from this inspection. ADEQ appreciates your efforts in protecting the environment.

This report addresses only the operation and maintenance status and the certified operator status of the referenced water system. This report does not address the system's compliance with respect to public notice, monitoring, and reporting requirements. If you have any questions regarding this letter, or if I can be of assistance, please feel free to contact me at (602) 771-4441 or 1-800-234-5677 extension 771-4441.

Sincerely,

Karen Berry
Water Quality Field Services Unit

ATTACHMENT 2

GENERAL INFORMATION SUMMARY

Facility: H20 Water Company System No.: 11-062

Inspected By: Karen Berry Date: May 18, 2006

Accompanied By: Ken Morrison County: Pinal

Number of Wells: 4 System Grade: 1Treatment, 2 Distribution

Service Connections: 6000 Population: 14160 Certified Operator: Dan Sharp

System Description:
This is a community water system which consists of four wells, eight storage tanks, six hydropnuematic pressure tanks, gas chlorination, booster pumps, backup generators, and a distribution system. Evaluation of the system under A.A.C. R18-5-115 has determined that the system is to be classified as a Grade 2 water distribution and Grade 1 treatment system. The current operator of the system is certified as a Grade 4 Distribution and Treatment operator. At the time of inspection the system was in compliance.

The majority of the system components were constructed within the last four years. Inspection of the facilities found all items to be in good working condition. The water system is equipped with a sophisticated electronic monitoring and alarm system, which allows for visual and electronic monitoring of all components. No deficiencies were noted at any plant during the inspection.

Water for the system is provided by four wells, with Well # 4 (55-605834) used as the primary well. Inspection of the wells found them to be within locked fenced enclosures, with proper signage. All of the water produced from the wells is chlorinated, utilizing gas chlorination systems, which inject the chlorine solution into the well outlet piping, prior to entry into the storage tanks. All of the chlorination stations are located within locked buildings, and are supplied with weight scales and leak detection equipment. Emergency response SCBA units are available for responsible personnel assigned for emergency response.

Plant # 1 (Main Plant) consists of well 55-605835, a gas chlorination unit, two storage tanks with a combined total of 700,000 gallons of storage, booster pumps, and two hydropnuematic pressure tanks. One hydropnuematic tank was inoperable at the time of inspection. No deficiencies were noted, and all operable components were in good condition and well maintained.

Plant # 2 (Well # 4) is located within a locked fenced enclosure approximately 2500 feet north of the Main Plant. This consists of well 55-605834 and a gas chlorination system. The well and chlorination system were in good condition and well maintained.

Plant # 3 (Castlegate Plant) consists of well 55-625006, a gas chlorination system, two storage tanks with a combined total of 1,600,000 gallons of storage, two hydropnuematic pressure tanks, and six booster pumps. A backup generator is available for use in the event of a power outage. Inspection of the plant found all components in good condition and well maintained.

Plant # 4 (Pecan North) consists of well 55-809158, a gas chlorination system, two storage tanks with a combined total of 1,600,000 gallons of storage, two hydropnuematic pressure tanks and six booster pumps. A backup generator is also located on-site. All components were in good condition and were well maintained.

Plant # 5 (Links) consists of two storage tanks with a combined total of 1,000,000 gallons of storage, two hydropnuematic pressure tanks, six booster pumps, a gas chlorination system, and a backup generator. This site does not have a source of water onsite, but fills from the distribution system overnight. Chlorine gas is used to maintain a chlorine residual. All components were in good condition and well maintained.

Document Review

A copy of the revised Microbiological Site Sampling Plan was provided during the inspection. Review of the plan has found it to be adequate.

This report addresses operation and maintenance of your water system and does not address the system's compliance with respect to the public notice, monitoring, and reporting requirements.

COMPANY NAME	H2O, Inc	
Name of System	11-060	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-605835 (1)	200	1050	1200'	20/16	6"	1950
55-605837 (3)	200	500	1200'	16/14	8"	1966
55-605834 (4)	300	1400	1200'	16/14	10"	1966
55-605836 (2)	N/A	N/A	1200'	20/16	N/A	1950
55-625006 (CG)	300	1400	940'	16	10"	1972
55-609158 (PCN)	300	1200	878'	16	10"	1946

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Queen Creek Water Co.		21192.68

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	7	709	
20	3		
50	15		
100	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
200,000 Gal	1	5,000	7
300,000 Gal	1		
500,000 Gal	1		
750,000 Gal	4		

Note: If you are filing for more than one system, please provide separate sheets for each system.

ATTACHMENT 3

COMPANY NAME	H2O, Inc.	
Name of System	11-060	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		8,752.00
5		
6		154,033.00
8		252,453.00
10		
12		224,077.00

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	236
3/4	6119
1	212
1 1/2	22
2	79
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT

2 – Capital Control Gas Chlorinator

3 – Regal Gas Chlorinator

STRUCTURES:

Electric Service Entrances on Wells 1,3,4, Castlegate and Pecan Creek North

Electric Service Entrances on Booster Plants Main, Links, Castlegate and Pecan Creek N.

Chlorine enclosures at Main, Well #4, Castlegate, Links and Pecan Creek N.

Steel Shade over Pumps & Electrical Equipment at Main, Links, Castlegate & Pecan Creek N.

8' Block Walls at Main Well #4, Links, Castlegate & Pecan Creek N.

Chain Link fence at Well #3

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	H2O, Inc	
Name of System	11-060	ADEQ Public Water System Number (if applicable)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	5785	59,805.4	63,531.3	1,538.41
FEBRUARY	5833	51,247.6	54,440.3	1,571.66
MARCH	5818	49,829.6	52,934.0	1,119.97
APRIL	5739	68,513.0	72,781.4	1,243.14
MAY	6000	80,492.1	85,506.8	1,206.70
JUNE	6084	108,959.7	115,747.9	1,991.34
JULY	6180	103,769.7	110,234.6	1,067.46
AUGUST	6324	74,451.7	79,090.0	3,048.66
SEPTEMBER	6407	72,167.7	76,663.7	2,526.10
OCTOBER	6488	65,570.4	69,655.4	2,627.46
NOVEMBER	6548	82,749.3	87,904.6	2,207.72
DECEMBER	6668	50,455.4	53,598.8	1,044.00
	TOTALS →	868,011.6*	922,088.7**	21,192.68

What is the level of arsenic for each well on your system? 0.002 mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes ( ) No

If yes, provide the GPCPD amount: 100

Note: If you are filing for more than one system, please provide separate data sheets for each system.

ATTACHMENT 4

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
RENZ D. JENNINGS
COMMISSIONER

H20, INC. Complainant, vs. QUEEN CREEK WATER COMPANY, Respondent.	DOCKET NO. U-1395-95-502 DOCKET NO. U-2234-95-502 DECISION NO. 60241 **ORDER**

Arizona Corporation Commission
DOCKETED
JUN 12 1997
DOCKETED BY

Open Meeting
June 11, 1997
Phoenix Arizona

BY THE COMMISSION:

On December 15, 1995, H2O, Inc. ("H2O" or "Complainant") filed with the Arizona Corporation Commission ("Commission") a Complaint against Queen Creek Water Company ("Queen Creek" or "Respondent") wherein it was alleged that Queen Creek was providing water service to several customers whose properties were located within the Certificate of Convenience and Necessity ("Certificate") of H2O.

On January 3, 1996, Queen Creek filed its Answer to the Complaint.

Pursuant to a Commission Procedural Order, a pre-hearing conference took place on January 29, 1996, at the Commission's offices in Phoenix, Arizona. Complainant and Respondent were present with counsel. After discussions with the parties, it was mutually agreed that the matter would be set for hearing in June if the parties were unable to resolve their dispute prior to that time.

The hearing was scheduled to commence on June 19, 1996 but was subsequently continued until September 19, 1996, so that the parties could continue to negotiate their differences.

On September 18, 1996, H2O filed a motion requesting an additional 60 day continuance because of ongoing negotiations between the parties, and the hearing was continued until November 21, 1996.

On November 12, 1996, H2O requested the hearing set for November 21, 1996, be vacated

ATTACHMENT 6

because the parties were nearing a settlement of their dispute. By a Procedural Order issued on November 12, 1996, the hearing was vacated.

Thereafter, on May 6, 1997, H2O and Queen Creek filed a Stipulation and Water Supply Agreement ("Agreement") which are marked Exhibits A and B, respectively, attached hereto and incorporated herein by reference. A Motion to Dismiss H2O's Complaint was also filed at that time conditioned upon the Commission's approval of the terms of the Stipulation and Agreement.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission, H2O is engaged in providing water service to the public in various parts of Maricopa and Pinal Counties, Arizona.

2. Pursuant to authority granted by the Commission, Queen Creek is engaged in providing water service to the public in various parts of Maricopa and Pinal Counties, Arizona.

3. On December 15, 1995, H2O filed a Complaint against Queen Creek wherein it was alleged that Queen Creek was providing water to two property owners located within H2O's certificated service area which in certain areas is adjacent to Queen Creek's certificated service area.[1]

4. On January 3, 1996, Queen Creek filed its Answer in which it admitted that it was serving certain customers within H2O's certificated service area, but generally denied the remaining allegations within the Complaint.

5. On May 6, 1997, H2O and Queen Creek filed the Stipulation and Agreement marked Exhibits A and B, respectively, which resolves their dispute and requested that the Commission approve them as to form and content.

6. The Stipulation between the parties essentially provides that neither Complainant nor

---

[1] The Complaint arose in part because of the large size of Complainant's and Respondent's certificated service areas. In some areas, Complainant lacks facilities which are in proximity to its customers. In this instance, several property owners in H2O's service area requested service from Queen Creek which had facilities located much closer to their properties and thus could extend service to them less expensively.

Respondent will provide service to a customer within the certificated service area of the other utility without first receiving prior written approval from the other utility and Commission approval, if required.

7. The Agreement resolves the dispute and will enable the respective utilities to provide service to the customers in H2O's certificated service area who need water service, but who are in closer proximity to Queen Creek's system. It also establishes a means for H2O to compensate Queen Creek for providing water service to H2O's customers until H2O has facilities in closer proximity available to serve the affected customers in an economical fashion.[2] Additionally, Queen Creek agrees that the water which it provides will meet the quality standards of the Arizona Department of Environmental Quality ("ADEQ") pursuant to the Safe Drinking Water Act.

8. The Commission's approval of the Stipulation and Agreement hereinafter will provide an effective end to the dispute between Complainant and Respondent and provide a satisfactory means to address the needs of H2O's customers who are located in areas remote from its transmission and distribution system and will provide an economical resolution for these customers' needs.

CONCLUSIONS OF LAW

1. H2O and Queen Creek are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §40-249.

2. The Commission has jurisdiction over H2O and Queen Creek and the subject matter of the Complaint.

3. The Stipulation and Agreement marked Exhibits A and B, respectively, are reasonable, in the public interest, and should be approved by the Commission provided, however, that Queen Creek files with the Utilities Division, within 90 days of this Decision, documentation from ADEQ, or the appropriate Maricopa County department as sub delegated by ADEQ, that demonstrates the water provided by Queen Creek meets the quality standards of the Safe Drinking Water Act.

4. The Complaint of H2O should be dismissed as ordered hereinafter.

---

[2] Under the terms of the Agreement, Queen Creek will bill H2O quarterly based on H2O's reading of the affected customers' meters. Queen Creek will bill H2O for all consumption at Queen Creek's applicable residential commodity rate per 1000 gallons as authorized by the Commission with no minimum gallonage allowance. H2O will then bill each affected customer its existing rates and charges pursuant to its tariff on file with the Commission.

ORDER

IT IS THEREFORE ORDERED that the Stipulation and Water Supply Agreement as described in Exhibits A and B, respectively, be, and are hereby, approved provided, however, that Queen Creek files with the Utilities Division, within 90 days of this Decision, documentation from ADEQ, or the appropriate Maricopa County department as sub delegated by ADEQ, that demonstrates the water provided by Queen Creek meets the quality standards of the Safe Drinking Water Act.

IT IS FURTHER ORDERED that the Complaint filed by H2O, Inc. be dismissed upon compliance with the conditions set forth in the previous paragraph.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, LINDY FUNKHOUSER, Deputy Executive Secretary and Chief Legal Counsel of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 12th day of June, 1997.

LINDY FUNKHOUSER
DEPUTY EXECUTIVE SECRETARY
AND CHIEF LEGAL COUNSEL

DISSENT _____
MES/kjd

SERVICE LIST FOR: H2O, INC. VS. QUEEN CREEK WATER COMPANY

DOCKET NO.: U-1395-95-502 and U-2234-95-502

Richard L. Sallquist
SALLQUIST & DRUMMOND, P.L.L.C.
2525 E. Biltmore Circle, Suite 117
Phoenix, Arizona 85016
Attorney for H2O, Inc.

Diane M. Evans
KANE JORDAN von OPPENFELD BISCHOFF & BISKIND
4201 N. 24th Street, Suite 300
Phoenix, Arizona 85016
Attorney for Queen Creek Water Company

Lindy Funkhouser, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Carl Dabelstein, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

EXHIBIT A

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
RENZ D. JENNINGS
COMMISSIONER

BEFORE THE ARIZONA CORPORATION COMMISSION

H2O, INC.	)	DOCKET NO.
	)	
vs.	)	U - 1395-95-502
	)	U - 2234-95-502
QUEEN CREEK WATER COMPANY.	)	
	)	STIPULATION
	)	

1. On December 14, 1995 H2O, Inc. ("H2O") filed a formal Complaint with the Arizona Corporation Commission ("Commission"), alleging, among other things, that Queen Creek Water Company ("Queen Creek") is and has been providing domestic water service to customers located within H20's Certificate of Convenience and Necessity Area ("CC&N") as granted by the Commission.

2. On January 3, 1996, Queen Creek filed its answer in which it admitted serving certain customers within H20's certificated area, and effectively denying the remainder of the allegations contained in the Complaint.

3. On January 29, 1996, the parties appeared before Commission Hearing Officer Marc Stern in a pre-hearing conference to discuss the remaining issues. At the pre-hearing conference, and during subsequent negotiations between the parties, the parties reached an agreement resolving all issues contained in the Complaint.

4. The parties hereto agree to the following in resolution of the Complaint in the subject docket:

EXHIBIT A

a. Neither party shall provide, or agree to provide, water service to any customer or potential customer within the certificated area of the other company without first receiving prior written approval from the other company and appropriate Commission approvals, if required.

b. The parties shall enter into a Water Supply Agreement, in substantially the form attached hereto as Exhibit "A," pursuant to which Queen Creek will continue supplying the water necessary for H20 to provide water service to the customers within H20's certificated area currently being served by Queen Creek until H20 has facilities capable of serving those customers.

c. Queen Creek shall pay to H20 the total revenue received from serving customers within H2O's certificated area from the first written notice by H20 of Queen Creek's service on August 26, 1993 through the date the Commission approves the Water Supply Agreement and this Stipulation, less the cost of providing the water as determined under the terms and conditions of the Water Supply Agreement. There will be no adjustment for any sales tax or regulatory assessments billed by Queen Creek, and each party will assume its own costs as to such taxes or assessments. The estimated amount of the refund from Queen Creek to H20 is approximately $513.30. Said refund shall be credited against Queen Creek's charges to H20 for provision of water service under the Water Supply Agreement.

5. Attached hereto as Exhibit "B" is a form of order adopting the Stipulation and approving the Water Supply Agreement.

6. This Stipulation is conditioned upon the Commission approving the Water Supply Agreement and suggested form of Order in substantially the form attached hereto.

43032-00000.2

EXHIBIT A

7. Upon approval of the Water Supply Agreement and this Stipulation, the Commission shall dismiss the Complaint in Docket No. U-1395/2234-95-502.

RESPECTFULLY SUBMITTED this 2 day of ~~April~~ MAY, 1997.

H$_2$O INC.	QUEEN CREEK WATER COMPANY
By [signature]	By Paul T. Gardner
Its President	Its PRESIDENT

Original and ten copies of the foregoing hand delivered this 2 day of ~~April~~ MAY, 1997 to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing mailed this 2 day of ~~April~~ MAY, 1997, to:

Marc Stern
Hearing Officer
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

43032-00000.2

EXHIBIT A

Paul Gardner
Queen Creek Water Company
P.O. Box 366
Queen Creek, AZ 85242

Charles A. Bischoff
Kane, Jordan, VonOppenfeld & Bischoff & Biskind, P.L.C.
4201 N. 24th Street, Suite 300
Phoenix, AZ 85016
Attorney for Queen Creek Water Company

43032-00000.2

EXHIBIT B

WATER SUPPLY AGREEMENT

THIS AGREEMENT, made as of the 2nd day of May, 1997, by and between H_2O, Inc., an Arizona corporation, hereinafter referred to as "H_2O" and QUEEN CREEK WATER COMPANY, an Arizona corporation hereinafter referred to as "Queen Creek."

WITNESSETH:

WHEREAS, Queen Creek presently serves two customers located within the Certificate of Convenience and Necessity ("CC&N") of H_2O and adjacent to the CC&N of Queen Creek, and

WHEREAS, Queen Creek has been providing that service as an accommodation to the customers, and

WHEREAS, H_2O does not have transmission and distribution facilities in the proximity of the customers through which it can provide the needed service at this time, but anticipates having such facilities in the future, and

WHEREAS, the parties acknowledge that there may be other similarly situated customers located within the H_2O CC&N area who are not adjacent to H_2O facilities, but near Queen Creek facilities, and for which the parties agree service may be appropriate under the provisions of this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants of the parties hereto, respectively, the parties hereby agree as follows:

1. During the term of this Agreement, and subject to the conditions hereinafter set forth, Queen Creek will furnish and deliver potable water to H_2O for the requirements

EXHIBIT B

of H_2O customers, which are located within H_2O's CC&N area and adjacent to Queen Creek's facilities but which are remote from H_2O's existing facilities.

2. The delivery of all water hereunder shall be made by Queen Creek to H_2O through Queen Creek transmission and distribution facilities located within or along the Queen Creek CC&N area and H_2O owned meters located at the customer's premises, or at such other location as the parties and customer hereafter mutually agree in writing. H_2O shall be responsible for installing any additional transmission, distribution and service facilities needed to provide water from existing Queen Creek facilities to the customer's premises. In addition, if service through an individual service line is not practical, and H_2O installs a main line to provide service to its customers, Queen Creek, at its option, may install a master water meter to measure the quantity of water delivered from Queen Creek's facilities to the H_2O owned main line.

3. H_2O, at its own expense, shall within 60 days install and maintain the water meters at the aforesaid customer metering stations. Said meters shall be calibrated at H_2O's expense to the satisfaction of both parties within a reasonable time after request is made by either party. Upon removal, the existing meters used at the locations of the two customers referenced in the recitals above shall remain the property of Queen Creek.

4. Queen Creek shall test or cause to be tested all water subject to this Agreement. Testing and water quality standards shall be those set by the Arizona Department of Environmental Quality or other appropriate regulatory agency. Water delivered pursuant to this agreement shall meet applicable water quality standards as determined by applicable testing protocols. In no event, however, will Queen Creek be

EXHIBIT B

obligated to treat water which may not meet applicable water quality standards in order to provide water subject to this Agreement.

5. Billing by Queen Creek to H_2O for said water service shall be based on the H_2O readings of the respective meters, which readings Queen Creek shall have the right to confirm upon reasonable notice to H_2O. The rate to H_2O for all consumption shall be the applicable residential commodity charge per 1,000 gallons of water as published in the tariff schedule authorized by the Commission for Queen Creek, with no minimum gallon allowance, as that rate may change from time to time. No monthly minimum charges shall apply. Statements shall be rendered by Queen Creek to H_2O at the end of each calendar quarter and billed at the applicable Queen Creek commodity charge in effect at the time of consumption, plus applicable taxes and regulatory assessments. Statements shall be sent by Queen Creek to H_2O at its mailing address in Scottsdale, Arizona.

6. Queen Creek shall not be liable to H_2O nor to any of H_2O's customers, nor to any other person, firm or corporation whatsoever, for or on account of any interruption or failure to deliver water in accordance with this Agreement, or for or on account of any loss, injury or damage occasioned thereby, where such interruption or failure, either directly or indirectly, is the result of any of the following:

a. fire, lightning, flood, windstorm, Act of God, invasion or force majeure.

b. Inadequate water quality.

c. Compliance with any orders, rules, regulations, whether valid or invalid of any governmental authority or agency.

EXHIBIT B

d. Strikes, lockouts or labor disputes

e. Breakdown, repair or replacement of any machinery, equipment, transmission line, pipeline or other facility.

f. Unavailability of electricity or shortage of any fuel, supplies, materials or labor.

g. Any other cause not reasonably preventable by Queen Creek or not reasonably within its control.

In case of interruption or failure occasioned by any cause specified under (e) or (f) above, Queen Creek will endeavor to remedy or eliminate such cause expeditiously.

7. It is agreed by the parties that this Agreement will become effective and binding upon the parties hereto, only in the event the Commission or its authorized representative, approves the Agreement in substantially this form. In the event it is not so approved, this Agreement shall be void and of no further force and effect.

8. This Agreement shall become effective as of the date approved by the Commission, or its authorized representative, and shall remain in full force and effect for ten years or until H_2O has installed transmission and distribution facilities capable of delivering the required service to its customers from other H_2O facilities, whichever first occurs. Upon installation of such facilities, H_2O shall provide Queen Creek notice of termination of said service. Such notice shall specify the date of termination and shall be given not less than 60 days prior to such date.

9. Written notice to either party concerning this Agreement shall be sent by certified mail, except that invoices may be sent by first class mail. Written notice and communications to Queen Creek shall be addressed to:

EXHIBIT B

Paul Gardner
Queen Creek Water Company
P.O. Box 366
Queen Creek, AZ 85242

With a copy to:

Charles Bischoff
Kane Jordan von Oppenfeld Bischoff & Biskind, P.L.C.
4201 North 24th Street, Suite 300
Phoenix, AZ 85016

Written notices and communications to H_2O shall be addressed as follows:

Don Schnepf
H_2O Inc.
P.O. Box 1450
Scottsdale, AZ 85252

With a copy to:

Richard L. Sallquist
Sallquist & Drummond, P.C.
2525 East Arizona Biltmore Circle, Suite 117
Phoenix, AZ 85016-2129

10. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

11. This Agreement may not be amended, modified and supplemented in any respect except by writing signed by both parties.

12. This Agreement sets forth the entire understanding and agreement between the parties hereto with respect to the subject matter described herein and supersedes and replaces any prior understanding, agreement or statement written or oral.

13. H_2O and Queen Creek agree that it is not intended and this Agreement does not make either party the agent of the other.

EXHIBIT B

14. This Agreement shall be governed by the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have caused this Water Supply Agreement to be executed as of the day and year first herein written.

QUEEN CREEK WATER COMPANY

By: _____
Its _____

H_2O, INC.

By: _____
Its _____

EXHIBIT B

14. This Agreement shall be governed by the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have caused this Water Supply Agreement to be executed as of the day and year first herein written.

QUEEN CREEK WATER COMPANY

By: _____
Its _____

H_2O, INC.

By: _____
Its _____

ADDENDUM TO WATER SUPPLY AGREEMENT

THIS ADDENDUM, made this 27 day of December, 2007, by and between H2O, INC. an Arizona Corporation, herein after referred to as "H2O" and QUEEN CREEK WATER COMPANY, an Arizona Corporation hereinafter referred to as "Queen Creek", (the "Addendum"), is to that certain WATER SUPPLY AGREEMENT dated May 2, 1997, hereinafter referred to as the "Agreement".

WHEREAS, the service conditions of the parties that existed at the initiation of the Agreement continue to exist today, and the parties believe those conditions will continue to exist for some time into the future; and

WHEREAS, the parties are willing to extend the term of the Agreement for the benefit of the parties and their respective customers.

NOW THEREFORE, in consideration of the premises and mutual covenants of the parties hereto, respectively, the parties hereby agree to modify the Agreement as follows:

1. Paragraph 8 of the Agreement is hereby supplemented by adding the following sentence to the end of Paragraph 8:

> The term of the Agreement is hereby extended from the inception date of June 12, 1997, as established by Arizona Corporation Commission Decision No. 60241, dated June 12, 1997, for an additional three year period to June 12, 2010, with two (2) additional one year automatic extensions of that term, unless and until the Agreement and any Addendum thereto is otherwise terminated in accordance with this Paragraph 8.

2. All other terms and conditions of the Agreement shall remain in full force and effect.

43032.00000.271

ATTACHMENT 6

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to the Agreement to be executed as of the day and year first herein written.

QUEEN CREEK WATER COMPANY

By: Paul T Gardner

Its: President

H2O, INC.

By: [illegible]

Its: President

43032.00000.271

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER INORGANIC CHEMICAL ANALYSIS REPORT
*** Collect samples at P. O. E. only ***

COPY TO ADEQ: YES____ NO____

>>>> SYSTEM INFORMATION <<<<

System ID # 11-060 **System Name** H2O Inc.

Sample Date 4/18/06 **Time (24hr)** 7:15 **Collected By** Craig

Sample Type

XX Compliance Monitoring

Name Don Schnepf
Phone 480-491-6971
Fax 480-491-6739

Sample Collection Point/ID

XX Point of Entry # _001__ Well #4

Sample Site ID

POE 1

System Mailing Name & Address

H2O Inc.
41502 N Schnepf Road
Queen Creek, AZ 85242

Use only if initial sample was positive.

_____
Original Violation Specimen Number

Sample Type
☐ Confirmation
☐ Confirmation for Composite Trigger

>>>> INORGANIC CHEMICAL ANALYSIS <<<<

Analysis Method	MCL Value	Trigger Value	Contaminant Name	Cont. Code	Test Start Date	Test End Date	Result mg/L	Exceeds MCL	Exceeds Trigger
200.9	0.010		Arsenic	1005	5/19/06	5/19/06	0.003	☐	
200.7	2		Barium	1010				☐	
200.7	0.01		Cadmium	1015				☐	
200.7	0.1		Chromium	1020				☐	
4500F C	4.0		Fluoride	1025				☐	
245.1	0		Mercury	1035				☐	
4500NO3	10	5	Nitrate (as N)	1040				☐	☐
4500NO2	1	0.5	Nitrite (as N)	1041				☐	☐
200.9	0.05		Selenium	1045				☐	
200.9	0.01		Antimony	1074				☐	
200.7	0		Beryllium	1075				☐	
4500CN I	0.2		Cyanide	1024				☐	
200.7	0.1		Nickel	1036				☐	
200.9	0		Thallium	1085				☐	
4500SO4	No MCL		Sulfate	1055					
200.7	No MCL		Sodium	1052					

>>>>> LABORATORY INFORMATION <<<<<

Specimen Number BN04274 **Date/Time Received** 4/18/06 12:00

ID Number **AZ0003** Name: **Aquatic Consulting & Testing, Inc. (602) 921-8044**

Comments: Temp:

Authorized Signature: Chris J. Christ

Date Public Water System Notified:

ATTACHMENT 7

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER INORGANIC CHEMICAL ANALYSIS REPORT
*** Collect samples at P. O. E. only ***

COPY TO ADEQ: YES____ NO____

>>>> SYSTEM INFORMATION <<<<

System ID # 11-060 **System Name** H2O Inc.

Sample Date 4/18/06 **Time (24hr)** 7:25 **Collected By** Craig

Sample Type

XX Compliance Monitoring

Name Don Schnepf
Phone 480-491-6971
Fax 480-491-6739

Sample Collection Point/ID

XX Point of Entry # _002__ Castlegate Well

Sample Site ID

POE 2

System Mailing Name & Address

H2O Inc.
41502 N Schnepf Road
Queen Creek, AZ 85242

Use only if initial sample was positive.

_____
Original Violation Specimen Number

Sample Type
☐ Confirmation
☐ Confirmation for Composite Trigger

>>>> INORGANIC CHEMICAL ANALYSIS <<<<

Analysis Method	MCL Value	Trigger Value	Contaminant Name	Cont. Code	Test Start Date	Test End Date	Result mg/L	Exceeds MCL	Exceeds Trigger
200.9	0.010		Arsenic	1005	5/19/06	5/19/06	<0.002	☐	
200.7	2		Barium	1010				☐	
200.7	0.01		Cadmium	1015				☐	
200.7	0.1		Chromium	1020				☐	
4500F C	4.0		Fluoride	1025				☐	
245.1	0		Mercury	1035				☐	
4500NO3	10	5	Nitrate (as N)	1040				☐	☐
4500NO2	1	0.5	Nitrite (as N)	1041				☐	☐
200.9	0.05		Selenium	1045				☐	
200.9	0.01		Antimony	1074				☐	
200.7	0		Beryllium	1075				☐	
4500CN I	0.2		Cyanide	1024				☐	
200.7	0.1		Nickel	1036				☐	
200.9	0		Thallium	1085				☐	
4500SO4	No MCL		Sulfate	1055					
200.7	No MCL		Sodium	1052					

>>>>> LABORATORY INFORMATION <<<<<

Specimen Number BN04275 **Date/Time Received** 4/18/06 12:00

ID Number **AZ0003** Name: **Aquatic Consulting & Testing, Inc. (602) 921-8044**

Comments: Temp:

Authorized Signature: Chris J. Christ

Date Public Water System Notified:

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER INORGANIC CHEMICAL ANALYSIS REPORT
*** Samples to be collected at P. O. E. only ***

COPY TO ADEQ: YES X NO XX

>>>> SYSTEM INFORMATION <<<<

System ID # 11-060 System Name H2O, Inc.

Sample Date 11/6/2006 Time (24hr) 7:55 Collected By Craig Thiesenhusen

Sample Type

XX Compliance Monitoring

Name Don Schnepf
Phone 480-491-6971
Fax 480-491-6739

Sample Collection Point/ID

XX Point of Entry # Pecan Creek North well

Sample Site ID

POE #3

System Mailing Name & Address

H2O Inc.
41502 N Schnepf Road
Queen Creek, AZ 85242

Use only if initial sample was positive.

Original Violation Specimen Number

Sample Type

☐ Confirmation
☐ Confirmation Composite

>>>> INORGANIC CHEMICAL ANALYSIS <<<<

Analysis Method	MCL	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date	Result mg/L	Exceeds MCL	Exceeds Reporting Limit
200.9	0.01	0.01	Arsenic	1005	11/13/2006	0.003		
200.7	2	2	Barium	1010				
200.7	0.005	0.005	Cadmium	1015				
200.7	0.1	0.1	Chromium	1020				
4500F C	4	2	Fluoride	1025				
245.1	0.002	0.002	Mercury	1035				
4500NO3 E	10	5	Nitrate (as N)	1040	11/15/2006	8.79		XX
4500NO2 B	1	0.5	Nitrite (as N)	1041				
200.9	0.05	0.05	Selenium	1045				
200.9	0.006	0.006	Antimony	1074				
200.7	0.004	0.004	Beryllium	1075				
4500CN E	0.2	0.2	Cyanide	1024				
200.7	No MCL		Nickel *	1036				
200.9	0.002		Thallium	1085				
4500SO4 F	No MCL		Sulfate *	1052				

>>>>> LABORATORY INFORMATION <<<<<

Specimen Number BN13088 Date/Time Received 11/6/2006 13:08

ID Number AZ0003 Name: Aquatic Consulting & Testing, Inc. (480) 921-8044

Comments: Temp:

Authorized Signature: Chris J. Christ

Date Public Water System Notified:

DWAR 2IN:Revised 2003

H2O, INC.

2006
Water Testing Cost
Summary

DATE	VENDOR	Invoice#	Description	Qnty	Cost	AMOUNT	TOTAL
1/4/2006	Aquatic Consulting	065 10854	Bac-T	46	10.00	460.00	460.00
1/17/2006	Aquatic Consulting	065 10972	No3	3	20.00	60.00	60.00
2/8/2006	Aquatic Consulting	065 11083	No3	2	20.00	40.00	
	Aquatic Consulting		As	2	15.00	30.00	
	Aquatic Consulting		TDS	2	20.00	40.00	110.00
3/16/2006	Aquatic Consulting	065 11392	No3	3	40.00	120.00	
	Aquatic Consulting		TDS	3	40.00	120.00	
	Aquatic Consulting		As	3	30.00	90.00	330.00
4/13/2008	Aquatic Consulting	065 11583	Bac-T	9	10.00	90.00	90.00
4/14/2006	Aquatic Consulting	065 11600	Bac-T	65	10.00	650.00	650.00
4/19/2006	Aquatic Consulting	065 11656	TTHM	8	150.00	1200.00	
	Aquatic Consulting		HAA5	8	200.00	1600.00	2800.00
6/5/2006	Aquatic Consulting	065 12030	No3	1	20.00	20.00	20.00
6/12/2006	Aquatic Consulting	065 12054	Bac-T	7	30.00	210.00	
6/30/2006	Aquatic Consulting	065 12214	As	1	15.00	15.00	225.00
	Aquatic Consulting		TTHM	2	150.00	300.00	
	Aquatic Consulting		HAA5	2	200.00	400.00	700.00
6/30/2006	Aquatic Consulting	065 12215	As	3	15.00	45.00	
	Aquatic Consulting		TTHM	6	150.00	900.00	
	Aquatic Consulting		HAA5	6	200.00	1200.00	2145.00
7/29/2006	Aquatic Consulting	065 12432	Bac-T	9	10.00	90.00	90.00
7/31/2006	Aquatic Consulting	065 12454	Bac-T	54	10.00	540.00	540.00
8/1/2006	Aquatic Consulting	065 12487	No3	4	20.00	80.00	80.00
9/6/2006	Aquatic Consulting	065 12748	No3	2	20.00	40.00	
	Aquatic Consulting		As	2	15.00	30.00	70.00
9/14/2006	Aquatic Consulting	065 12838	Bac-T	16	25.00	400.00	400.00
9/14/2006	Aquatic Consulting	065 12837	Bac-T	8	25.00	200.00	200.00
9/14/2006	Aquatic Consulting	065 12839	Bac-T	2	25.00	50.00	50.00
9/28/2006	Aquatic Consulting	065 12966	TTHM	1	150.00	150.00	
	Aquatic Consulting		HAA5	1	200.00	200.00	350.00
9/28/2006	Aquatic Consulting	065 12965	No3	4	20.00	80.00	
	Aquatic Consulting		As	4	15.00	60.00	
	Aquatic Consulting		TTHM	6	150.00	900.00	
	Aquatic Consulting		HAA5	6	200.00	1200.00	2240.00
10/3/2006	Aquatic Consulting	065 13008	No3	2	20.00	40.00	
	Aquatic Consulting		As	2	15.00	30.00	70.00
10/25/2006	Aquatic Consulting	065 13119	TTHM	1	150.00	150.00	
	Aquatic Consulting		HAA5	1	200.00	200.00	350.00
10/25/2006	Aquatic Consulting	065 13118	Lead	37	15.00	555.00	
	Aquatic Consulting		Copper	37	15.00	555.00	1110.00
11/6/2006	Aquatic Consulting	065 13284	Bac-T	37	10.00	370.00	370.00
11/6/2006	Aquatic Consulting	065 13268	Bac-T	9	10.00	90.00	90.00
11/27/2006	Aquatic Consulting	065 13479	No3	1	20.00	20.00	
	Aquatic Consulting		As	1	15.00	15.00	35.00
12/4/2006	Aquatic Consulting	065 13523	No3	2	20.00	40.00	
	Aquatic Consulting		As	2	15.00	30.00	70.00
12/11/2006	Aquatic Consulting	065 13592	No3	1	60.00	60.00	
	Aquatic Consulting		As	1	45.00	45.00	
	Aquatic Consulting		Bac-T	2	25.00	50.00	155.00
12/14/2006	Aquatic Consulting	065 13616	No3	2	20.00	40.00	40.00
2006	**TOTAL**					**13,900**	**$ 13,900**

ATTACHMENT 8

INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 10854
Invoice Date: January 4, 2006
P.O. Number: State Form
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: 4th Quarter 2005
10/12/05

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	46	$10.00	*$460.00*
Invoice Total			*$ 460.00*

ENTERED ON COMPUTER

cjc

631-02
Gen

4th Quarter 2005 Invoice

INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 10972
Invoice Date: January 17, 2006
P.O. Number: C.O.C.
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BM13470 BM13471 BM13472
11/16/05

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Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	3	$20.00	*$60.00*
Invoice Total			*$ 60.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 11083
Invoice Date: February 8, 2006
P.O. Number: C.O.C.
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN00833 BN00834
01/24/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	2	$20.00	*$40.00*
Arsenic	2	$15.00	*$30.00*
Total Dissolved Solids	2	$20.00	*$40.00*
Invoice Total			*$ 110.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 11392
Invoice Date: March 16, 2006
P.O. Number: C.O.C.
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN01269 BN01270 BN01271
02/03/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	3	$40.00	*$120.00*
Total Dissolved Solids	3	$40.00	*$120.00*
Arsenic	3	$30.00	*$90.00*
Invoice Total			*$ 330.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 11583
Invoice Date: April 13, 2006
P.O. Number: 07-904
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN00821 BN00822 BN00823 BN01924 BN01925 BN01926 BN03021 BN03022 BN03023
01/24/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	9	$10.00	*$90.00*
Invoice Total			*$ 90.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 11600
Invoice Date: April 14, 2006
P.O. Number: 11-060
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: First Quarter 2006
01/10/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	65	$10.00	*$650.00*
Invoice Total			*$ 650.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 11656
Invoice Date: April 19, 2006
P.O. Number: C.O.C.
Project Name: 07-904 (1)
00-060 (7)

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN01938 BN01939 BN01940 BN01941 BN01942 BN01943 BN01944 BN01945
02/21/06

Analysis Name	Quantity	Unit Price	*Total Price*
Trihalomethanes, Total	8	$150.00	*$1,200.00*
Haloacetic Acids	8	$200.00	*$1,600.00*
Invoice Total			*$2,800.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12030
Invoice Date: June 5, 2006
P.O. Number: 11-060 DW Analysis
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN04462
04/20/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	1	$20.00	*$20.00*
Invoice Total			*$ 20.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12054
Invoice Date: June 12, 2006
P.O. Number: State Form 11-060
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN05804 BN05805 BN05806 BN05991 BN05992 BN05993 BN05994
05/23/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert (Rush)	7	$30.00	*$210.00*
Invoice Total			*$ 210.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12214
Invoice Date: June 30, 2006
P.O. Number: C.O.C.
Project Name: PWS #07-904

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN04277 BN05688 BN05689
04/18/06

Analysis Name	Quantity	Unit Price	*Total Price*
Arsenic	1	$15.00	*$15.00*
Trihalomethanes, Total	2	$150.00	*$300.00*
Haloacetic Acids	2	$200.00	*$400.00*
Invoice Total			*$ 715.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12215
Invoice Date: June 30, 2006
P.O. Number: C.O.C.
Project Name: PWS #11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN04274 BN04275 BN04276 BN05690 BN05691 BN05692 BN05693 BN05694 BN05695
04/18/06

Analysis Name	Quantity	Unit Price	*Total Price*
Arsenic	3	$15.00	*$45.00*
Trihalomethanes, Total	6	$150.00	*$900.00*
Haloacetic Acids	6	$200.00	*$1,200.00*
Invoice Total			*$2,145.00*

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INVOICE

Remit To: **Aquatic Consulting & Testing, Inc.**
P.O. Box 1510
Tempe, Arizona 85280-1510
(480) 921-8044

Invoice Number: 065 12432
Invoice Date: July 29, 2006
P.O. Number: State Form 07-904
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN04278 BN04279 BN04280 BN05899 BN05900 BN05901 BN07001 BN07002 BN07003
04/18/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	9	$10.00	*$90.00*
Invoice Total			*$ 90.00*

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Remit To: **Aquatic Consulting & Testing, Inc.**
P.O. Box 1510
Tempe, Arizona 85280-1510
(480) 921-8044

Invoice Number: 065 12454
Invoice Date: July 31, 2006
P.O. Number: State Form 11-060
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: 2nd Quarter 2006
04/13/06

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Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	54	$10.00	*$540.00*
Invoice Total			*$ 540.00*

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Remit To: **Aquatic Consulting & Testing, Inc.**
P.O. Box 1510
Tempe, Arizona 85280-1510
(480) 921-8044

Invoice Number: 065 12487
Invoice Date: August 1, 2006
P.O. Number: C.O.C.
Project Name: PWS #11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN05696 BN05697 BN05698 BN05699
05/22/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	4	$20.00	*$80.00*
Invoice Total			*$ 80.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12748
Invoice Date: September 6, 2006
P.O. Number: C.O.C.
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN06909 BN06910
06/15/06

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Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	2	$20.00	*$40.00*
Arsenic	2	$15.00	*$30.00*
Invoice Total			*$ 70.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12838
Invoice Date: September 14, 2006
P.O. Number: State Form 11-060
Project Name: SDWA H2O Unit 3 Phs.2

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN08843 BN08844 BN08845 BN08846 BN08847 BN08848 BN08849 BN08850 BN08851 BN08852 BN08853 BN08854 BN08855 BN08856 BN08857 BN08858
08/02/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	16	$25.00	*$400.00*
Invoice Total			*$ 400.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12837
Invoice Date: September 14, 2006
P.O. Number: State Form 11-060
Project Name: SDWA H2O Unit 2 Phs.2

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

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Samples: BN08835 BN08836 BN08837 BN08838 BN08839 BN08840 BN08841 BN08842
08/02/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	8	$25.00	*$200.00*
Invoice Total			*$ 200.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12839
Invoice Date: September 14, 2006
P.O. Number: C.O.C.
Project Name: Castlegate

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

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Samples: BN09295 BN09296
08/10/06

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	2	$25.00	*$50.00*
Invoice Total			*$ 50.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 12966
Invoice Date: September 28, 2006
P.O. Number: C.O.C.
Project Name: PWS #07-904

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN09475
08/16/06

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Analysis Name	Quantity	Unit Price	*Total Price*
Trihalomethanes, Total	1	$150.00	*$150.00*
Haloacetic Acids	1	$200.00	*$200.00*
Invoice Total			*$ 350.00*

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Remit To: **Aquatic Consulting & Testing, Inc.**
P.O. Box 1510
Tempe, Arizona 85280-1510
(480) 921-8044

Invoice Number: 065 12965
Invoice Date: September 28, 2006
P.O. Number: C.O.C.
Project Name: PWS #11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Can 63102

Samples: BN08060 BN08059 BN09300 BN09301 BN09469 BN09470 BN09471 BN09472 BN09473 BN09474
07/13/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	4	$20.00	*$80.00*
Arsenic	4	$15.00	*$60.00*
Trihalomethanes, Total	6	$150.00	*$900.00*
Haloacetic Acids	6	$200.00	*$1,200.00*
Invoice Total			*$2,240.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13008
Invoice Date: October 3, 2006
P.O. Number: C.O.C.
Project Name: PWS #11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN10544 BN10545
09/12/06

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Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	2	$20.00	*$40.00*
Arsenic	2	$15.00	*$30.00*
Invoice Total			*$ 70.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13119
Invoice Date: October 25, 2006
P.O. Number: C.O.C.
Project Name: DW Analysis

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN09952
08/29/06

Analysis Name	Quantity	Unit Price	*Total Price*
Trihalomethanes, Total	1	$150.00	*$150.00*
Haloacetic Acids	1	$200.00	*$200.00*
Invoice Total			*$ 350.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13118
Invoice Date: October 25, 2006
P.O. Number: SDWA 11-060 PB & CU
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN08022 BN08023 BN08024 BN08025 BN08026 BN08027 BN08028 BN08029 BN08030 BN08031 BN08032 BN08033 BN08034 BN08035 BN08036 BN08037 BN08038 BN08039 BN08040 BN08041 BN08042 BN08043 BN08044 BN08045 BN08046 BN08047 BN08048 BN08049 BN08050 BN08051 BN08052 BN08053 BN08054 BN08055 BN08056 BN08057 BN08058
07/13/06

Analysis Name	Quantity	Unit Price	*Total Price*
Lead	37	$15.00	*$555.00*
Copper	37	$15.00	*$555.00*
Invoice Total			*$1,110.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13284
Invoice Date: November 6, 2006
P.O. Number: State Form 11-060
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: 3rd Quarter 2006

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	37	$10.00	*$370.00*
Invoice Total			*$ 370.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13268
Invoice Date: November 6, 2006
P.O. Number: State Form 07-904
Project Name: SDWA H2O Inc

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN08006 BN08007 BN08008 BN09297 BN09298 BN09299 BN10541 BN10542 BN10543
3rd Quarter 2006

Analysis Name	Quantity	Unit Price	*Total Price*
Total Coliform, Colilert	9	$10.00	*$90.00*
Invoice Total			*$ 90.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13479
Invoice Date: November 27, 2006
P.O. Number: C.O.C.
Project Name: #11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN12033
10/10/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	1	$20.00	*$20.00*
Arsenic	1	$15.00	*$15.00*
Invoice Total			*$ 35.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13523
Invoice Date: December 4, 2006
P.O. Number: C.O.C.
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN13088 BN13089
11/06/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	2	$20.00	*$40.00*
Arsenic	2	$15.00	*$30.00*
Invoice Total			*$ 70.00*

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INVOICE

Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13592
Invoice Date: December 11, 2006
P.O. Number: C.O.C.
Project Name: 11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN13909 BN13910 BN13911
11/30/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	1	$60.00	*$60.00*
Arsenic	1	$45.00	*$45.00*
Total Coliform, Colilert	2	$25.00	*$50.00*
Invoice Total			*$ 155.00*

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Remit To:	**Aquatic Consulting & Testing, Inc.** **P.O. Box 1510** **Tempe, Arizona 85280-1510** **(480) 921-8044**

Invoice Number: 065 13616
Invoice Date: December 14, 2006
P.O. Number: C.O.C.
Project Name: PWS #11-060

Client: **H2O, Inc.**
41502 N. Schnepf Road
Queen Creek, AZ 85242

Don Schnepf

Samples: BN09467 BN09468
08/16/06

Analysis Name	Quantity	Unit Price	*Total Price*
Nitrate + Nitrite - N	2	$20.00	*$40.00*
Invoice Total			*$ 40.00*

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Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

I. CURTAILMENT PLAN FOR H2O, Inc

ADEQ Public Water System Number: AZ0411-060

H2O, Inc. ("Company") is authorized to curtail water service to all customers, within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan, and the Drought Preparedness Plan and Water Conservation Plan to the Arizona Department of Water Resources applicable to the Company.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

Stage 2 Exists When:

a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and

b. Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, or poor water production creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

c.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

Stage 3 Exists When:

a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customer to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Beginning with Stage 3, Company shall post at least four signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

Stage 4 Exists When:

a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- The use of construction water is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Company shall post at least four (4) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

Customers who fail to comply with cessation of outdoor use provisions will be given a written notice to end all outdoor use. Failure to comply with in two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

TARIFF SCHEDULE

H20, INC. *Mesa,Arizona*		A.C.C. DOCKET NO.	**U-2234-94-230**
Filed by:	Donald Schnepf	Canceling A.C.C. No.	(not applicable)
Title:	President	Decision No.	**58641**
Date of Original Filing:	May 26,1994	Filed:	May 26,1994
Telephone No.	480-491-6971	Effective:	**June 1,1994**
System DEQ#:	11-060		

CROSS-CONNECTION CONTROL

PURPOSE:

To protect the public water supply in each of H20, Inc.'s water systems from the possibility of contamination caused by backflow through unprotected cross-connections by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code, Title 14, Chapter 2, Section 405.B.6 as adopted by the Arizona Corporation Commission, and Title 18, Chapter 4, Section 232, as adopted by the Arizona Department of Environmental Quality.

INSPECTIONS:

The customer shall cooperate fully with H20, Inc., in its efforts to investigate and determine the degree of potential health hazard to the public water supply which may result from conditions existing on the customer's premises.

REQUIREMENTS:

In compliance with the Rules and Regulations of the Arizona Corporation Commission and the Arizona Department of Environmental Quality, specifically A.C.C. R14-2A05.B.6 and A.A.C. R18A-232 relating to backflow prevention:

1. H20, Inc., may require a customer to pay for and install, maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-232.B or C applies.

2. A backflow-prevention assembly required to be installed by the customer under this tariff shall comply with the requirements set forth in A.A.C. R18-4-232.D and E.

3. H20, Inc., shall give any customer who is required to install and/or test a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is not applicable, the customer shall be given thirty (30) days in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, H20, Inc., or the Arizona Corporation Commission Staff may grant additional time for this requirement.

4. Testing shall be in conformance with the requirements of A.A.C. RI8-4-232.F. H20, Inc., shall not require an unreasonable number of tests.

5. The customer shall provide H20, Inc., with records of installation and testing. For each backflow-prevention assembly, these records shall include:

   a. assembly identification number and description;
   b. location;
   c. date(s) of test(s);
   d. descripuon of repairs made by tester; and
   e. testers name and certificate number.

DISCONTINUANCE OF SERVICE:

In accordance with A.A.C. R14-2407 and 410 and provisions of this tariff, H20, Inc., may terminate service or deny service to a customer who fails to install and/or test a backflow-prevention assembly as required by this tariff.

A. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is applicable, H20, Inc., may terminate service immediately and without notice. The backflow-prevention assembly shall be installed and repaired by the customer and retested before service is restored.

B. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1 .a. is **not** applicable, the backflow-prevention assembly shall be installed and/or repaired by the customer and retested within fourteen (14) days of written notice by H20, Inc. Failure to install or to remedy the deficiency or disfunction of the assembly. or failure to retest shall be grounds for termination of water utility service in accordance with A.A.C. R14-2-410.

Thomas J. Bourassa
CERTIFIED PUBLIC ACCOUNTANT
139 W. Wood Drive
Phoenix, Arizona 85029

EXHIBIT
A-2
ADMITTED

RECEIVED

2008 DEC 22 A 11: 33
AZ CORP COMMISSION
DOCKET CONTROL

December 22, 2008

Dennis Rogers
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007-2927

Re: H2O, Inc
Docket No. W-02234A-07-0557

Dear Mr. Rogers:

Attached are revisions to the A-1, B-1, B-2, C-1, H-1, H-2, and H-3 schedules in the above referenced matter. As previously discussed with you and Mr. Aladi, these revisions reflect a change to deferred income taxes, and accumulated depreciation

If you have any questions, please call me at 602-246-7150.

Sincerely,

Thomas J. Bourassa

cc: Richard Sallquist, Esq. Sallquist, Drummond, and O'Connor
Donald Schnepf, President, H2O, Inc.
file

Office: 602-246-7150 Fax: 602-246-1040 tjb114@cox.net

H2O, Inc. Docket W-2234A-07-0557
Test Year Ended December 31, 2006
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa
REVISED 12-18-2008

Line No.			
1	Fair Value Rate Base	$	1,944,185
2			
3	Adjusted Operating Income		296,353
4			
5	Current Rate of Return		15.24%
6			
7	Required Operating Income	$	199,823
8			
9	Required Rate of Return on Fair Value Rate Base		10.28%
10			
11	Operating Income Deficiency	$	(96,530)
12			
13	Gross Revenue Conversion Factor		1.6043
14			
15	Adjusted Test Year Revenues	$	3,379,767
16	Increase in Gross Revenue Requirement	$	(154,861)
17	Revenue Requirement	$	3,224,906
18			
19	% Increase		-4.58%

	Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
21					
22					
23	**Residential**				
24	5/8 Inch	$ 55,280	$ 46,275	$ (9,006)	-16.29%
25	3/4 Inch	1,997,926	1,945,172	(52,755)	-2.64%
26	1 Inch	184,593	162,914	(21,680)	-11.74%
27	1.5 Inch	20,856	17,589	(3,267)	-15.67%
28	2 Inch	2,065	1,668	(397)	-19.20%
29	**Commercial**				0.00%
30	5/8 Inch	$ 2,299	$ 2,129	$ (170)	-7.40%
31	3/4 Inch	8,400	8,273	(127)	-1.51%
32	1 Inch	5,055	4,457	(598)	-11.83%
33	1.5 Inch	1,785	1,458	(327)	-18.34%
34	2 Inch	80,656	72,178	(8,478)	-10.51%
35	3 Inch	55,378	49,161	(6,217)	-11.23%
36	**Irrigation**				0.00%
37	3/4 Inch	$ 3,020	$ 2,962	$ (58)	-1.91%
38	1 Inch	41,891	39,196	(2,695)	-6.43%
39	1.5 Inch	32,643	29,547	(3,095)	-9.48%
40	2 Inch	335,174	306,947	(28,227)	-8.42%
41	**Construction**				0.00%
42	2 Inch	$ 16,707	$ 15,898	$ (809)	-4.84%
43	3 Inch	67,721	62,059	(5,662)	-8.36%
44	Subtotal	$ 2,911,450	$ 2,767,883	$ (143,568)	-4.93%
45					
46	Revenue Annualization	262,954	247,838	(15,117)	-5.75%
47	GL Reconciliation	(3,335)	488	3,823	-114.63%
48	**Subtotal**	$ 3,171,070	$ 3,016,208	$ (154,861)	-4.88%
49					
50	Other Water Revenues	208,697	208,697	-	0.00%
51				-	0.00%
52	**Total of Water Revenues (a)**	$ 3,379,767	$ 3,224,905	$ (154,861)	-4.58%

53	
54	SUPPORTING SCHEDULES:
55	B-1
56	C-1
57	C-3
58	H-1

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa
REVISED 12-18-2008

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 12,987,344	$ 12,987,344
3	Less: Accumulated Depreciation	1,491,666	1,491,666
4			
5	Net Utility Plant in Service	$ 11,495,678	$ 11,495,678
6			
7	Less:		
8	Advances in Aid of		
9	Construction	3,031,454	3,031,454
10	Contributions in Aid of		
11	Construction (CIAC)	6,449,776	6,449,776
12	Accumulated Amortization (CIAC)	(683,565)	(683,565)
13	Customer Meter Deposits	1,600,755	1,600,755
14	Deferred Income Tax Liability (Asset)	(846,927)	(846,927)
15			
16			
17			
18	Plus:		
19	Unamortized Finance		
20	Charges	-	-
21			
22	Allowance for Working Capital	-	-
23			
24			
25	Total Rate Base	$ 1,944,185	$ 1,944,185
26			
27			
28			
29	SUPPORTING SCHEDULES:		
30	B-2		
31	B-3		
32	B-5		
33	E-1		
34			

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa
REVISED 12-18-2008

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Proforma Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ 12,987,344			$ 12,987,344
3					
4	**Less:**				
5	Accumulated				
6	Depreciation	1,442,004	1	49,663	1,491,666
7					
8					
9	Net Utility Plant				
10	in Service	$ 11,545,340			$ 11,495,678
11					
12	**Less:**				
13	Advances in Aid of				
14	Construction	3,065,859	3b	(34,405)	3,031,454
15					
16	Contributions in Aid of				
17	Construction	9,271,032	2a/3a/4	(2,821,256)	6,449,776
18					
19	Accumulated Amortization CIAC	-	2b	(683,565)	(683,565)
20					
21	Customer Refundable Meter Deposits	1,600,755			1,600,755
22	Deferred Income Tax Liability (Asset)	-	5	(846,927)	(846,927)
23					
24					
25					
26	**Plus:**				
27	Unamortized Finance				
28	Charges	-			-
29					
30	Working capital	-			-
31		-			-
32					
33	Total	$ (2,392,307)			$ 1,944,185
34					
35					
36					
37	SUPPORTING SCHEDULES:				RECAP SCHEDULES:
38	B-2, pages 2-4 revised 12/08/2008				B-1
39	E-1				
40					
41					
42					
43					
44					
45					
46					

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 1

Exhibit
Schedule B-2
Page 2
Witness: Bourassa
REVISED 12-18-2008

Line No.			
1	Accumulated Depreciation Adjustment		
2			
3	Computed Balance	$	1,491,666
4	Balance per Company Schedule E-1		1,442,004
5	Difference	$	49,663
6			
7			
8			
9			
10			
11	Increase (Decrease) to Accumulated Depreciation	$	49,663
12			
13			
14			
15	SUPPORTING SCHEDULES		
16	B-2, pages 2.1 -2.16 revised 12/08/2008		
17			
18			
19			
20			

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.1
Witness: Bourassa
REVISED 12/18/2008

Account No.	Description	Deprec. Rate	Per Decision 58641 12/31/1992	Per Decision 58641 1992 Accum. Depr.	1993 Plant Additions	1993 Plant Adjustments	1993 Adjusted Plant Additions	1993 Plant Retirements	1993 Plant Balance	1993 Depr.
301	Organization Cost	0.00%	-		-		-	-	-	-
302	Franchise Cost	0.00%	-		-		-	-	-	-
303	Land and Land Rights	0.00%	7,954		-		-	-	7,954	-
304	Structures and Improvements	3.60%	3,317	1,160	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-	-	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-		-	-	-	-
307	Wells and Springs	3.60%	38,867	13,590	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-	-	-		-	-	-	-
309	Supply Mains	3.60%	-	-	-		-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	56,093	19,613	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	1,469	514	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	20,680	7,231	204		204	-	20,884	748
331	Transmission and Distribution Mains	3.60%	383,184	133,978	4,794		4,794	-	387,978	13,881
333	Services	3.60%	9,439	3,300	1,488		1,488	-	10,927	367
334	Meters	3.60%	22,255	7,781	1,087		1,087	-	23,342	821
335	Hydrants	3.60%	-	-	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-	-	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	20,944	7,323	-		-	-	20,944	754
341	Transportation Equipment	3.60%	16,113	5,634	-		-	-	16,113	580
342	Stores Equipment	3.60%	-	-	-		-	-	-	-
343	Tools and Work Equipment	3.60%	1,578	552	156		156	-	1,734	60
344	Laboratory Equipment	3.60%	-	-	-		-	-	-	-
345	Power Operated Equipment	3.60%	20,264	7,085	-		-	-	20,264	730
346	Communications Equipment	3.60%	3,525	1,232	-		-	-	3,525	127
347	Miscellaneous Equipment	3.60%	-	-	-		-	-	-	-
348	Other Tangible Plant	3.60%	12,621	4,413	-		-	-	12,621	454
							-	-	-	-
	TOTAL WATER PLANT		618,303	213,405	7,730	-	7,730	-	626,033	22,112

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.2
Witness: Bourassa
REVISED 12/18/2008

Account No.	Description	Deprec. Rate	1994 Plant Additions	1994 Plant Adjustments	1994 Adjusted Plant Additions	1994 Plant Retirements	1994 Plant Balance	1994 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	-
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	20,884	752
331	Transmission and Distribution Mains	3.60%	9,060		9,060	-	397,038	14,130
333	Services	3.60%	642		642	-	11,570	405
334	Meters	3.60%	1,168		1,168	-	24,510	861
335	Hydrants	3.60%	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	20,944	754
341	Transportation Equipment	3.60%	-		-	-	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	659		659	-	2,393	74
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	3,525	127
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	-		-	-	12,621	454
					-	-	-	-
	TOTAL WATER PLANT		11,529	-	11,529	-	637,562	22,339

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.3
Witness: Bourassa
REVISED 12/18/2008

Account No.	Description	Deprec. Rate	1995 Plant Additions	1995 Plant Adjustments	1995 Adjusted Plant Additions	1995 Plant Retirements	1995 Plant Balance	1995 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	1,585		1,585	-	22,469	780
331	Transmission and Distribution Mains	3.60%	9,534		9,534	-	406,573	14,465
333	Services	3.60%	6,286		6,286	-	17,856	530
334	Meters	3.60%	3,084		3,084	-	27,594	938
335	Hydrants	3.60%	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	2,369		2,369	-	23,313	797
341	Transportation Equipment	3.60%	-		-	-	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	313		313	-	2,706	92
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	3,525	127
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	12,500		12,500	-	25,121	679
					-		-	-
	TOTAL WATER PLANT		35,672	-	35,672	-	673,234	23,308

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.4
Witness: Bourassa
REVISED 12/18/2008

Account No.	Description	Deprec. Rate	1996 Plant Additions	1996 Plant Adjustments	1996 Adjusted Plant Additions	1996 Plant Retirements	1996 Plant Balance	1996 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,469	809
331	Transmission and Distribution Mains	3.60%	13,394		13,394	-	419,967	14,878
333	Services	3.60%	10,454		10,454	-	28,310	831
334	Meters	3.60%	5,311		5,311	-	32,905	1,089
335	Hydrants	3.60%	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	243		243	-	23,556	844
341	Transportation Equipment	3.60%	-		-	-	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	523		523	-	3,228	107
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	1,181		1,181	-	4,706	148
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	1,807		1,807	-	26,929	937
					-		-	-
	TOTAL WATER PLANT		32,913	-	32,913	-	706,148	24,543

H2O, Inc.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2.5
Witness: Bourassa
REVISED 12/18/2008

Account No.	Description	Deprec. Rate	1997 Plant Additions	1997 Plant Adjustments *	1997 Adjusted Plant Additions	1997 Plant Retirements	1997 Plant Balance	1997 Depreciable Balance	1997 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	8,707		8,707	-	64,800	64,800	2,176
320	Water Treatment Equipment	3.60%	-		-	(236)	1,233	1,233	49
330	Distribution Reservoirs & Standpipe	3.60%	332		332	-	22,802	22,802	815
331	Transmission and Distribution Mains	3.60%	55,275		55,275	-	475,242	475,242	16,114
333	Services	3.60%	31,064		31,064	-	59,374	59,374	1,578
334	Meters	3.60%	5,295		5,295	-	38,199	38,199	1,280
335	Hydrants	3.60%	6,000		6,000	-	6,000	6,000	108
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	801		801	-	24,357	24,357	862
341	Transportation Equipment	3.60%	-		-	(13,741)	2,372	-	(5,582)
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	-		-	-	3,228	3,228	116
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	-		-	-	26,929	26,929	969
					-		-	-	-
	TOTAL WATER PLANT		107,473	-	107,473	(13,977)	799,644	797,272	20,903

H2O, Inc.
Plant Additions and Retirements

Exhibit
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Witness: Bourassa
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Account No.	Description	Deprec. Rate	1998 Plant Additions	1998 Plant Adjustments	1998 Adjusted Plant Additions	1998 Plant Retirements	1998 Plant Balance	1998 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	915		915	-	65,714	2,349
320	Water Treatment Equipment	3.60%	1,015		1,015	-	2,248	63
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	821
331	Transmission and Distribution Mains	3.60%	80,889		80,889	-	556,131	18,565
333	Services	3.60%	18,538		18,538	-	77,912	2,471
334	Meters	3.60%	7,422		7,422	-	45,622	1,509
335	Hydrants	3.60%	14,000		14,000	-	20,000	468
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	-		-	-	2,372	-
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	-		-	-	3,228	116
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	500		500	-	27,429	978
					-		-	-
	TOTAL WATER PLANT		123,279	-	123,279	-	922,922	30,634

H2O, Inc.
Plant Additions and Retirements

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Witness: Bourassa
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Account No.	Description	Deprec. Rate	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Plant Balance	1999 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	960		960	-	960	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	2,269		2,269	-	67,983	2,407
320	Water Treatment Equipment	3.60%	-		-	-	2,248	81
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	821
331	Transmission and Distribution Mains	3.60%	55,773		55,773	-	611,904	21,025
333	Services	3.60%	18,782		18,782	-	96,693	3,143
334	Meters	3.60%	11,529		11,529	-	57,151	1,850
335	Hydrants	3.60%	7,500		7,500	-	27,500	855
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	-		-	-	2,372	85
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	1,284		1,284	-	4,513	139
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	3,741		3,741	-	31,170	1,055
					-		-	-
	TOTAL WATER PLANT		101,838	-	101,838	-	1,024,760	34,755

H2O, Inc.
Plant Additions and Retirements

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Witness: Bourassa
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Account No.	Description	Deprec. Rate	2000 Plant Additions	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Plant Balance	2000 Depreciable Balance	2000 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	960	960	-
303	Land and Land Rights	0.00%	-		-	-	7,954	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	922		922	-	68,905	68,905	2,464
320	Water Treatment Equipment	3.60%	-		-	-	2,248	2,248	81
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	22,802	821
331	Transmission and Distribution Mains	3.60%	142,518		142,518	-	754,422	754,422	24,594
333	Services	3.60%	4,749		4,749	-	101,442	101,442	3,566
334	Meters	3.60%	16,731		16,731	-	73,881	73,881	2,359
335	Hydrants	3.60%	-		-	-	27,500	27,500	990
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	24,357	877
341	Transportation Equipment	3.60%	3,543		3,543	-	5,914	5,914	149
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,606		1,606	-	6,119	6,119	191
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	1,987		1,987	-	22,251	22,251	765
346	Communications Equipment	3.60%	-		-	-	4,706	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	5,280		5,280	-	36,450	36,450	1,217
					-		-	-	-
	TOTAL WATER PLANT		177,335	-	177,335	-	1,202,095	1,202,095	39,762

H2O, Inc.
Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.00%	-		-		-	-
302	Franchise Cost	0.00%	130,492		130,492	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	1,170		1,170	-	4,487	140
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	495		495	-	39,362	1,408
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	72,491		72,491	-	141,395	3,785
320	Water Treatment Equipment	3.60%	1,921		1,921	-	4,169	116
330	Distribution Reservoirs & Standpipe	3.60%	12,381		12,381	-	35,182	1,044
331	Transmission and Distribution Mains	3.60%	25,303		25,303	(43)	779,682	27,614
333	Services	3.60%	2,484		2,484	-	103,926	3,697
334	Meters	3.60%	40,029		40,029	-	113,910	3,380
335	Hydrants	3.60%	-		-	-	27,500	990
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	141		141	-	6,055	215
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	698		698	-	6,817	233
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	22,251	801
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	1,218		1,218	-	37,668	1,334
					-		-	-
	TOTAL WATER PLANT		288,822	-	288,822	(43)	1,490,874	45,804

H2O, Inc.
Plant Additions and Retirements

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Witness: Bourassa
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Account No.	Description	Deprec. Rate	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	Plant Retirements To Date	2002 Plant Balance	2002 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	7,505		7,505	-	-	11,993	297
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	-	39,362	1,417
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	206,307		206,307	-	-	347,702	8,804
320	Water Treatment Equipment	3.60%	5,535		5,535	-	(236)	9,704	250
330	Distribution Reservoirs & Standpipe	3.60%	134,988		134,988	-	-	170,170	3,696
331	Transmission and Distribution Mains	3.60%	43,639		43,639	-	(43)	823,321	28,854
333	Services	3.60%	7,024		7,024	-	-	110,951	3,868
334	Meters	3.60%	124,367		124,367	-	-	238,277	6,339
335	Hydrants	3.60%	907		907	-	-	28,407	1,006
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	-	24,357	877
341	Transportation Equipment	3.60%	-		-	-	(13,741)	6,055	218
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	825		825	-	-	7,641	260
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	-	22,251	801
346	Communications Equipment	3.60%	189		189	-	-	4,896	173
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	6,824		6,824	-	-	44,492	1,479
					-		-	-	-
	TOTAL WATER PLANT		538,111	-	538,111	-	(14,020)	2,028,985	58,339

H2O, Inc.
Plant Additions and Retirements

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Witness: Bourassa
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Account No.	Description	Deprec. Rate	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	Plant Retirements To Date	2003 Plant Balance	2003 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	136,197		136,197	-	-	148,190	2,883
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	2,865		2,865	-	-	42,227	1,469
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,375,724		1,375,724	-	-	1,723,426	37,280
320	Water Treatment Equipment	3.60%	11,011		11,011	-	(236)	20,715	548
330	Distribution Reservoirs & Standpipe	3.60%	590,358		590,358	-	-	760,528	16,753
331	Transmission and Distribution Mains	3.60%	300,234		300,234	-	(43)	1,123,555	35,044
333	Services	3.60%	17,774		17,774	-	-	128,725	4,314
334	Meters	3.60%	330,324		330,324	-	-	568,601	14,524
335	Hydrants	3.60%	-		-	-	-	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	22,688		22,688	-	-	47,045	1,285
341	Transportation Equipment	3.60%	1,864		1,864	-	(13,741)	7,919	252
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	11,092		11,092	-	-	18,733	475
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	4,940		4,940	-	-	27,191	890
346	Communications Equipment	3.60%	52,880		52,880	-	-	57,775	1,128
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	25,599		25,599	-	-	70,091	2,062
					-		-	-	-
	TOTAL WATER PLANT		2,883,550	-	2,883,550	-	(14,020)	4,912,535	119,929

H2O, Inc.
Plant Additions and Retirements

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Witness: Bourassa
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Account No.	Description	Deprec. Rate	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	Plant Retirements To Date	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	10,303		10,303	-	-	158,493	5,520
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	121,516		121,516	-	-	163,743	3,707
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	218,691		218,691	-	-	1,942,117	65,980
320	Water Treatment Equipment	3.60%	4,585		4,585	-	(236)	25,300	828
330	Distribution Reservoirs & Standpipe	3.60%	76,435		76,435	-	-	836,963	28,755
331	Transmission and Distribution Mains	3.60%	121,531		121,531	-	(43)	1,245,087	42,636
333	Services	3.60%	20,114		20,114	-	-	148,838	4,996
334	Meters	3.60%	702,354		702,354	-	-	1,270,954	33,112
335	Hydrants	3.60%	-		-	-	-	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	23,721		23,721	-	-	70,767	2,121
341	Transportation Equipment	3.60%	51,918		51,918	-	(13,741)	59,837	1,220
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	5,202		5,202	-	-	23,936	768
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	1,751		1,751	-	-	28,942	1,010
346	Communications Equipment	3.60%	165,316		165,316	-	-	223,092	5,056
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	40,005		40,005	-	-	110,096	3,243
					-		-	-	-
	TOTAL WATER PLANT		1,563,443	-	1,563,443	-	(14,020)	6,475,978	199,975

H2O, Inc.
Plant Additions and Retirements

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Witness: Bourassa
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Account No.	Description	Deprec. Rate	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	Plant Retirements To Date	2005 Plant Balance	2005 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	125,217		125,217	-	-	283,710	7,960
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	64,897		64,897	-	-	228,640	7,063
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,023,286		1,023,286	-	-	2,965,403	88,335
320	Water Treatment Equipment	3.60%	14,952		14,952	-	(236)	40,252	1,180
330	Distribution Reservoirs & Standpipe	3.60%	929,939		929,939	-	-	1,766,902	46,870
331	Transmission and Distribution Mains	3.60%	247,629		247,629	-	(43)	1,492,716	49,280
333	Services	3.60%	35,110		35,110	-	-	183,948	5,990
334	Meters	3.60%	583,711		583,711	-	-	1,854,665	56,261
335	Hydrants	3.60%	-		-	-	-	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	8,125		8,125	-	-	78,892	2,694
341	Transportation Equipment	3.60%	52,274		52,274	-	(13,741)	112,111	3,095
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	11,786		11,786	-	-	35,721	1,074
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	627		627	-	-	29,569	1,053
346	Communications Equipment	3.60%	6,006		6,006	-	-	229,098	8,139
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	30,106		30,106	-	-	140,202	4,505
					-		-	-	-
	TOTAL WATER PLANT		3,133,664		3,133,664	-	(14,020)	9,609,642	284,523

H2O, Inc.
Plant Additions and Retirements

Exhibit
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Account No.	Description	Deprec. Rate	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	Plant Retirements To Date	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	254,469		254,469	-	-	538,179	14,794
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	27,216		27,216	-	-	255,856	8,721
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,472,179		1,472,179	-	-	4,437,582	133,254
320	Water Treatment Equipment	3.60%	11,152		11,152	-	(236)	51,404	1,650
330	Distribution Reservoirs & Standpipe	3.60%	939,515		939,515	-	-	2,706,417	80,520
331	Transmission and Distribution Mains	3.60%	154,405		154,405	-	(43)	1,647,121	56,517
333	Services	3.60%	23,552		23,552	-	-	207,500	7,046
334	Meters	3.60%	444,204		444,204	(8,443)	(8,443)	2,290,426	74,612
335	Hydrants	3.60%	16,936		16,936	-	-	45,343	1,328
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	11,879		11,879	-	-	90,771	3,054
341	Transportation Equipment	3.60%	9,129		9,129	-	(13,741)	121,240	4,200
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	16,895		16,895	-	-	52,616	1,590
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	-	29,569	1,064
346	Communications Equipment	3.60%	-		-	(4,598)	(4,598)	224,500	8,165
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	32,541		32,541	(23,329)	(23,329)	149,414	5,213
					-		-	-	-
	TOTAL WATER PLANT		3,414,072		3,414,072	(36,370)	(50,390)	12,987,344	401,727

H2O, Inc.
Plant Additions and Retirements

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Year End Accumulated Depreciation by Account

Account No.	Description	Deprec. Rate	1992	1993	1994	1995	1996	1997	1998
301	Organization Cost	0.00%	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-
304	Structures and Improvements	3.60%	1,160	1,279	1,279	1,399	1,518	1,637	1,757
305	Collecting and Impounding Res.	3.60%	-	-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-	-	-	-	-
307	Wells and Springs	3.60%	13,590	14,989	16,388	17,787	19,186	20,586	21,985
308	Infiltration Galleries and Tunnels	3.60%	-	-	-	-	-	-	-
309	Supply Mains	3.60%	-	-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	19,613	21,632	23,651	25,671	27,690	29,866	32,215
320	Water Treatment Equipment	3.60%	514	567	619	672	725	538	601
330	Distribution Reservoirs & Standpipe	3.60%	7,231	7,979	8,731	9,511	10,320	11,135	11,956
331	Transmission and Distribution Mains	3.60%	133,978	147,859	161,989	176,454	191,332	207,446	226,010
333	Services	3.60%	3,300	3,667	4,072	4,601	5,432	7,011	9,482
334	Meters	3.60%	7,781	8,602	9,463	10,401	11,490	12,770	14,279
335	Hydrants	3.60%	-	-	-	-	-	108	576
336	Backflow Prevention Devices	3.60%	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	7,323	8,077	8,831	9,628	10,471	11,334	12,210
341	Transportation Equipment	3.60%	5,634	6,214	6,794	7,374	7,954	(11,370)	(11,370)
342	Stores Equipment	3.60%	-	-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	552	611	686	777	884	1,000	1,117
344	Laboratory Equipment	3.60%	-	-	-	-	-	-	-
345	Power Operated Equipment	3.60%	7,085	7,815	8,544	9,274	10,003	10,733	11,462
346	Communications Equipment	3.60%	1,232	1,359	1,486	1,613	1,761	1,931	2,100
347	Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-
348	Other Tangible Plant	3.60%	4,413	4,867	5,322	6,001	6,938	7,907	8,886
			-	-	-	-	-	-	-
	TOTAL WATER PLANT		213,405	235,517	257,856	281,164	305,706	312,632	343,266

H2O, Inc.
Plant Additions and Retirements

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Account No.	Description	Deprec. Rate	1999	2000	2001	2002	2003	2004	2005	2006
301	Organization Cost	0.00%	-	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-
304	Structures and Improvements	3.60%	1,876	1,996	2,136	2,433	5,316	10,836	18,796	33,590
305	Collecting and Impounding Res.	3.60%	-	-	-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-	-	-	-	-	-
307	Wells and Springs	3.60%	23,384	24,783	26,191	27,608	29,077	32,785	39,847	48,568
308	Infiltration Galleries and Tunnels	3.60%	-	-	-	-	-	-	-	-
309	Supply Mains	3.60%	-	-	-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	34,622	37,086	40,871	49,675	86,955	152,935	241,270	374,524
320	Water Treatment Equipment	3.60%	682	763	878	1,128	1,675	2,504	3,684	5,333
330	Distribution Reservoirs & Standpipe	3.60%	12,776	13,597	14,641	18,337	35,090	63,845	110,714	191,234
331	Transmission and Distribution Mains	3.60%	247,035	271,629	299,200	328,054	363,098	405,733	455,014	511,531
333	Services	3.60%	12,625	16,191	19,888	23,756	28,070	33,066	39,056	46,102
334	Meters	3.60%	16,129	18,487	21,868	28,207	42,731	75,843	132,104	198,273
335	Hydrants	3.60%	1,431	2,421	3,411	4,417	5,440	6,463	7,485	8,813
336	Backflow Prevention Devices	3.60%	-	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	13,087	13,964	14,841	15,718	17,003	19,124	21,818	24,871
341	Transportation Equipment	3.60%	(11,284)	(11,135)	(10,920)	(10,702)	(10,450)	(9,231)	(6,135)	(1,935)
342	Stores Equipment	3.60%	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,256	1,447	1,680	1,940	2,415	3,183	4,257	5,847
344	Laboratory Equipment	3.60%	-	-	-	-	-	-	-	-
345	Power Operated Equipment	3.60%	12,192	12,957	13,758	14,559	15,449	16,459	17,513	18,577
346	Communications Equipment	3.60%	2,270	2,439	2,609	2,781	3,909	8,965	17,104	20,671
347	Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-	-
348	Other Tangible Plant	3.60%	9,940	11,158	12,492	13,971	16,033	19,276	23,782	5,666
			-	-	-	-	-	-	-	-
	TOTAL WATER PLANT		378,021	417,784	463,544	521,883	641,812	841,787	1,126,309	1,491,666

H2O, Inc.
Test Year Ended December 31, 2006
Deferred Income Taxes

Exhibit
Schedule B-2
Page 5
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Line No.		
1	**Deferred Tax Analysis**	
2	**December 31, 2006**	
3		
4		
5	Accounting basis at end of year (Note 1)	$ 6,040,793
6		
7	Tax basis of capital assets at end of year (Note 1)	3,835,234
8		
9	Timing Difference	$ (2,205,559)
10		
11	Tax rate	34.90%
12		
13	Defered tax liability **[1]**	$ (769,764)
14		
15	AIAC End of Year (Accounting Basis)	$ (4,632,209)
16		
17	AIAC End of Year (Tax Basis)	-
18		
19	Timing Difference	4,632,209
20		
21	Tax rate	34.90%
22		
23	Defered tax asset **[2]**	$ 1,616,691
24		
25		
26	Net Deferred Tax Asset (Liability) **[3]**=[1] plus [2]	$ 846,927
27		
28		
29	Note 1 - Calculation of Plant Book and Tax Basis	
30		

31		Tax	Book
32	Plant in Service (from B-2)		$ 12,987,344
33	CIAC (from B-2)		(6,449,776)
34	Amort. on CIAC (From B-2)		683,565
35	Asset Cost	$ 4,933,687	$ 7,221,133
36	Accum. Depr. (from B-2)	(1,098,453)	(1,180,340)
37	NBV	$ 3,835,234	$ 6,040,793
38			

H2O, Inc.
Test Year Ended December 31, 2006
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
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Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	238,968
3	Pumping Power (1/24 of Pumping Power)		10,579
4	Purchased Water (1/24 of Purchased Water)		3,241
5	Material and Supplies Inventories		-
6	Prepayments		8,127
7			
8			
9	Total Working Capital Allowance	$	260,916
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	E-1	B-1	
17			

H2O, Inc. W-02234A-07-0557
Test Year Ended December 31, 2006
Income Statement

Exhibit
Schedule C-1
Page 1
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Line No.		Test Year Book Results	Label	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**						
2	Metered Water Revenues	$ 2,908,115	4	$ 262,954	$ 3,171,070	$ (154,861)	$ 3,016,209
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	208,697			208,697		208,697
5		$ 3,116,813		$ 262,954	$ 3,379,767	$ (154,861)	$ 3,224,906
6	**Operating Expenses**						
7	Salaries and Wages	$ 735,250	9a	55,443	$ 790,693		$ 790,693
8	Purchased Water	77,793			77,793		77,793
9	Purchased Power	232,041	6	21,852	253,894		253,894
10	Chemicals	4,229			4,229		4,229
11	Repairs and Maintenance	169,792			169,792		169,792
12	Office Supplies and Expense	70,995	7/8	4,125	75,119		75,119
13	Outside Services	266,331	11	(200,000)	66,331		66,331
14	Water Testing	12,289			12,289		12,289
15	Rents	175,063			175,063		175,063
16	Transportation Expenses	214,459			214,459		214,459
17	Insurance - General Liability	52,245			52,245		52,245
18	Insurance - Health and Life	27,819	9b	33,394	61,213		61,213
19	Reg. Comm. Exp. - Rate Case	12,782	3	27,218	40,000		40,000
20	Miscellaneous Expense	187,311			187,311		187,311
21	Depreciation Expense	322,570	1	148,674	471,243		471,243
22	Taxes Other Than Income	80,959	9c	(17,957)	63,002		63,002
23	Property Taxes	74,994	2	122,411	197,405		197,405
24	Income Tax	3,600	12	167,732	171,332	(58,332)	113,001
25					-		-
26	**Total Operating Expenses**	$ 2,720,522		$ 362,892	$ 3,083,414	$ (58,332)	$ 3,025,082
27	**Operating Income**	$ 396,290		$ (99,937)	$ 296,353	$ (96,529)	$ 199,823
28	**Other Income (Expense)**						
29	Interest Income	28,783	5a	(28,783)	-		-
30	Other income	-	5b	-	-		-
31	Interest Expense	(15,864)	10	3,038	(12,826)		(12,826)
32	Other Expense	-	5d	-	-		-
33		-			-		-
34	**Total Other Income (Expense)**	$ 12,920		$ (25,745)	$ (12,826)	$ -	$ (12,826)
35	**Net Profit (Loss)**	$ 409,210		$ (125,683)	$ 283,527	$ (96,529)	$ 186,998
36							
37	SUPPORTING SCHEDULES:					RECAP SCHEDULES:	
38	C-2					A-1	
39	E-2						

H2O, Inc. Docket W-02234A-07-0557
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
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Adjustments to Revenues and Expenses

Line No.		1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Remove Other Inc./Oth. Expense	6 Purchased Power Annualization	Subtotal
1								
2								
3	Revenues				262,954			262,954
4								
5	Expenses	148,674	122,411	27,218			21,852	320,155
6								
7	Operating							
8	Income	(148,674)	(122,411)	(27,218)	262,954	-	(21,852)	(57,200)
9								
10	Interest							
11	Expense					(28,783)		(28,783)
12	Other							
13	Income /					-		-
14	Expense							
15								
16	Net Income	(148,674)	(122,411)	(27,218)	262,954	(28,783)	(21,852)	(85,984)
17								
18								

Adjustments to Revenues and Expenses

19		7 Postage Increase	8 Annualize Postage	9 Salaries and Wages	10 Interest Synchronization	11 Remove FEL Expenses	12 Income taxes	Subtotal
20								
21								
22								
23	Revenues							262,954
24								
25	Expenses	1,401	2,723	70,880		(200,000)	168,341	363,500
26								
27	Operating							
28	Income	(1,401)	(2,723)	(70,880)	-	200,000	(168,341)	(100,546)
29								
30	Interest							
31	Expense				4,358			(24,426)
32	Other							
33	Income /							-
34	Expense							
35								
36	Net Income	(1,401)	(2,723)	(70,880)	4,358	200,000	(168,341)	(124,972)
37								

H2O, Inc.
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa
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Line No.

1 Depreciation Expense

Account No.	Description	Original Cost	Proposed Rate	Depreciation Expense
301	Organization Cost	-	0.00%	-
302	Franchise Cost	131,452	0.00%	-
303	Land and Land Rights	7,954	0.00%	-
304	Structures and Improvements	538,179	3.33%	17,921
305	Collecting and Impounding Res.	-	2.50%	-
306	Lake River and Other Intakes	-	2.50%	-
307	Wells and Springs	255,856	3.33%	8,520
308	Infiltration Galleries and Tunnels	-	6.67%	-
309	Supply Mains	-	2.00%	-
310	Power Generation Equipment	-	5.00%	-
311	Electric Pumping Equipment	4,437,582	12.50%	554,698
320	Water Treatment Equipment	51,404	3.33%	1,712
330	Distribution Reservoirs & Standpipe	2,706,417	2.22%	60,082
331	Transmission and Distribution Mains	1,647,121	2.00%	32,942
333	Services	207,500	3.33%	6,910
334	Meters	2,290,426	8.33%	190,793
335	Hydrants	45,343	2.00%	907
336	Backflow Prevention Devices	-	6.67%	-
339	Other Plant and Miscellaneous Equipment	-	6.67%	-
340	Office Furniture and Fixtures	90,771	6.67%	6,054
341	Transportation Equipment	121,240	20.00%	24,248
342	Stores Equipment	-	4.00%	-
343	Tools and Work Equipment	52,616	5.00%	2,631
344	Laboratory Equipment	-	10.00%	-
345	Power Operated Equipment	29,569	5.00%	1,478
346	Communications Equipment	224,500	10.00%	22,450
347	Miscellaneous Equipment	-	10.00%	-
348	Other Tangible Plant	149,414	10.00%	14,941
	TOTALS	$ 12,987,344		$ 946,288

Less: Amort. of Contributions - Adjusted Balance End of TY	$ 6,449,776	7.3653%	$ (475,045)
Total Depreciation Expense			$ 471,243
Test Year Depreciation Expense			322,570
Increase (decrease) in Depreciation Expense			148,674
Adjustment to Revenues and/or Expenses			$ 148,674

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

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Line No.			
1	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended 12/31/2006	$	3,379,767
4	Adjusted Revenues in year ended 12/31/2006		3,379,767
5	Proposed Revenues		3,224,906
6	Average of three year's of revenue	$	3,328,147
7	Average of three year's of revenue, times 2	$	6,656,293
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		9,231
12			
13	Full Cash Value	$	6,647,063
14	Assessment Ratio		23.00%
15	Assessed Value		1,528,824
16	Property Tax Rate		12.8467%
17			
18	Property Tax		196,403
19	Tax on Parcels		1,002
20			
21	Total Property Tax at Proposed Rates	$	197,405
22	Property Taxes in the test year		74,994
23	Change in Property Taxes	$	122,411
24			
25			
26	Adjustment to Revenues and/or Expenses	$	122,411
27			
28			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 4

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Line No.			
1	Revenue Annualization		
2			
3			
4	Revenue Annualization	$	262,954
5			
6			
7			
8	Total Revenue from Annualization	$	262,954
9			
10			
11	Adjustment to Revenue and/or Expense	$	262,954
12			
13	SUPPORTING SCHEDULES		
14	C-2 , pages 5.1 to 5.15		
15	H-1		
16			
17			
18			
19			
20			

H2O, Inc. Docket W-02234A-07-0557
5/8 Inch
Customers to Year End Levels
Test Year Ended December 31, 2006

Exhibit
Schedule C-2
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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	232	232	232	232	232	232	232
2	Actual Customers	239	246	242	241	223	226	229
3	Increase in Number of Customers/Bills	(7)	(14)	(10)	(9)	9	6	3
4	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00
5	Revenue Annualization / Present Rates	$ (105)	$ (210)	$ (150)	$ (135)	$ 135	$ 90	$ 45
6								
7	Increase in Number of Customers	(7)	(14)	(10)	(9)	9	6	3
8	Average Revenue / Proposed Rates	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70
9	Revenue Annualization / Proposed Rates	$ (82)	$ (164)	$ (117)	$ (105)	$ 105	$ 70	$ 35
10	Additional Gallons to be Produced	(36,114)	(58,369)	(38,889)	(40,206)	27,852	22,105	9,519
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	232	232	232	232	232		
16	Actual Customers	227	226	227	231	232		
17	Increase in Number of Customers/Bills	5	6	5	1	-		(5)
18	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00		
19	Revenue Annualization / Present Rates	$ 75	$ 90	$ 75	$ 15	$ -		$ (75)
20								
21	Increase in Number of Customers	5	6	5	1	-		
22	Average Revenue / Proposed Rates	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70		
23	Revenue Annualization / Proposed Rates	$ 75	$ 90	$ 75	$ 15	$ -		$ (59)
24	Additional Gallons to be Produced	14,540	17,737	14,914	3,585	-		(63,327)

H2O, Inc. Docket W-02234A-07-0557
3/4 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	5,837	5,837	5,837	5,837	5,837	5,837	5,837
2	Actual Customers	5,011	4,981	4,962	4,977	4,975	5,053	5,174
3	Increase in Number of Customers/Bills	826	856	875	860	862	784	663
4	Average Revenue / Present Rates	$ 29.01	$ 27.08	$ 27.34	$ 31.43	$ 33.35	$ 38.47	$ 35.36
5	Revenue Annualization / Present Rates	$ 23,962	$ 23,178	$ 23,924	$ 27,032	$ 28,751	$ 30,160	$ 23,446
6								
7	Increase in Number of Customers	826	856	875	860	862	784	663
8	Average Revenue / Proposed Rates	$ 27.46	$ 25.72	$ 25.96	$ 29.64	$ 31.37	$ 37.10	$ 33.52
9	Revenue Annualization / Proposed Rates	$ 22,683	$ 22,017	$ 22,715	$ 25,492	$ 27,041	$ 29,085	$ 22,223
10	Additional Gallons to be Produced	5,935,161	5,221,036	5,467,390	7,349,961	8,297,360	9,799,471	7,130,300
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	5,837	5,837	5,837	5,837	5,837		
16	Actual Customers	5,557	5,608	5,700	5,751	5,837		
17	Increase in Number of Customers/Bills	280	229	137	86	-		6,458
18	Average Revenue / Present Rates	$ 31.71	$ 31.21	$ 29.36	$ 32.41	$ 26.39		
19	Revenue Annualization / Present Rates	$ 8,878	$ 7,147	$ 4,022	$ 2,787	$ -		$ 203,288
20								
21	Increase in Number of Customers	280	229	137	86	-		
22	Average Revenue / Proposed Rates	$ 29.89	$ 29.44	$ 27.78	$ 30.52	$ 25.10		
23	Revenue Annualization / Proposed Rates	$ 8,878	$ 7,147	$ 4,022	$ 2,787	$ -		$ 192,797
24	Additional Gallons to be Produced	2,436,191	1,928,594	1,011,295	782,101	-		55,358,858

H2O, Inc. Docket W-02234A-07-0557
1 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	185	185	185	185	185	185	185
2	Actual Customers	175	173	178	179	181	184	180
3	Increase in Number of Customers/Bills	10	12	7	6	4	1	5
4	Average Revenue / Present Rates	$ 76.64	$ 67.03	$ 65.09	$ 80.93	$ 91.25	$ 113.20	$ 102.76
5	Revenue Annualization / Present Rates	$ 766	$ 804	$ 456	$ 486	$ 365	$ 113	$ 514
6								
7	Increase in Number of Customers	10	12	7	6	4	1	5
8	Average Revenue / Proposed Rates	$ 65.71	$ 57.88	$ 56.14	$ 68.97	$ 78.91	$ 100.25	$ 90.11
9	Revenue Annualization / Proposed Rates	$ 657	$ 695	$ 393	$ 414	$ 316	$ 100	$ 451
10	Additional Gallons to be Produced	227,570	214,469	117,479	148,757	118,738	40,083	175,695
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	185	185	185	185	185		
16	Actual Customers	181	181	180	183	185		
17	Increase in Number of Customers/Bills	4	4	5	2	-		60
18	Average Revenue / Present Rates	$ 88.15	$ 82.35	$ 79.83	$ 90.43	$ 63.55		
19	Revenue Annualization / Present Rates	$ 353	$ 329	$ 399	$ 181	$ -		$ 4,766
20								
21	Increase in Number of Customers	4	4	5	2	-		
22	Average Revenue / Proposed Rates	$ 75.90	$ 70.25	$ 68.13	$ 78.11	$ 54.75		
23	Revenue Annualization / Proposed Rates	$ 353	$ 329	$ 399	$ 181	$ -		$ 4,106
24	Additional Gallons to be Produced	112,859	101,861	121,350	58,591	-		1,437,454

H2O, Inc. Docket W-02234A-07-0557
1 1/2 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	10	11	10	10	10	10	10
3	Increase in Number of Customers/Bills	1	-	1	1	1	1	1
4	Average Revenue / Present Rates	$ 129.71	$ 119.08	$ 108.29	$ 134.35	$ 149.33	$ 288.53	$ 259.69
5	Revenue Annualization / Present Rates	$ 130	$ -	$ 108	$ 134	$ 149	$ 289	$ 260
6								
7	Increase in Number of Customers	1	-	1	1	1	1	1
8	Average Revenue / Proposed Rates	$ 106.40	$ 98.33	$ 90.06	$ 109.93	$ 121.30	$ 251.81	$ 223.77
9	Revenue Annualization / Proposed Rates	$ 106	$ -	$ 90	$ 110	$ 121	$ 252	$ 224
10	Additional Gallons to be Produced	29,901	-	19,701	32,101	39,201	105,172	91,504
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	11	11	11	11	11		
16	Actual Customers	10	12	10	10	11		
17	Increase in Number of Customers/Bills	1	(1)	1	1	-		8
18	Average Revenue / Present Rates	$ 162.04	$ 164.34	$ 155.45	$ 222.87	$ 124.07		
19	Revenue Annualization / Present Rates	$ 162	$ (164)	$ 155	$ 223	$ -		$ 1,446
20								
21	Increase in Number of Customers	1	(1)	1	1	-		
22	Average Revenue / Proposed Rates	$ 130.94	$ 132.69	$ 125.95	$ 187.95	$ 102.12		
23	Revenue Annualization / Proposed Rates	$ 162	$ (164)	$ 155	$ 223	$ -		$ 1,215
24	Additional Gallons to be Produced	45,221	(46,313)	42,101	74,051	-		432,637

H2O, Inc. Docket W-02234A-07-0557
2 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	-	-	1	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	-	-	-	-	-
4	Average Revenue / Present Rates	$ 120.00	$ 120.00	$ 133.35	$ 209.74	$ 218.18	$ 209.74	$ 182.31
5	Revenue Annualization / Present Rates	$ 120	$ 120	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	1	1	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 93.60	$ 93.60	$ 107.22	$ 168.09	$ 174.50	$ 168.09	$ 147.27
9	Revenue Annualization / Proposed Rates	$ 94	$ 94	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	2
18	Average Revenue / Present Rates	$ 151.15	$ 352.18	$ 211.85	$ 182.31	$ 213.96	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 240
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 123.24	$ 291.55	$ 169.70	$ 147.27	$ 171.30	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 187
24	Additional Gallons to be Produced	-	-	-	-	-	-

H2O, Inc. Docket W-02234A-07-0557
5/8 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	4	4	4	4	4	4	4
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)	(1)	(1)
4	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00
5	Revenue Annualization / Present Rates	$ (15)	$ (15)	$ (15)	$ (15)	$ (15)	$ (15)	$ (15)
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)	(1)	(1)
8	Average Revenue / Proposed Rates	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70
9	Revenue Annualization / Proposed Rates	$ (12)	$ (12)	$ (12)	$ (12)	$ (12)	$ (12)	$ (12)
10	Additional Gallons to be Produced	(3,250)	(41,125)	(69,213)	(4,375)	(11,001)	(15,625)	(10,500)
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	3	3	3	3	3		
16	Actual Customers	4	4	4	4	3		
17	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	-		(11)
18	Average Revenue / Present Rates	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00		
19	Revenue Annualization / Present Rates	$ (15)	$ (15)	$ (15)	$ (15)	$ -		$ (165)
20								
21	Increase in Number of Customers	(1)	(1)	(1)	(1)	-		
22	Average Revenue / Proposed Rates	$ 11.70	$ 11.70	$ 11.70	$ 11.70	$ 11.70		
23	Revenue Annualization / Proposed Rates	$ (15)	$ (15)	$ (15)	$ (15)	$ -		$ (129)
24	Additional Gallons to be Produced	(8,250)	(1,375)	(9,000)	(3,250)	-		(176,966)

H2O, Inc. Docket W-02234A-07-0557
3/4 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	13	13	13	13	13	13	13
2	Actual Customers	10	10	11	11	11	11	11
3	Increase in Number of Customers/Bills	3	3	2	2	2	2	2
4	Average Revenue / Present Rates	$ 78.23	$ 68.36	$ 55.08	$ 58.63	$ 69.79	$ 82.44	$ 67.43
5	Revenue Annualization / Present Rates	$ 235	$ 205	$ 110	$ 117	$ 140	$ 165	$ 135
6								
7	Increase in Number of Customers	3	3	2	2	2	2	2
8	Average Revenue / Proposed Rates	$ 78.17	$ 68.58	$ 55.66	$ 59.11	$ 69.97	$ 82.26	$ 67.68
9	Revenue Annualization / Proposed Rates	$ 235	$ 206	$ 111	$ 118	$ 140	$ 165	$ 135
10	Additional Gallons to be Produced	97,545	83,521	43,092	46,456	57,037	69,019	54,801
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	13	13	13	13	13		
16	Actual Customers	12	12	12	12	13		
17	Increase in Number of Customers/Bills	1	1	1	1	-		20
18	Average Revenue / Present Rates	$ 51.61	$ 47.89	$ 46.78	$ 56.48	$ 37.44		
19	Revenue Annualization / Present Rates	$ 52	$ 48	$ 47	$ 56	$ -		$ 1,309
20								
21	Increase in Number of Customers	1	1	1	1	-		
22	Average Revenue / Proposed Rates	$ 52.25	$ 47.96	$ 46.68	$ 57.02	$ 35.92		
23	Revenue Annualization / Proposed Rates	$ 52	$ 48	$ 47	$ 56	$ -		$ 1,314
24	Additional Gallons to be Produced	19,884	17,792	17,167	22,209	-		528,523

H2O, Inc. Docket W-02234A-07-0557
1 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	6	6	6	6	6	6	6
2	Actual Customers	6	5	5	5	5	5	6
3	Increase in Number of Customers/Bills	-	1	1	1	1	1	-
4	Average Revenue / Present Rates	$ 67.56	$ 61.39	$ 55.69	$ 74.83	$ 72.72	$ 122.27	$ 83.43
5	Revenue Annualization / Present Rates	$ -	$ 61	$ 56	$ 75	$ 73	$ 122	$ -
6								
7	Increase in Number of Customers	-	1	1	1	1	1	-
8	Average Revenue / Proposed Rates	$ 58.35	$ 52.80	$ 47.67	$ 64.33	$ 62.73	$ 109.07	$ 71.31
9	Revenue Annualization / Proposed Rates	$ -	$ 53	$ 48	$ 64	$ 63	$ 109	$ -
10	Additional Gallons to be Produced	-	14,701	11,501	21,901	20,901	44,383	-
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	6	6	6	6	6		
16	Actual Customers	6	6	6	6	6		
17	Increase in Number of Customers/Bills	-	-	-	-	-		5
18	Average Revenue / Present Rates	$ 64.00	$ 55.10	$ 63.70	$ 78.91	$ 80.76		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ 387
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 55.15	$ 47.14	$ 54.88	$ 67.43	$ 68.84		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ 337
24	Additional Gallons to be Produced	-	-	-	-	-		113,385

H2O, Inc. Docket W-02234A-07-0557
1 1/2 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 149.97	$ 135.20	$ 124.65	$ 130.98	$ 124.65	$ 145.75	$ 124.65
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 121.78	$ 110.57	$ 102.56	$ 107.36	$ 102.56	$ 118.58	$ 102.56
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 164.74	$ 171.07	$ 141.53	$ 206.94	$ 164.74	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 132.99	$ 137.80	$ 115.37	$ 172.46	$ 132.99	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

H2O, Inc. Docket W-02234A-07-0557
2 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	13	13	13	13	13	13	13
2	Actual Customers	16	16	15	15	13	13	13
3	Increase in Number of Customers/Bills	(3)	(3)	(2)	(2)	-	-	-
4	Average Revenue / Present Rates	$ 468.90	$ 404.85	$ 384.29	$ 468.20	$ 524.43	$ 641.85	$ 573.87
5	Revenue Annualization / Present Rates	$ (1,407)	$ (1,215)	$ (769)	$ (936)	$ -	$ -	$ -
6								
7	Increase in Number of Customers	(3)	(3)	(2)	(2)	-	-	-
8	Average Revenue / Proposed Rates	$ 405.05	$ 342.77	$ 322.78	$ 404.38	$ 459.06	$ 573.25	$ 507.15
9	Revenue Annualization / Proposed Rates	$ (1,215)	$ (1,028)	$ (646)	$ (809)	$ -	$ -	$ -
10	Additional Gallons to be Produced	(507,975)	(416,914)	(258,456)	(337,994)	-	-	-
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	13	13	13	13	13		
16	Actual Customers	13	13	13	13	13		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(10)
18	Average Revenue / Present Rates	$ 572.25	$ 509.86	$ 443.47	$ 491.36	$ 372.81		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (4,326)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 505.57	$ 444.89	$ 380.33	$ 426.91	$ 311.61		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (3,698)
24	Additional Gallons to be Produced	-	-	-	-	-		(1,521,339)

H2O, Inc. Docket W-02234A-07-0557
3 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	6	6	6	6	6	6	6
2	Actual Customers	10	10	11	8	7	6	6
3	Increase in Number of Customers/Bills	(4)	(4)	(5)	(2)	(1)	-	-
4	Average Revenue / Present Rates	$ 846.71	$ 888.57	$ 495.77	$ 809.98	$ 762.06	$ 596.03	$ 605.74
5	Revenue Annualization / Present Rates	$ (3,387)	$ (3,554)	$ (2,479)	$ (1,620)	$ (762)	$ -	$ -
6								
7	Increase in Number of Customers	(4)	(4)	(5)	(2)	(1)	-	-
8	Average Revenue / Proposed Rates	$ 727.97	$ 768.68	$ 399.15	$ 692.25	$ 645.64	$ 484.18	$ 493.62
9	Revenue Annualization / Proposed Rates	$ (2,912)	$ (3,075)	$ (1,996)	$ (1,384)	$ (646)	$ -	$ -
10	Additional Gallons to be Produced	(1,194,481)	(1,273,841)	(661,501)	(562,426)	(258,500)	-	-
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	6	6	6	6	6		
16	Actual Customers	5	5	5	5	6		
17	Increase in Number of Customers/Bills	1	1	1	1	-		(12)
18	Average Revenue / Present Rates	$ 439.65	$ 663.60	$ 548.06	$ 491.55	$ 439.05		
19	Revenue Annualization / Present Rates	$ 440	$ 664	$ 548	$ 492	$ -		$ (9,659)
20								
21	Increase in Number of Customers	1	1	1	1	-		
22	Average Revenue / Proposed Rates	$ 356.53	$ 549.90	$ 438.84	$ 395.94	$ 356.08		
23	Revenue Annualization / Proposed Rates	$ 440	$ 664	$ 548	$ 492	$ -		$ (8,271)
24	Additional Gallons to be Produced	105,700	211,840	157,080	130,300	-		(3,345,828)

H2O, Inc. *Docket W-02234A-07-0557*
3/4 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	7	5	5	5	5	8	8
3	Increase in Number of Customers/Bills	2	4	4	4	4	1	1
4	Average Revenue / Present Rates	$ 37.96	$ 32.24	$ 34.73	$ 39.72	$ 40.96	$ 36.91	$ 36.47
5	Revenue Annualization / Present Rates	$ 76	$ 129	$ 139	$ 159	$ 164	$ 37	$ 36
6								
7	Increase in Number of Customers	2	4	4	4	4	1	1
8	Average Revenue / Proposed Rates	$ 36.51	$ 30.37	$ 32.79	$ 38.54	$ 39.97	$ 35.31	$ 34.79
9	Revenue Annualization / Proposed Rates	$ 73	$ 121	$ 131	$ 154	$ 160	$ 35	$ 35
10	Additional Gallons to be Produced	24,429	36,002	41,602	52,802	55,602	11,625	11,375
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	9	9	9	9	9	
16	Actual Customers	8	8	8	9	9	
17	Increase in Number of Customers/Bills	1	1	1	-	-	23
18	Average Revenue / Present Rates	$ 33.69	$ 36.25	$ 26.01	$ 34.12	$ 29.87	
19	Revenue Annualization / Present Rates	$ 34	$ 36	$ 26	$ -	$ -	$ 836
20							
21	Increase in Number of Customers	1	1	1	-	-	
22	Average Revenue / Proposed Rates	$ 31.67	$ 34.54	$ 24.76	$ 32.09	$ 28.23	
23	Revenue Annualization / Proposed Rates	$ 34	$ 36	$ 26	$ -	$ -	$ 801
24	Additional Gallons to be Produced	9,813	11,251	5,501	-	-	260,001

H2O, Inc. Docket W-02234A-07-0557
1 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

Exhibit
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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	17	17	17	17	17	17	17
2	Actual Customers	13	13	13	13	14	15	15
3	Increase in Number of Customers/Bills	4	4	4	4	3	2	2
4	Average Revenue / Present Rates	$ 244.55	$ 221.30	$ 178.69	$ 219.60	$ 245.79	$ 392.59	$ 303.45
5	Revenue Annualization / Present Rates	$ 978	$ 885	$ 715	$ 878	$ 737	$ 785	$ 607
6								
7	Increase in Number of Customers	4	4	4	4	3	2	2
8	Average Revenue / Proposed Rates	$ 228.00	$ 205.39	$ 163.95	$ 203.73	$ 229.20	$ 371.97	$ 285.28
9	Revenue Annualization / Proposed Rates	$ 912	$ 822	$ 656	$ 815	$ 688	$ 744	$ 571
10	Additional Gallons to be Produced	409,351	365,274	284,494	362,045	308,770	344,997	260,502
11								
12								
13								
14								

Line No.		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
15	Year End Number of Customers	17	17	17	17	17	
16	Actual Customers	15	15	17	18	17	
17	Increase in Number of Customers/Bills	2	2	-	(1)	-	26
18	Average Revenue / Present Rates	$ 282.96	$ 220.95	$ 224.76	$ 182.57	$ 106.96	
19	Revenue Annualization / Present Rates	$ 566	$ 442	$ -	$ (183)	$ -	$ 6,411
20							
21	Increase in Number of Customers	2	2	-	(1)	-	
22	Average Revenue / Proposed Rates	$ 265.35	$ 205.04	$ 208.74	$ 167.72	$ 94.19	
23	Revenue Annualization / Proposed Rates	$ 566	$ 442	$ -	$ (183)	$ -	$ 5,979
24	Additional Gallons to be Produced	241,082	182,305	-	(72,964)	-	2,685,855

H2O, Inc. Docket W-02234A-07-0557
1 1/2 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	5	5	6	5	6	8	9
3	Increase in Number of Customers/Bills	4	4	3	4	3	1	-
4	Average Revenue / Present Rates	$ 616.64	$ 424.39	$ 262.94	$ 470.20	$ 424.41	$ 477.37	$ 473.42
5	Revenue Annualization / Present Rates	$ 2,467	$ 1,698	$ 789	$ 1,881	$ 1,273	$ 477	$ -
6								
7	Increase in Number of Customers	4	4	3	4	3	1	-
8	Average Revenue / Proposed Rates	$ 570.90	$ 383.94	$ 226.92	$ 428.49	$ 383.96	$ 435.46	$ 431.62
9	Revenue Annualization / Proposed Rates	$ 2,284	$ 1,536	$ 681	$ 1,714	$ 1,152	$ 435	$ -
10	Additional Gallons to be Produced	1,042,694	678,241	279,124	765,078	508,707	194,670	-
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
15	Year End Number of Customers	9	9	9	9	9		
16	Actual Customers	9	9	9	10	9		
17	Increase in Number of Customers/Bills	-	-	-	(1)	-		18
18	Average Revenue / Present Rates	$ 363.92	$ 335.38	$ 227.85	$ 279.63	$ 180.63		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ (280)	$ -		$ 8,305
20								
21	Increase in Number of Customers	-	-	-	(1)	-		
22	Average Revenue / Proposed Rates	$ 325.13	$ 297.37	$ 192.80	$ 243.15	$ 146.88		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ (280)	$ -		$ 7,558
24	Additional Gallons to be Produced	-	-	-	(100,951)	-		3,367,563

H2O, Inc. Docket W-02234A-07-0557
2 Inch Landscape Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2006

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Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	40	40	40	40	40	40	40
2	Actual Customers	29	29	29	29	30	37	38
3	Increase in Number of Customers/Bills	11	11	11	11	10	3	2
4	Average Revenue / Present Rates	$ 757.30	$ 654.67	$ 592.11	$ 788.56	$ 1,150.20	$ 1,434.40	$ 1,175.63
5	Revenue Annualization / Present Rates	$ 8,330	$ 7,201	$ 6,513	$ 8,674	$ 11,502	$ 4,303	$ 2,351
6								
7	Increase in Number of Customers	11	11	11	11	10	3	2
8	Average Revenue / Proposed Rates	$ 685.53	$ 585.72	$ 524.88	$ 715.93	$ 1,067.63	$ 1,344.02	$ 1,092.36
9	Revenue Annualization / Proposed Rates	$ 7,541	$ 6,443	$ 5,774	$ 7,875	$ 10,676	$ 4,032	$ 2,185
10	Additional Gallons to be Produced	3,366,079	2,831,043	2,504,908	3,529,081	4,922,163	1,880,725	1,008,540
11								
12								
13								
14		Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
15	Year End Number of Customers	40	40	40	40	40		
16	Actual Customers	39	38	39	41	40		
17	Increase in Number of Customers/Bills	1	2	1	(1)	-		62
18	Average Revenue / Present Rates	$ 719.78	$ 585.97	$ 512.06	$ 846.93	$ 416.37		
19	Revenue Annualization / Present Rates	$ 720	$ 1,172	$ 512	$ (847)	$ -		$ 50,432
20								
21	Increase in Number of Customers	1	2	1	(1)	-		
22	Average Revenue / Proposed Rates	$ 649.04	$ 518.91	$ 447.03	$ 772.70	$ 353.97		
23	Revenue Annualization / Proposed Rates	$ 720	$ 1,172	$ 512	$ (847)	$ -		$ 45,887
24	Additional Gallons to be Produced	288,228	449,622	189,783	(348,489)	-		20,621,683

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 10

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Line No.			
1	Interest Synchronization With Rate Base		
2			
3			
4	Fair Value Rate Base	$ 1,944,185	
5	Weighted Cost of Debt from D-1	0.66%	
6	Synchronized Interest		$ 12,826
7			
8	Test Year Interest Expense		$ 15,864
9			
10	Increase (decrease) in Interest Expense		$ (3,038)
11			
12	Adjustment to Revenue and/or Expense		$ 3,038
13			
14			
15			
16			
17			
18			
19			
20			

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H2O, Inc.
Test Year Ended December 31, 2006
Computation of Gross Revenue Conversion Factor

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Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	30.70%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	37.67%
9		
10	Operating Income % = 100% - Tax Percentage	62.33%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6043
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		A-1
20		

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
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Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	240,387	16.73%	6.27%	1.05%	229,931	14.25%	6.29%	0.90%
2									
3	Stockholder's Equity (1) (2)	1,196,122	83.27%	10.75%	8.95%	1,383,869	85.75%	10.75%	9.22%
4									
5	Totals	1,436,509	100.00%		10.00%	1,613,800	100.00%		10.11%
6									
7									
8	**(1) Decrease Equity for A/D adjustment 1, B-2, page 2**	**$**	**(49,663)**						
9	**(2) Increase Equity for A.A. adjustment 2, B-2, page 3**	**$**	**683,565**						
10	**(3) Increase Equity for A.A. adjustment 2, B-2, page 3**	**$**	**-**						
11									
12	SUPPORTING SCHEDULES:								
13	D-1								
14	D-3								
15	D-4								
16	E-1								
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									

RECAP SCHEDULES:
A-3

Docket W-02234A-07-0557

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 1
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Line No.	Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 55,280	$ 46,275	$ (9,006)	-16.29%	1.90%	1.67%
2	3/4 Inch	Residential	$ 1,997,926	$ 1,945,172	$ (52,755)	-2.64%	68.62%	70.28%
3	1 Inch	Residential	$ 184,593	$ 162,914	$ (21,680)	-11.74%	6.34%	5.89%
4	1.5 Inch	Residential	$ 20,856	$ 17,589	$ (3,267)	-15.67%	0.72%	0.64%
5	2 Inch	Residential	$ 2,065	$ 1,668	$ (397)	-19.20%	0.07%	0.06%
6								
7		Subtotal	$ 2,260,720	$ 2,173,617	$ (87,104)	-3.85%	77.65%	78.53%
8								
9	5/8 Inch	Commercial	$ 2,299	$ 2,129	$ (170)	-7.40%	0.08%	0.08%
10	3/4 Inch	Commercial	$ 8,400	$ 8,273	$ (127)	-1.51%	0.29%	0.30%
11	1 Inch	Commercial	$ 5,055	$ 4,457	$ (598)	-11.83%	0.17%	0.16%
12	1.5 Inch	Commercial	$ 1,785	$ 1,458	$ (327)	-18.34%	0.06%	0.05%
13	2 Inch	Commercial	$ 80,656	$ 72,178	$ (8,478)	-10.51%	2.77%	2.61%
14	3 Inch	Commercial	$ 55,378	$ 49,161	$ (6,217)	-11.23%	1.90%	1.78%
15		Subtotal	$ 153,573	$ 137,656	$ (15,917)	-10.36%	5.27%	4.97%
16								
17	3/4 Inch	Landscape Irrigation	$ 3,020	$ 2,962	$ (58)	-1.91%	0.10%	0.11%
18	1 Inch	Landscape Irrigation	$ 41,891	$ 39,196	$ (2,695)	-6.43%	1.44%	1.42%
19	1.5 Inch	Landscape Irrigation	$ 32,643	$ 29,547	$ (3,095)	-9.48%	1.12%	1.07%
20	2 Inch	Landscape Irrigation	$ 335,174	$ 306,947	$ (28,227)	-8.42%	11.51%	11.09%
21								
22		Subtotal	$ 412,728	$ 378,653	$ (34,075)	-8.26%	14.18%	13.68%
23								
24								
25	2 Inch	Construction	$ 16,707	$ 15,898	$ (809)	-4.84%	0.57%	0.57%
26	3 Inch	Construction	$ 67,721	$ 62,059	$ (5,662)	-8.36%	2.33%	2.24%
27		Subtotal	$ 84,429	$ 77,957	$ (6,471)	-7.67%	2.90%	2.82%
28								
29	Total Revenues Before Annualization		$ 2,911,450	$ 2,767,883	$ (87,104)	-2.99%	100.00%	100.00%
30								
31								
32								
33								
34								

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 2
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Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills to be Issued	Additional Gallons to be Pumped (In 1,000's)	Schedule Number
			Revenue Annualization						
1	5/8 Inch	Residential	$ (75)	$ (59)	$ 17	0.00%	(5)	(63)	C-2, P 5.1
2	3/4 Inch	Residential	$ 203,288	$ 192,797	$ (10,491)	-5.16%	6,458	55,359	C-2, P 5.2
3	1 Inch	Residential	$ 4,766	$ 4,106	$ (660)	-13.84%	60	1,437	C-2, P 5.3
4	1.5 Inch	Residential	$ 1,446	$ 1,215	$ (231)	-15.94%	8	433	C-2, P 5.4
5	2 Inch	Residential							C-2, P 5.5
6									
7		Subtotal	$ 209,425	$ 198,060	$ (11,364)	-5.43%	6,521	57,166	
8									
9	5/8 Inch	Commercial	$ (165)	$ (129)	$ 36	0.00%	(11)	(177)	C-2, P 5.6
10	3/4 Inch	Commercial	$ 1,309	$ 1,314	$ 4	0.32%	20	529	C-2, P 5.7
11	1 Inch	Commercial	$ 387	$ 337	$ (50)	-13.00%	5	113	C-2, P 5.8
12	1.5 Inch	Commercial	$ -	$ -	$ -	0.00%	-	-	C-2, P 5.9
13	2 Inch	Commercial	$ (4,326)	$ (3,698)	$ 628	0.00%	(10)	(1,521)	C-2, P 5.10
14	3 Inch	Commercial	$ (9,659)	$ (8,271)	$ 1,388	0.00%	(12)	(3,346)	C-2, P 5.11
15		Subtotal	$ (12,454)	$ (10,448)	$ 2,007	-16.11%	(8)	(4,402)	
16									
17	3/4 Inch	Landscape Irrigation	$ 836	$ 801	$ (35)	-4.20%	23	260	C-2, P 5.12
18	1 Inch	Landscape Irrigation	$ 6,411	$ 5,979	$ (432)	-6.74%	26	2,686	C-2, P 5.13
19	1.5 Inch	Landscape Irrigation	$ 8,305	$ 7,558	$ (746)	-8.99%	18	3,368	C-2, P 5.14
20	2 Inch	Landscape Irrigation	$ 50,432	$ 45,887	$ (4,545)	-9.01%	62	20,622	C-2, P 5.15
21									
22		Subtotal	$ 65,984	$ 60,225	$ (5,759)	-8.73%	129	26,935	
23									
24									
25	2 Inch	Construction							
26	3 Inch	Construction							
27		Subtotal	$ -	$ -	$ -	0.00%	-	-	
28									
29									
30									
31									
32	Total Revenue Annualization		$ 262,954	$ 247,838	$ (15,117)	-5.75%	6,642	79,698	
33									
34									

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 3
Witness: Bourassa
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Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Subtotal Metered Revenues	$ 2,911,450	$ 2,767,883	$ (143,568)	-4.93%	100.00%	100.00%
2	Subtotal Revenue Annualization	262,954	247,838	(15,117)	-5.75%	9.03%	8.95%
3	Total Metered Revenues	$ 3,174,404	$ 3,015,720	$ (158,684)	-5.00%		
4							
5	Misc. Revenues	$ 208,697	$ 208,697	-	0.00%	7.17%	7.54%
6	Reconciling Amount to GL	(3,335)	488	3,823	0.00%	-0.11%	0.02%
7	Total Water Revenues	$ 3,379,767	$ 3,224,905	$ (154,861)	-4.58%	0.00%	0.00%
8							
9							
10	**Revenue Reconciliation**						
11							
12	Revenue per bill count before revenue annualization		$ 2,911,450				
13	Revenue per GL (metered water revenues)		2,908,115				
14	Difference		$ 3,335				
15	Difference %		0.11%				
16	Tolerance %		0.50%				
17	Tolerance Amount + or -		$ 14,541				
18							
19	Acceptable?		YES				
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							

H2O, Inc.
Test Year Ended December 31, 2006
Customer Summary

Exhibit
Schedule H-2
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Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2006	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	232	3,554	$ 19.55	$ 15.97	(3.57)	-18.29%
2	3/4 Inch	Residential	5,299	8,334	$ 31.05	$ 29.30	(1.75)	-5.65%
3	1 Inch	Residential	180	25,909	$ 83.29	$ 71.17	(12.12)	-14.56%
4	1.5 Inch	Residential	10	47,728	$ 167.33	$ 134.96	(32.37)	-19.34%
5	2 Inch	Residential	1	44,752	$ 206.05	$ 165.29	(40.75)	-19.78%
6								
7		Subtotal	5,722					
8								
9	5/8 Inch	Commercial	4	17,614	$ 44.57	$ 41.74	(2.83)	-6.35%
10	3/4 Inch	Commercial	11	23,312	$ 58.81	$ 59.29	0.48	0.81%
11	1 Inch	Commercial	6	20,643	$ 72.18	$ 62.32	(9.86)	-13.66%
12	1.5 Inch	Commercial	1	38,917	$ 148.74	$ 120.85	(27.89)	-18.75%
13	2 Inch	Commercial	14	176,803	$ 484.68	$ 420.40	(64.27)	-13.26%
14	3 Inch	Commercial	7	208,665	$ 656.90	$ 543.38	(113.52)	-17.28%
15		Subtotal	43					
16								
17	3/4 Inch	Landscape Irrigation	7	10,283	$ 34.52	$ 32.55	(1.97)	-5.72%
18	1 Inch	Landscape Irrigation	15	97,197	$ 233.71	$ 217.45	(16.26)	-6.96%
19	1.5 Inch	Landscape Irrigation	8	139,708	$ 361.40	$ 322.68	(38.72)	-10.71%
20	2 Inch	Landscape Irrigation	35	326,843	$ 801.26	$ 728.28	(72.98)	-9.11%
21								
22		Subtotal	64					
23								
24								
25	2 Inch	Construction	2	341,763	$ 832.74	$ 794.90	(37.84)	-4.54%
26	3 Inch	Construction	12	120,263	$ 470.38	$ 433.98	(36.40)	-7.74%
27		Subtotal	14					
28								
29								
30		Total	5,843					

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

H2O, Inc.
Test Year Ended December 31, 2006
Present and Proposed Rates

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Schedule H-3
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Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 15.00	$ 11.70	$ (3.30)	-22.00%
3	3/4 Inch	$ 18.00	$ 17.55	$ (0.45)	-2.50%
4	1 Inch	$ 37.00	$ 29.25	$ (7.75)	-20.95%
5	1 1/2 Inch	$ 75.00	$ 58.50	$ (16.50)	-22.00%
6	2 Inch	$ 120.00	$ 93.60	$ (26.40)	-22.00%
7	3 Inch	N/A	$ 187.20	N/A	
8	4 Inch	N/A	$ 292.50	N/A	
9	6 Inch	N/A	$ 585.00	N/A	
10					
11					
12					
13					
14					
15					
16	Gallons In Minimum (All Zones and Classes)	1,000	-		
17					
18			(Per 1,000 gallons)		
19	**Commodity Rates**		**Present**	**Proposed**	**Percent**
20	**(Residential, Commercial, Industrial)**	**Block**	**Rate**	**Rate**	**Change**	**Change**
21						
22	All Meter Sizes	1,001 gallons to 20,000 gallons	$ 1.78	N/A	N/A	N/A
23		Over 20,000 gallons	$ 2.11	N/A	N/A	N/A
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						

H2O, Inc.
Test Year Ended December 31, 2006
Present and Proposed Rates

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Line No.			(Per 1,000 gallons) Present Rate		Proposed Rate	Change	Percent Change
1							
2	**Commodity Rates**						
3	**(Residential, Commercial, Irrigationl)**	**Block**					
4	5/8 Inch Meter	1 gallons to 4,000 gallons	N/A	$	1.202	N/A	N/A
5		4,001 gallons to 10,000 gallons	N/A	$	1.602	N/A	N/A
6		over 10,000 gallons	N/A	$	2.052	N/A	N/A
7							
8	3/4 Inch Meter	1 gallons to 4,000 gallons	N/A	$	1.202	N/A	N/A
9		4,001 gallons to 10,000 gallons	N/A	$	1.602	N/A	N/A
10		over 10,000 gallons	N/A	$	2.052	N/A	N/A
11							
12	1 Inch Meter	1 gallons to 25,000 gallons	N/A	$	1.602	N/A	N/A
13		over 25,000 gallons	N/A	$	2.052	N/A	N/A
14	1.5 Inch Meter	1 gallons to 50,000 gallons	N/A	$	1.602	N/A	N/A
15		over 50,000 gallons	N/A	$	2.052	N/A	N/A
16							
17	2 Inch Meter	1 gallons to 80,000 gallons	N/A	$	1.602	N/A	N/A
18		over 80,000 gallons	N/A	$	2.052	N/A	N/A
19							
20	3 Inch Meter	1 gallons to 160,000 gallons	N/A	$	1.602	N/A	N/A
21		over 160,000 gallons	N/A	$	2.052	N/A	N/A
22							
23	4 Inch Meter	1 gallons to 250,000 gallons	N/A	$	1.602	N/A	N/A
24		over 250,000 gallons	N/A	$	2.052	N/A	N/A
25							
26	6 Inch Meter	1 gallons to 500,000 gallons	N/A	$	1.602	N/A	N/A
27		over 500,000 gallons	N/A	$	2.052	N/A	N/A
28							
29							
30							
31							
32							
33	**Construction/Standpipe/Bulk**	All gallons	N/A	$	2.052	N/A	N/A
34							

EXHIBIT
A-3
ADMITTED

Richard L. Sallquist
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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC., AN ARIZONA CORPORATION, FOR A DETERMINIATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	)	DOCKET NO. W-02234A-07-0557 **NOTICE OF FILING TESTIMONY**

H2O, Inc., ("H2O" or the "Company"), by and through the undersigned counsel, hereby gives Notice of the filing of witness Thomas J. Bourassa's Rebuttal Testimony and supporting Schedules in the subject docket.

Respectfully submitted this 10th day of March 2009.

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

By _____
Richard L. Sallquist
1430 E. Missouri. Suite B-125
Phoenix, Arizona 80142
Attorneys for H2O, Inc.

43032.00000.325

Original and fifteen copies of the foregoing filed this 10th day of March 2009 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing Hand Delivered this 10th day of March 209 to:

Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Charles Hains
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

43032.00000.325

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES–Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS WATER UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT,

REVENUE REQUIREMENT, RATE DESIGN)

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I. INTRODUCTION AND QUALIFICATIONS.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

A. Yes, my direct testimony was submitted in support of the initial application filed on October 1, 2007 and amended on May 13, 2008. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A. I will provide rebuttal testimony in response to the direct filings by Arizona Corporation Commission Utilities Division Staff ("Staff"). More specifically, this first volume of my rebuttal testimony relates to rate base, income statement and rate design for H2O, Inc. ("Company" or "H2O"). In a second, separate volume of my testimony, I also present an update to the Company's requested cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

Q. WHAT IS THE RETURN ON RATE BASE THE COMPANY IS REQUESTING IN ITS REBUTTAL FILING?

A. The Company is requesting a return of 11.45 percent.

Q. WHAT IS THE REVENUE REQUIREMENT ADJUSTMENT THAT THE COMPANY IS PROPOSING IN ITS REBUTTAL FILING?

A. The Company is requesting a decrease in revenues of $134,153, a decrease of 3.97 percent for a total revenue requirement of $3,244,489.

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

A. In the direct filing, the Company requested a decrease in revenues of $154,861, a decrease of 4.58% for a total revenue requirement of $3,224,906.

Q. WHY IS THE REVENUE REQUIREMENT IN THE REBUTTAL FILING HIGHER THAN IN THE DIRECT FILING?

A. While the Company has adopted a number of adjustments recommended by Staff and RUCO, as well as proposed a number of adjustments of its own, the Company's proposed rebuttal rate of return is higher primarily due to my updated cost of capital analysis.

Specifically, the Company's rebuttal filing reflects a decrease in proposed operating expenses of $15,894 to a total of $3,067,520. Similarly, due to various adjustments, H2O's rebuttal Original Cost Rate Base ("OCRB") and Fair Value Rate Base ("FVRB") have increased. The OCRB increased by $51,510 from the direct filing of $1,944,185 to $1,995,695. The Company continues to request that its OCRB be treated as its FVRB. So, the FVRB increased by $51,510 to $1,995,695.

II. <u>REVENUE REQUIREMENT.</u>

Q. WHAT ARE THE REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY, STAFF, AND RUCO?

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

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct[1]	$3,224,906	$(154,861)	-4.58%
Staff[2]	$3,218,705	$(159,937)	-4.73%
Company Rebuttal	$3,244,489	$(135,153)	-3.97%

Q. WHAT IS THE COMPANY'S PROPOSED RATE OF RETURN?

A. The Company is proposing a rate of return on equity of 11.45%. This is based on the weighted average cost of capital. I discuss the Company's proposed rate of return and my cost of capital in the second volume of my rebuttal testimony.

Q. IS STAFF RECOMMENDING A RETURN ON RATE BASE?

A. No. Staff is proposing a negative rate base and is proposing an operating margin approach as a result.[3] As I will discuss, Staff and the Company are in disagreement on the treatment of unexpended hook-up fees ("HUFs") in rate base as CIAC. In fact, this is the only major rate base and/or income statement disagreement. By including unexpended HUF's in rate base as CIAC, Staff Company's rate base is negative.

Q. IT APPEARS THAT STAFF AND THE COMPANY ARE NOT THAT FAR APART ON THE REVENUE REQUIERMENT AND RATE DECREASE. CORRECT?

A. Yes. But, we get there in very different ways. Staff is proposing an operating margin approach as opposed to a rate of return approach by the Company. The Company has adopted nearly all of Staff's proposed expense adjustments and

[1] As amended on December 18,2008.

[2] Per Staff Schedule BCA-1

[3] Staff is proposing a 10 percent operating margin.

levels of expense. Staff and the Company are different on the level of proposed property taxes and depreciation. For property taxes, Staff and the Company are within a few thousand dallies of each other and are different primarily due to differences in the amount of proposed revenues. For depreciation, both the Company and Staff agree on the amount of plant-in-service but differ on the amount of CIAC. The amount of CIAC amortization is the primary difference in the parties proposed depreciation expense. The difference in depreciation is approximately $195,853 ($457.035 for the Company and $261,181 for Staff).

The bottom line is the Company believes that its filing represents a more realistic relationship between rate base, revenues and expenses for the test year while Staff's does not. The differences in approaches are not as apparent on the surface. While Staff's proposed operating income is higher at $321,871[4] compared to the Company's at $228,614[5], there is a appreciable difference in cash flows. Cash flows before debt service and taxes for Staff is approximately $749,641 ($321,871 of operating income plus $166,589 for income taxes plus $261,181of depreciation) while for the Company it is approximately $822,351 ($228,614 of operating income plus $136,664 of income taxes plus $457,073 of depreciation). The difference in cash flows is approximately $73,000. This difference has significance for a relatively small utility such as H2O.

III. RATE BASE.

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING?

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

---

[4] See Staff Schedule BCA-1.

[5] See Rebuttal Schedule A-1.

	OCRB	FVRB
Company-Direct	$1,944,185	$1,944,185
Staff	$ (500,901)	$ (500,901)
Company Rebuttal	$1,995,695	$1,996,695

A. Plant-in-Service.

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND RUCO?

A. The Company's rebuttal rate base adjustments to OCRB are shown on rebuttal schedules B-2, pages 2 through 6. Rebuttal schedule B-2, page 1, shows the rebuttal OCRB. Rebuttal Schedule B-2, page 2, summarizes the adjustments made to the OCRB.

Rebuttal B-2 adjustment number 1, as shown on B-2, page 3, adjusts plant-in-service and reflects adoption of recommendations by both Staff. There is 1 proposed adjustment to plant-in-service that are reflected in columns labeled as "A".

The first adjustment (column A) on B-2, page 3, increases plant-in-service for capitalized operating expenses. The Company is in agreement with Staff's the adjustment to plant-in-service.[6]

B. Accumulated Depreciation

Q. HAS THE COMPANY PROPOSED AN ADJUSTMENT TO ACCUMULATED DEPRECIATION?

A. Yes. Rebuttal OCRB adjustment number 2, as shown on Rebuttal Schedule B-2, page 4, reflects changes to accumulated depreciation from the plant-in-service

[6] *See* Direct Testimony of Brendan Aladi ("Aladi Direct") at 7.

adjustments adopted in rebuttal OCRB adjustment number 1. There is only one proposed adjustment to accumulated depreciation that is reflected in the columns labeled as "A".

The first adjustment (column A), adjusts accumulated depreciation to the recomputed amounts based on the adjustments adopted in OCRB adjustment number 1. The detail of the re-computation of accumulated depreciation is shown on Rebuttal Schedule B-2, pages 3.1 to 3.16. The Company's adjustment to accumulated depreciation of $6,120 agrees with Staff proposed adjustment to accumulated depreciation.[7]

C. <u>Contributions-in-aid of Construction ("CIAC") - Unexpended Hook-up Fees and Construction-Work-in-Progress funded with Hook-up Fees</u>

Q. DOES THE COMPANY AGREE WITH STAFF TO INCLUDE $2,360,596 OF UNEXPENDED CIAC AND $498,743 OF CIAC FUNDED CONSTRUCTION WORK-IN-PROGRESS IN RATE BASE?

A. No. The Company does not agree. Staff proposed to include all unexpended CIAC and CIAC current funding construction work-in-progress ("CWIP")[8] in rate base. The basis of Staff's reasoning is that the Company has use of these funds regardless of whether it has expended the funds for plant.[9] In the instant case, I agree with Staff that monies collected from existing customers who are being served with existing capacity should be credited with their HUF in rate base. However, I disagree with inclusion of HUFs collected and to be used for future customers who are not on the system and whose capacity that is necessary to serve

[7] Aladi Direct at 8.

[8] The Company has not proposed to include any CWIP in rate base.

[9] *Id.*

has not been constructed and reflected in rate base. However, this is no not the case for most of the Company's unexpended CIAC (and CIAC funded CWIP).

Q. PLEASE EXPLAIN.

A. The Company typically collects hook-up fees ('HUFs")[10] well in advance of providing service to the customer(s) for whom the HUF is credited. The HUFs are paid by developers when the Company agrees to provide service to the developer's development. But, the development may take a year or more to begin. In the meantime, the Company begins constructing new capacity to service the development. The period of time between collecting the HUF, making the necessary capital improvements to have capacity to serve, and the customer connecting to the system can be well over a year or more. Consequently, not only is the future customer who is credited with the HUF not present on the system, but the plant required to serve the customer is also not constructed and placed into service. Including the unexpended HUFs in rate base not only creates a mismatch in rate base, but existing ratepayers receive a windfall. This occurs because existing rate payers get credit for HUF's paid for by or on behalf of future customers who have not yet connected to the system.

Q. DOES THE COMPANY HAVE SOME UNEXPENDED CIAC COLLECTED FROM CUSTOMERS PRESENT AT THE END OF THE TEST YEAR?

A. Yes. For certain "fill-in" lots the Company has collected a HUF. This amount of unexpended CIAC at the end of the test year was $198,372.

Q. HAVE YOU PROPOSED TO INCLUDE THIS AMOUNT IN RATE BASE?

[10] HUF's are treated as contributions-in-aid of construction ("CIAC").

A. Yes. The Company's rebuttal rate base includes $198,372 of unexpended CIAC in rate base. The Company B-2 adjustment number 3 reflects the Company proposed amount of unexpended CIAC to be included in rate base.

Q. WHY DOES THE COMPANY COLLECT HUF'S IN ADVANCE OF THE DEVELOPER'S PROJECT COMING ON LINE?

A. To provide funds as needed to help it pay for new capacity – just as the HUF is intended. Growth pays for growth. The alternative is to build the capacity first and then collect the HUF's as new customers connect. However, the Company approach provides the funds when the Company obligates itself to provide additional capacity for new developments thereby providing funds in advance of the need for new capacity. It also provides for the immediate availability of funds when construction for the new capacity begins, not after-the-fact.

Q. SO THIS ISSUE ARISES BECAUSE OF THE TIMING BETWEEN WHEN THE COLLECTION OF THE HUF OCCURS AND WHEN THE ACTUAL CONSTRUCTION OF NEW CAPACITY IS MADE IN ORDER TO SERVE FUTURE GROWTH (CUSTOMERS)?

A. Yes.

Q. DO YOU AGREE WITH STAFF THAT THE COMPANY IS ALLOWED TO EARN TWICE ON CIAC FUNDS IF THE UNEXPENDED CIAC IS NOT INCLUDED IN RATE BASE?

A. No. I do not agree with Staff that the Company will earn twice on the funds.[11] The Company does not benefit from, nor are existing rate payers harmed, by excluding unexpended CIAC or CIAC used to fund CWIP from rate base. To the contrary, existing ratepayers receive an unjustified windfall when either

[11] Aladi Direct at 9.

unexpended HUF's and/or CIAC funded CWIP is included in rate base because the Company's rate base is understated resulting in lower rates.

The Company not only has an obligation to serve the future developments for which it collected the HUF's, but these funds are restricted and can only be spent on new capacity. The HUFs should be credited to those future customers and their respective future capacity rather than providing existing ratepayer with the above-mentioned windfall.

Q. WHEN A NEW CUSTOMER CONNECTS TO THE COMPANY'S SYSTEM WITHIN A DEVELOPMENT THAT THE DEVELOPER HAS PAID THE HUF FOR THE CONNECTION, IS THE NEW CUSTOMER ALSO RESPONSIBLE FOR ANOTHER HUF?

A. No. That customer lot is covered regardless when the customer connects. That could be one to two year out into the future depending on the collection schedule of HUFs made by agreement between the Company and the developer(s).

The Company's procedure for collecting HUF's in advance of a developer's project is not typical. Under a typical approach, a utility builds capacity in advance and then collects HUF's individually upon each new connection. Under the typical approach, I would agree that if the customer pays for capacity through a HUF and connects to the system, that customer should get credit for his/her payment by recognition in rate base and rates regardless of whether the HUF has been expended for new plant. However, again this is not the case for most of the unexpended CIAC in the instant case.

D. <u>Unexpended Advances-in-aid of Construction ("AIAC")</u>

Q. HAS THE COMPANY INCLUDED UNEXPENDED AIAC IN RATE BASE?

A. No. Again, the Company disagrees with Staff to include the unexpended AIAC in rate base.[12] As with the HUF's, the unexpended AIAC funds are for future development and future customers.

E. <u>Amortization of CIAC</u>

Q. HAS THE COMPANY PROPOSED AN ADJUSTMENT TO ACCUMULATED AMORTIZATION OF CIAC?

A. Yes. Rebuttal B-2 adjustment number 3, as shown on Rebuttal Schedule B-2, page 4, decreases accumulated amortization of CIAC based on a correction to the amortizable balance of CIAC for 2006. The unexpended portion of CIAC for 2006 was removed thereby lowering the accumulated amortization balance.

F. <u>Deferred Income Taxes</u>

Q. PLEASE EXPLAIN THE COMPANY'S REBUTTAL PROPOSED ADJUSTMENT TO DEFERRED INCOME TAXES?

A. Rebuttal B-2 adjustment number 4, as shown on Rebuttal Schedule B-2, page 5, reflects the computation of the Company proposed deferred income taxes. The computation of deferred income taxes reflects the Company's rebuttal plant-in-service, CIAC and AIAC balances. It also reflects the tax rate as shown on Rebuttal Schedule C-3. In the Company's amended filing, a tax rate of 34.9 percent was used. However, this was incorrect. The correct tax rate is 38.6 percent.

IV. <u>INCOME STATEMENT.</u>

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY

[12] *Id.* at 9.

ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. The Company rebuttal adjustments are detailed on Rebuttal Schedule C-2, pages 1-11. The rebuttal income statement with adjustments is shown on Rebuttal Schedule C-1.

In rebuttal C-2 adjustment number one, the depreciation expense is annualized, reflecting the plant-in-service adjustments discussed above. Depreciation expense has decreased from the Company's direct filing due to the plant-in-service adjustments I discussed above.

Q. DO ALL PARTIES RECOMMEND THE SAME DEPRECIATION RATES?

A. Yes.

Q. PLEASE CONTINUE.

A. Rebuttal C-2 adjustment number 2 reflects the adjustment using the Company's rebuttal proposed revenues. The Company and Staff are in agreement on the method of computing property taxes.

Rebuttal C-2 adjustment number 3 reduces other water revenues to reflect the Company's adoption of Staff's proposed adjustment to reduce miscellaneous revenues by $1,125 for sales taxes.[13]

Rebuttal C-2 adjustment number 4 reduces miscellaneous expenses by $6,626 to reflect the Company's adoption of Staff's proposed adjustment to reclassify expense to capital. [14]

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[13] *Id.* at 12.

[14] *Id.* at 13.

Rebuttal C-2 adjustment number 5 reduces repairs and maintenance expense by $2,424 to reflect the adoption of Staff's proposed adjustment to reclassify expense to capital.[15]

Rebuttal C-2 adjustment 6 reflects the Company's adoption of Staff's recommendation to reclassify miscellaneous expense to purchased power expense.[16]

Rebuttal C-2 adjustment 7 reflects the Company's adoption of Staff's recommendation to remove a late filing penalty from miscellaneous expense.[17]

Rebuttal C-2 adjustment 7 reflects the Company's adoption of Staff's recommendation to remove unnecessary expense from office supplies expense.[18]

Rebuttal C-2 adjustment 8 reflects the Company interest synchronization based upon the Company's rebuttal proposed rate base.

Rebuttal C-2 adjustment number 9 reflects income taxes calculated at the Company's proposed revenue and expense levels.

V. RATE DESIGN (H SCHEDULES)

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

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 11.93	0
3/4	$ 17.90	0
1	$ 29.83	0

[15] *Id.*

[16] *Id.*

[17] *Id.* at 14.

[18] *Id.*

1 1 /2	$ 59.65	0
2	$ 95.44	0
3	$ 190.88	0
4	$ 298.25	0
6	$ 596.50	0

The commodity charges and tiers by meter size are:

Residential, Commercial, Industrial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8 and 3/4	1 to 4,000	$1.20
	4,001 to 10,000	$1.60
	Over 10,000	$2.05
1	1 to 25,000	$1.60
	Over 25,000	$2.05
1 1/2	1 to 50,000	$1.60
	Over 50,000	$2.05
2	1 to 80,000	$1.60
	Over 80,000	$2.05
3	1 to 160,000	$1.60
	Over 160,000	$2.05
4	1 to 250,000	$1.60
	Over 250,000	$2.05
6	1 to 500,000	$1.60
	Over 500,000	$2.05
8	1 to 800,000	$1.60

	Over 800,000	$2.05
10	1 to 1,100,000	$1.60
	Over 1,100,000	$2.05
Standpipe		
All Meter Sizes	All gallons	$2.05
Construction		
All Meter Sizes	All gallons	$2.05

Q. HOW DOES THE COMPANY PROPOSED RATE DESIGN COMPARE TO STAFF AND/OR RUCO?

A. Both the Company and Staff propose similar rate designs. Monthly minimums are scaled on the flows of a 5/8 inch meter. The 5/8 inch and ¾ residential meters have an inverted three tier rate design. The 5/8 inch and ¾ inch commercial and irrigation meters have an inverted two tier design. The 1 inch and larger meters (residential, commercial, and irrigation) have a two tier rate design.

Q. DOES THE STAFF RATE DESIGN PROVIDE FOR LESS REVENUE STABILITY THAT THE COMPANY?

A. Yes. And this increases risk to the Company. Staff rate design provides approximately 35 percent of revenue from the monthly minimum while the Company's provides approximately 44 percent. In my opinion, revenues from the monthly minimum should be closer to 50 percent in order to provide revenue stability over the long term, particularly when conservation rate designs (inverted tier rates) are utilized. Conservation will result in an erosion of the Company's revenues. The high proportion of revenues collected from the commodity charges, the greater degree of risk to revenues exists.

Q. WHAT WAS THE PROPORTION OF REVENUES FROM THE

MONTHLY MINIMUMS UNDER PRESENT RATES?

A. About 45 percent. The Company's proposed rate design does not result in a significant shift to recovery from the commodity charges whereas Staff's does.

Q. ARE STAFF AND THE COMPANY IS AGREEMENT ON THE PROPOSED METER AND SERVICE LIN INSTALLATION CHARGES?

A. Yes. The Company has updated its proposed meter and service line installation charges to match Staff's.

Q. ARE STAFF'S RECOMMENDATIONS FOR MOVING A CUSTOMER METER AND DAMAGES DIFFERENT?

A. No, not really. As Staff testifies, the Commission Rules basically state the same conditions as the language proposed in the Company's schedules.[19] Ultimately, Staff makes a distinction without a difference.

Q. DO YOU HAVE ANY RESPONSE TO STAFF'S COMMENTS ON REFUNDS FOR OVER COLLECTION OF RATES FOR THE 2 INCH METERS THAT SHOULD HAVE MADE AS ORDERED UNDER DECISION 69413?

A. Not at this time. The Company believes its refunding method was correct. Staff does not make any particular recommendation except to bring the issue to the attention of the Commission.[20]

Q. HAS STAFF RESPONDED TO THE COMPANY'S TESTIMONY ON THE CAP SURCHARGE?

A. No at this time. Staff is still analyzing the issue based on responses by the

---

[19] *Id.* at 22.

[20] *Id.* at 24.

Company to its data requests.[21]

Q. ARE THERE ANY ISSUES WITH RESPECT TO THE COMPANY'S CONTINUATION OF ITS CURRENTLY AUTHORIZED HOOH-UP FEES?

A. Not at this time.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

[21] *Id.* at 23.

REBUTTAL SCHEDULES

(RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT, AND RATE DESIGN)

H2O, Inc.
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	$	1,995,695
2			
3	Adjusted Operating Income		311,122
4			
5	Current Rate of Return		15.59%
6			
7	Required Operating Income	$	228,614
8			
9	Required Rate of Return on Fair Value Rate Base		11.46%
10			
11	Operating Income Deficiency	$	(82,508)
12			
13	Gross Revenue Conversion Factor		1.6259
14			
15	Increase in Gross Revenue Requirement		(134,153)
16			
17	Adjusted Test Year Revenues	$	3,378,642
18	Increase in Gross Revenue Requirement	$	(134,153)
19	Revenue Requirement	$	3,244,489
20			
21	% Increase		-3.97%

	Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
25	**Residential**				
26	5/8 Inch	$ 55,280	$ 47,308	$ (7,972)	-14.42%
27	3/4 Inch	1,997,926	1,985,467	(12,459)	-0.62%
28	1 Inch	184,593	164,156	(20,438)	-11.07%
29	1.5 Inch	20,856	17,731	(3,125)	-14.98%
30	2 Inch	2,065	1,687	(378)	-18.31%
31	**Commercial**				0.00%
32	5/8 Inch	$ 2,299	$ 2,148	$ (152)	-6.60%
33	3/4 Inch	8,400	8,361	(39)	-0.46%
34	1 Inch	5,055	4,496	(559)	-11.07%
35	1.5 Inch	1,785	1,471	(313)	-17.56%
36	2 Inch	80,656	72,483	(8,173)	-10.13%
37	3 Inch	55,378	49,470	(5,908)	-10.67%
38	**Irrigation**				0.00%
39	3/4 Inch	$ 3,020	$ 3,014	$ (6)	-0.18%
40	1 Inch	41,891	39,299	(2,592)	-6.19%
41	1.5 Inch	32,643	29,651	(2,992)	-9.17%
42	2 Inch	335,174	307,716	(27,458)	-8.19%
43	**Construction**				0.00%
44	2 Inch	$ 16,707	$ 14,026	$ (2,681)	-16.05%
45	3 Inch	67,721	35,290	(32,432)	-47.89%
46	Subtotal	$ 2,911,450	$ 2,783,774	$ (127,676)	-4.39%
47					
48	Revenue Annualization	262,954	252,811	(10,143)	-3.86%
49	GL Reconciliation	(3,335)	331	3,666	-109.93%
50	**Subtotal**	$ 3,171,070	$ 3,036,916	$ (134,154)	-4.23%
51					
52	Other Water Revenues	207,572	207,572	-	0.00%
53				-	0.00%
54	**Total of Water Revenues (a)**	$ 3,378,642	$ 3,244,488	$ (134,154)	-3.97%

55
56 SUPPORTING SCHEDULES:
57 Rebuttal B-1
58 Rebuttal C-1
59 Rebuttal C-3

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 12,996,414	$ 12,996,414
3	Less: Accumulated Depreciation	1,497,950	1,497,950
4			
5	Net Utility Plant in Service	$ 11,498,464	$ 11,498,464
6			
7	Less:		
8	Advances in Aid of		
9	Construction	3,031,454	3,031,454
10	Contributions in Aid of		
11	Construction (CIAC)	6,648,148	6,648,148
12	Accumulated Amortization (CIAC)	(626,137)	(626,137)
13	Customer Meter Deposits	1,600,755	1,600,755
14	Deferred Income Tax Liability (Asset)	(1,151,451)	(1,151,451)
15			
16			
17			
18	Plus:		
19	Unamortized Finance		
20	Charges	-	-
21			
22	Allowance for Working Capital	-	-
23			
24			
25	Total Rate Base	$ 1,995,695	$ 1,995,695
26			
27			
28			
29	SUPPORTING SCHEDULES:		
30	Rebuttal B-2		
31	Rebuttal B-5		
32			
33			
34			

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Adjustments	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 12,987,344	9,070	$ 12,996,414
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,491,666	6,283	1,497,950
7				
8				
9	Net Utility Plant			
10	in Service	$ 11,495,678	$ 2,787	$ 11,498,464
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	3,031,454	-	3,031,454
15				
16	Contributions in Aid of			
17	Construction	6,449,776	198,372	6,648,148
18				
19	Accumulated Amortization CIAC	(683,565)	57,428	(626,137)
20				
21	Customer Refundable Meter Deposits	1,600,755	-	1,600,755
22	Deferred Income Tax Liability (Asset)	(846,927)	(304,524)	(1,151,451)
23				
24				
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29				
30	Working capital	-		-
31		-		-
32				
33	Total	$ 1,944,185	$ 51,510	$ 1,995,695
34				
35				
36				
37	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
38	Rebuttal B-2, pages 2			Rebuttal B-1
39				
40				
41				
42				
43				
44				
45				
46				

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Deprec.	3 CIAC	4 DIT	Rebuttal Adjusted at end of Test Year
1	Gross Utility						
2	Plant in Service	$ 12,987,344	9,070				$ 12,996,414
3							
4	**Less:**						
5	Accumulated						
6	Depreciation	1,491,666		6,283			1,497,950
7							
8							
9	Net Utility Plant						
10	in Service	$ 11,495,678					$ 11,498,464
11							
12	**Less:**						
13	Advances in Aid of						
14	Construction	3,031,454					3,031,454
15							
16	Contributions in Aid of						
17	Construction	6,449,776			198,372		6,648,148
18							
19	Accumulated Amortization CIAC	(683,565)			57,428		(626,137)
20							
21	Customer Refundable Meter Deposits	1,600,755					1,600,755
22	Deferred Income Tax Liability (Asset)	(846,927)				(304,524)	(1,151,451)
23							
24							
25							
26	**Plus:**						
27	Unamortized Finance						
28	Charges	-					-
29							
30	Working capital	-					-
31		-					-
32							
33	Total	$ 1,944,185	$ -	$ -	$ (255,800)	$ 304,524	$ 1,995,695
34							
35							
36							
37	SUPPORTING SCHEDULES:						
38	Adjustment 1 - See Rebuttal B-2, page 3						
39	Adjustment 2 - See Rebuttal B-2, page 4						
40	Adjustment 3 - See Rebuttal B-2, page 5						
41	Adjustment 4 - See Rebuttal B-2, page 6						
42							
43							
44							
45							
46							

RECAP SCHEDULES:
Rebuttal B-2, page 1

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	Adjustments A Reclassify Misc. Exp. to Plant	Adjustments B Reclassify R&M Exp. to Plant	Adjustments C Intentionally Left Blank	Rebuttal Adjusted Original Cost
1	Plant-in-Service						
5	301	Organization Cost	-				-
6	302	Franchise Cost	131,452				131,452
7	303	Land and Land Rights	7,954				7,954
8	304	Structures and Improvements	538,179				538,179
9	305	Collecting and Impounding Res.	-				-
10	306	Lake River and Other Intakes	-				-
11	307	Wells and Springs	255,856				255,856
12	308	Infiltration Galleries and Tunnels	-				-
13	309	Supply Mains	-				-
14	310	Power Generation Equipment	-				-
15	311	Electric Pumping Equipment	4,437,582				4,437,582
16	320	Water Treatment Equipment	51,404				51,404
17	330	Distribution Reservoirs & Standpi	2,706,417	6,646			2,713,063
18	331	Transmission and Distribution Ma	1,647,121		2,424		1,649,545
19	333	Services	207,500				207,500
20	334	Meters	2,290,426				2,290,426
21	335	Hydrants	45,343				45,343
22	336	Backflow Prevention Devices	-				-
23	339	Other Plant and Miscellaneous E	-				-
24	340	Office Furniture and Fixtures	90,771				90,771
25	341	Transportation Equipment	121,240				121,240
26	342	Stores Equipment	-				-
27	343	Tools and Work Equipment	52,616				52,616
28	344	Laboratory Equipment	-				-
29	345	Power Operated Equipment	29,569				29,569
30	346	Communications Equipment	224,500				224,500
31	347	Miscellaneous Equipment	-				-
32	348	Other Tangible Plant	149,414				149,414
33							-
34		TOTALS	$ 12,987,344	$ 6,646	$ 2,424	$ -	$ 12,996,414
35							
36	Plant-in-Service per Direct						$ 12,987,344
37							
38	Increase (decrease) in Plant-in-Service						$ 9,070
39							
40	Adjustment to Plant-in-Service						$ 9,070
41							
42	SUPPORTING SCHEDULES		REFERENCES				
43	B-2, pages 3.1-3.16		Column A - see Staff Adjustment 1 Schedule BCA-4				
44			Column B - see Staff Adjustment 2 Schedule BCA-4				

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Account No.	Description	Deprec. Rate	Per Decision 58641 12/31/1992	Per Decision 58641 1992 Accum. Depr.	1993 Plant Additions	1993 Plant Adjustments	1993 Adjusted Plant Additions	1993 Plant Retirements	1993 Plant Balance	1993 Depr.
301	Organization Cost	0.00%	-		-		-	-	-	-
302	Franchise Cost	0.00%	-		-		-	-	-	-
303	Land and Land Rights	0.00%	7,954		-		-	-	7,954	-
304	Structures and Improvements	3.60%	3,317	1,160	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-	-	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-		-	-	-	-
307	Wells and Springs	3.60%	38,867	13,590	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-	-	-		-	-	-	-
309	Supply Mains	3.60%	-	-	-		-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	56,093	19,613	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	1,469	514	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	20,680	7,231	204		204	-	20,884	748
331	Transmission and Distribution Mains	3.60%	383,184	133,978	4,794		4,794	-	387,978	13,881
333	Services	3.60%	9,439	3,300	1,488		1,488	-	10,927	367
334	Meters	3.60%	22,255	7,781	1,087		1,087	-	23,342	821
335	Hydrants	3.60%	-	-	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-	-	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	20,944	7,323	-		-	-	20,944	754
341	Transportation Equipment	3.60%	16,113	5,634	-		-	-	16,113	580
342	Stores Equipment	3.60%	-	-	-		-	-	-	-
343	Tools and Work Equipment	3.60%	1,578	552	156		156	-	1,734	60
344	Laboratory Equipment	3.60%	-	-	-		-	-	-	-
345	Power Operated Equipment	3.60%	20,264	7,085	-		-	-	20,264	730
346	Communications Equipment	3.60%	3,525	1,232	-		-	-	3,525	127
347	Miscellaneous Equipment	3.60%	-	-	-		-	-	-	-
348	Other Tangible Plant	3.60%	12,621	4,413	-		-	-	12,621	454
							-	-	-	-
	TOTAL WATER PLANT		618,303	213,405	7,730	-	7,730	-	626,033	22,112

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Account No.	Description	Deprec. Rate	1994 Plant Additions	1994 Plant Adjustments	1994 Adjusted Plant Additions	1994 Plant Retirements	1994 Plant Balance	1994 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	20,884	752
331	Transmission and Distribution Mains	3.60%	9,060		9,060	-	397,038	14,130
333	Services	3.60%	642		642	-	11,570	405
334	Meters	3.60%	1,168		1,168	-	24,510	861
335	Hydrants	3.60%	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	20,944	754
341	Transportation Equipment	3.60%	-		-	-	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	659		659	-	2,393	74
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	3,525	127
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	-		-	-	12,621	454
					-	-	-	-
	TOTAL WATER PLANT		11,529	-	11,529	-	637,562	22,458

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Account No.	Description	Deprec. Rate	1995 Plant Additions	1995 Plant Adjustments	1995 Adjusted Plant Additions	1995 Plant Retirements	1995 Plant Balance	1995 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	1,585		1,585	-	22,469	780
331	Transmission and Distribution Mains	3.60%	9,534		9,534	-	406,573	14,465
333	Services	3.60%	6,286		6,286	-	17,856	530
334	Meters	3.60%	3,084		3,084	-	27,594	938
335	Hydrants	3.60%	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	2,369		2,369	-	23,313	797
341	Transportation Equipment	3.60%	-		-	-	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	313		313	-	2,706	92
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	3,525	127
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	12,500		12,500	-	25,121	679
					-		-	-
	TOTAL WATER PLANT		35,672	-	35,672	-	673,234	23,308

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

Account No.	Description	Deprec. Rate	1996 Plant Additions	1996 Plant Adjustments	1996 Adjusted Plant Additions	1996 Plant Retirements	1996 Plant Balance	1996 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	-		-	-	56,093	2,019
320	Water Treatment Equipment	3.60%	-		-	-	1,469	53
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,469	809
331	Transmission and Distribution Mains	3.60%	13,394		13,394	-	419,967	14,878
333	Services	3.60%	10,454		10,454	-	28,310	831
334	Meters	3.60%	5,311		5,311	-	32,905	1,089
335	Hydrants	3.60%	-		-	-	-	-
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	243		243	-	23,556	844
341	Transportation Equipment	3.60%	-		-	-	16,113	580
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	523		523	-	3,228	107
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	1,181		1,181	-	4,706	148
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	1,807		1,807	-	26,929	937
					-		-	-
	TOTAL WATER PLANT		32,913	-	32,913	-	706,148	24,543

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

Account No.	Description	Deprec. Rate	1997 Plant Additions	1997 Plant Adjustments *	1997 Adjusted Plant Additions	1997 Plant Retirements	1997 Plant Balance	1997 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	8,707		8,707	-	64,800	2,176
320	Water Treatment Equipment	3.60%	-		-	(236)	1,233	49
330	Distribution Reservoirs & Standpipe	3.60%	332		332	-	22,802	815
331	Transmission and Distribution Mains	3.60%	55,275		55,275	-	475,242	16,114
333	Services	3.60%	31,064		31,064	-	59,374	1,578
334	Meters	3.60%	5,295		5,295	-	38,199	1,280
335	Hydrants	3.60%	6,000		6,000	-	6,000	108
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	801		801	-	24,357	862
341	Transportation Equipment	3.60%	-		-	(13,741)	2,372	333
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	-		-	-	3,228	116
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	-		-	-	26,929	969
					-		-	-
	TOTAL WATER PLANT		107,473	-	107,473	(13,977)	799,644	26,818

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

Account No.	Description	Deprec. Rate	1998 Plant Additions	1998 Plant Adjustments	1998 Adjusted Plant Additions	1998 Plant Retirements	1998 Plant Balance	1998 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	915		915	-	65,714	2,349
320	Water Treatment Equipment	3.60%	1,015		1,015	-	2,248	63
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	821
331	Transmission and Distribution Mains	3.60%	80,889		80,889	-	556,131	18,565
333	Services	3.60%	18,538		18,538	-	77,912	2,471
334	Meters	3.60%	7,422		7,422	-	45,622	1,509
335	Hydrants	3.60%	14,000		14,000	-	20,000	468
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	-		-	-	2,372	85
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	-		-	-	3,228	116
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	500		500	-	27,429	978
					-		-	-
	TOTAL WATER PLANT		123,279	-	123,279	-	922,922	30,720

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Account No.	Description	Deprec. Rate	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Plant Balance	1999 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	960		960	-	960	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	2,269		2,269	-	67,983	2,407
320	Water Treatment Equipment	3.60%	-		-	-	2,248	81
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	821
331	Transmission and Distribution Mains	3.60%	55,773		55,773	-	611,904	21,025
333	Services	3.60%	18,782		18,782	-	96,693	3,143
334	Meters	3.60%	11,529		11,529	-	57,151	1,850
335	Hydrants	3.60%	7,500		7,500	-	27,500	855
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	-		-	-	2,372	85
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	1,284		1,284	-	4,513	139
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	20,264	730
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	3,741		3,741	-	31,170	1,055
					-		-	-
	TOTAL WATER PLANT		101,838	-	101,838	-	1,024,760	34,755

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Bourassa

Account No.	Description	Deprec. Rate	2000 Plant Additions	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Plant Balance	2000 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-
302	Franchise Cost	0.00%	-		-	-	960	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	-		-	-	3,317	119
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	-		-	-	38,867	1,399
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	922		922	-	68,905	2,464
320	Water Treatment Equipment	3.60%	-		-	-	2,248	81
330	Distribution Reservoirs & Standpipe	3.60%	-		-	-	22,802	821
331	Transmission and Distribution Mains	3.60%	142,518		142,518	-	754,422	24,594
333	Services	3.60%	4,749		4,749	-	101,442	3,566
334	Meters	3.60%	16,731		16,731	-	73,881	2,359
335	Hydrants	3.60%	-		-	-	27,500	990
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	3,543		3,543	-	5,914	149
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	1,606		1,606	-	6,119	191
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	1,987		1,987	-	22,251	765
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	5,280		5,280	-	36,450	1,217
					-		-	-
	TOTAL WATER PLANT		177,335	-	177,335	-	1,202,095	39,762

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
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Witness: Bourassa

Account No.	Description	Deprec. Rate	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.00%	-		-		-	-
302	Franchise Cost	0.00%	130,492		130,492	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	7,954	-
304	Structures and Improvements	3.60%	1,170		1,170	-	4,487	140
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-
307	Wells and Springs	3.60%	495		495	-	39,362	1,408
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-
311	Electric Pumping Equipment	3.60%	72,491		72,491	-	141,395	3,785
320	Water Treatment Equipment	3.60%	1,921		1,921	-	4,169	116
330	Distribution Reservoirs & Standpipe	3.60%	12,381		12,381	-	35,182	1,044
331	Transmission and Distribution Mains	3.60%	25,303		25,303	(43)	779,682	27,614
333	Services	3.60%	2,484		2,484	-	103,926	3,697
334	Meters	3.60%	40,029		40,029	-	113,910	3,380
335	Hydrants	3.60%	-		-	-	27,500	990
336	Backflow Prevention Devices	3.60%	-		-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	24,357	877
341	Transportation Equipment	3.60%	141		141	-	6,055	215
342	Stores Equipment	3.60%	-		-	-	-	-
343	Tools and Work Equipment	3.60%	698		698	-	6,817	233
344	Laboratory Equipment	3.60%	-		-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	22,251	801
346	Communications Equipment	3.60%	-		-	-	4,706	169
347	Miscellaneous Equipment	3.60%	-		-	-	-	-
348	Other Tangible Plant	3.60%	1,218		1,218	-	37,668	1,334
					-		-	-
	TOTAL WATER PLANT		288,822	-	288,822	(43)	1,490,874	45,804

H2O, Inc.
Plant Additions and Retirements

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Rebuttal Schedule B-2
Page 3.10
Witness: Bourassa

Account No.	Description	Deprec. Rate	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	Plant Retirements To Date	2002 Plant Balance	2002 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	7,505		7,505	-	-	11,993	297
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	-		-	-	-	39,362	1,417
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	206,307		206,307	-	-	347,702	8,804
320	Water Treatment Equipment	3.60%	5,535		5,535	-	(236)	9,704	250
330	Distribution Reservoirs & Standpipe	3.60%	134,988		134,988	-	-	170,170	3,696
331	Transmission and Distribution Mains	3.60%	43,639		43,639	-	(43)	823,321	28,854
333	Services	3.60%	7,024		7,024	-	-	110,951	3,868
334	Meters	3.60%	124,367		124,367	-	-	238,277	6,339
335	Hydrants	3.60%	907		907	-	-	28,407	1,006
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	-		-	-	-	24,357	877
341	Transportation Equipment	3.60%	-		-	-	(13,741)	6,055	218
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	825		825	-	-	7,641	260
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	-	22,251	801
346	Communications Equipment	3.60%	189		189	-	-	4,896	173
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	6,824		6,824	-	-	44,492	1,479
					-		-	-	-
	TOTAL WATER PLANT		538,111	-	538,111	-	(14,020)	2,028,985	58,339

H2O, Inc.
Plant Additions and Retirements

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Rebuttal Schedule B-2
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Witness: Bourassa

Account No.	Description	Deprec. Rate	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	Plant Retirements To Date	2003 Plant Balance	2003 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	136,197		136,197	-	-	148,190	2,883
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	2,865		2,865	-	-	42,227	1,469
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,375,724		1,375,724	-	-	1,723,426	37,280
320	Water Treatment Equipment	3.60%	11,011		11,011	-	(236)	20,715	548
330	Distribution Reservoirs & Standpipe	3.60%	590,358		590,358	-	-	760,528	16,753
331	Transmission and Distribution Mains	3.60%	300,234		300,234	-	(43)	1,123,555	35,044
333	Services	3.60%	17,774		17,774	-	-	128,725	4,314
334	Meters	3.60%	330,324		330,324	-	-	568,601	14,524
335	Hydrants	3.60%	-		-	-	-	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	22,688		22,688	-	-	47,045	1,285
341	Transportation Equipment	3.60%	1,864		1,864	-	(13,741)	7,919	252
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	11,092		11,092	-	-	18,733	475
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	4,940		4,940	-	-	27,191	890
346	Communications Equipment	3.60%	52,880		52,880	-	-	57,775	1,128
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	25,599		25,599	-	-	70,091	2,062
					-		-	-	-
	TOTAL WATER PLANT		2,883,550	-	2,883,550	-	(14,020)	4,912,535	119,929

H2O, Inc.
Plant Additions and Retirements

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Rebuttal Schedule B-2
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Witness: Bourassa

Account No.	Description	Deprec. Rate	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	Plant Retirements To Date	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	10,303		10,303	-	-	158,493	5,520
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	121,516		121,516	-	-	163,743	3,707
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	218,691		218,691	-	-	1,942,117	65,980
320	Water Treatment Equipment	3.60%	4,585		4,585	-	(236)	25,300	828
330	Distribution Reservoirs & Standpipe	3.60%	76,435		76,435	-	-	836,963	28,755
331	Transmission and Distribution Mains	3.60%	121,531		121,531	-	(43)	1,245,087	42,636
333	Services	3.60%	20,114		20,114	-	-	148,838	4,996
334	Meters	3.60%	702,354		702,354	-	-	1,270,954	33,112
335	Hydrants	3.60%	-		-	-	-	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	23,721		23,721	-	-	70,767	2,121
341	Transportation Equipment	3.60%	51,918		51,918	-	(13,741)	59,837	1,220
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	5,202		5,202	-	-	23,936	768
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	1,751		1,751	-	-	28,942	1,010
346	Communications Equipment	3.60%	165,316		165,316	-	-	223,092	5,056
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	40,005		40,005	-	-	110,096	3,243
					-		-	-	-
	TOTAL WATER PLANT		1,563,443	-	1,563,443	-	(14,020)	6,475,978	199,975

H2O, Inc.
Plant Additions and Retirements

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Rebuttal Schedule B-2
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Witness: Bourassa

Account No.	Description	Deprec. Rate	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	Plant Retirements To Date	2005 Plant Balance	2005 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	125,217		125,217	-	-	283,710	7,960
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	64,897		64,897	-	-	228,640	7,063
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,023,286		1,023,286	-	-	2,965,403	88,335
320	Water Treatment Equipment	3.60%	14,952		14,952	-	(236)	40,252	1,180
330	Distribution Reservoirs & Standpipe	3.60%	929,939		929,939	-	-	1,766,902	46,870
331	Transmission and Distribution Mains	3.60%	247,629		247,629	-	(43)	1,492,716	49,280
333	Services	3.60%	35,110		35,110	-	-	183,948	5,990
334	Meters	3.60%	583,711		583,711	-	-	1,854,665	56,261
335	Hydrants	3.60%	-		-	-	-	28,407	1,023
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	8,125		8,125	-	-	78,892	2,694
341	Transportation Equipment	3.60%	52,274		52,274	-	(13,741)	112,111	3,095
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	11,786		11,786	-	-	35,721	1,074
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	627		627	-	-	29,569	1,053
346	Communications Equipment	3.60%	6,006		6,006	-	-	229,098	8,139
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	30,106		30,106	-	-	140,202	4,505
					-		-	-	-
	TOTAL WATER PLANT		3,133,664		3,133,664	-	(14,020)	9,609,642	284,523

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.14
Witness: Bourassa

Account No.	Description	Deprec. Rate	2006 Plant Additions	Staff 2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	Plant Retirements To Date	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	-		-	-	-	-	-
302	Franchise Cost	0.00%	-		-	-	-	131,452	-
303	Land and Land Rights	0.00%	-		-	-	-	7,954	-
304	Structures and Improvements	3.60%	254,469		254,469	-	-	538,179	14,794
305	Collecting and Impounding Res.	3.60%	-		-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-		-	-	-	-	-
307	Wells and Springs	3.60%	27,216		27,216	-	-	255,856	8,721
308	Infiltration Galleries and Tunnels	3.60%	-		-	-	-	-	-
309	Supply Mains	3.60%	-		-	-	-	-	-
310	Power Generation Equipment	3.60%	-		-	-	-	-	-
311	Electric Pumping Equipment	3.60%	1,472,179		1,472,179	-	-	4,437,582	133,254
320	Water Treatment Equipment	3.60%	11,152		11,152	-	(236)	51,404	1,650
330	Distribution Reservoirs & Standpipe	3.60%	939,515	6,646	946,161	-	-	2,713,063	80,639
331	Transmission and Distribution Mains	3.60%	154,405	2,424	156,829	-	(43)	1,649,545	56,561
333	Services	3.60%	23,552		23,552	-	-	207,500	7,046
334	Meters	3.60%	444,204		444,204	(8,443)	(8,443)	2,290,426	74,612
335	Hydrants	3.60%	16,936		16,936	-	-	45,343	1,328
336	Backflow Prevention Devices	3.60%	-		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-		-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	11,879		11,879	-	-	90,771	3,054
341	Transportation Equipment	3.60%	9,129		9,129	-	(13,741)	121,240	4,200
342	Stores Equipment	3.60%	-		-	-	-	-	-
343	Tools and Work Equipment	3.60%	16,895		16,895	-	-	52,616	1,590
344	Laboratory Equipment	3.60%	-		-	-	-	-	-
345	Power Operated Equipment	3.60%	-		-	-	-	29,569	1,064
346	Communications Equipment	3.60%	-		-	(4,598)	(4,598)	224,500	8,165
347	Miscellaneous Equipment	3.60%	-		-	-	-	-	-
348	Other Tangible Plant	3.60%	32,541		32,541	(23,329)	(23,329)	149,414	5,213
					-		-	-	-
	TOTAL WATER PLANT		3,414,072		3,423,142	(36,370)	(50,390)	12,996,414	401,890

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
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Witness: Bourassa

Account No.	Description	Deprec. Rate	Year End Accumulated Depreciation by Account 1992	1993	1994	1995	1996	1997	1998
301	Organization Cost	0.00%	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-
304	Structures and Improvements	3.60%	1,160	1,279	1,399	1,518	1,637	1,757	1,876
305	Collecting and Impounding Res.	3.60%	-	-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-	-	-	-	-
307	Wells and Springs	3.60%	13,590	14,989	16,388	17,787	19,186	20,586	21,985
308	Infiltration Galleries and Tunnels	3.60%	-	-	-	-	-	-	-
309	Supply Mains	3.60%	-	-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	19,613	21,632	23,651	25,671	27,690	29,866	32,215
320	Water Treatment Equipment	3.60%	514	567	619	672	725	538	601
330	Distribution Reservoirs & Standpipe	3.60%	7,231	7,979	8,731	9,511	10,320	11,135	11,956
331	Transmission and Distribution Mains	3.60%	133,978	147,859	161,989	176,454	191,332	207,446	226,010
333	Services	3.60%	3,300	3,667	4,072	4,601	5,432	7,011	9,482
334	Meters	3.60%	7,781	8,602	9,463	10,401	11,490	12,770	14,279
335	Hydrants	3.60%	-	-	-	-	-	108	576
336	Backflow Prevention Devices	3.60%	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	7,323	8,077	8,831	9,628	10,471	11,334	12,210
341	Transportation Equipment	3.60%	5,634	6,214	6,794	7,374	7,954	(5,455)	(5,369)
342	Stores Equipment	3.60%	-	-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	552	611	686	777	884	1,000	1,117
344	Laboratory Equipment	3.60%	-	-	-	-	-	-	-
345	Power Operated Equipment	3.60%	7,085	7,815	8,544	9,274	10,003	10,733	11,462
346	Communications Equipment	3.60%	1,232	1,359	1,486	1,613	1,761	1,931	2,100
347	Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-
348	Other Tangible Plant	3.60%	4,413	4,867	5,322	6,001	6,938	7,907	8,886
			-	-	-	-	-	-	-
	TOTAL WATER PLANT		213,405	235,517	257,975	281,283	305,826	318,667	349,386

H2O, Inc.
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.16
Witness: Bourassa

Account No.	Description	Deprec. Rate	1999	2000	2001	2002	2003	2004	2005	2006
301	Organization Cost	0.00%	-	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-
304	Structures and Improvements	3.60%	1,996	2,115	2,256	2,552	5,435	10,956	18,915	33,709
305	Collecting and Impounding Res.	3.60%	-	-	-	-	-	-	-	-
306	Lake River and Other Intakes	3.60%	-	-	-	-	-	-	-	-
307	Wells and Springs	3.60%	23,384	24,783	26,191	27,608	29,077	32,785	39,847	48,568
308	Infiltration Galleries and Tunnels	3.60%	-	-	-	-	-	-	-	-
309	Supply Mains	3.60%	-	-	-	-	-	-	-	-
310	Power Generation Equipment	3.60%	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	3.60%	34,622	37,086	40,871	49,675	86,955	152,935	241,270	374,524
320	Water Treatment Equipment	3.60%	682	763	878	1,128	1,675	2,504	3,684	5,333
330	Distribution Reservoirs & Standpipe	3.60%	12,776	13,597	14,641	18,337	35,090	63,845	110,714	191,354
331	Transmission and Distribution Mains	3.60%	247,035	271,629	299,200	328,054	363,098	405,733	455,014	511,574
333	Services	3.60%	12,625	16,191	19,888	23,756	28,070	33,066	39,056	46,102
334	Meters	3.60%	16,129	18,487	21,868	28,207	42,731	75,843	132,104	198,273
335	Hydrants	3.60%	1,431	2,421	3,411	4,417	5,440	6,463	7,485	8,813
336	Backflow Prevention Devices	3.60%	-	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	3.60%	13,087	13,964	14,841	15,718	17,003	19,124	21,818	24,871
341	Transportation Equipment	3.60%	(5,284)	(5,135)	(4,919)	(4,701)	(4,450)	(3,230)	(135)	4,065
342	Stores Equipment	3.60%	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	3.60%	1,256	1,447	1,680	1,940	2,415	3,183	4,257	5,847
344	Laboratory Equipment	3.60%	-	-	-	-	-	-	-	-
345	Power Operated Equipment	3.60%	12,192	12,957	13,758	14,559	15,449	16,459	17,513	18,577
346	Communications Equipment	3.60%	2,270	2,439	2,609	2,781	3,909	8,965	17,104	20,671
347	Miscellaneous Equipment	3.60%	-	-	-	-	-	-	-	-
348	Other Tangible Plant	3.60%	9,940	11,158	12,492	13,971	16,033	19,276	23,782	5,666
			-	-	-	-	-	-	-	-
	TOTAL WATER PLANT		384,141	423,904	469,664	528,003	647,932	847,906	1,132,429	1,497,950

H2O, Inc.
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Line No.	Accumulated Depreciation			Adjustments A	Adjustments B	Adjustments C	
1			Direct				Rebuttal
2			Adjusted	Difference	Intentionally	Intentionally	Adjusted
3	Acct.		Accum.	to Recomputed	Left	Left	Original
4	No.	Description	Depr.	A/D	Blank	Blank	Cost
5	301	Organization Cost	-	-			-
6	302	Franchise Cost	-	-			-
7	303	Land and Land Rights	-	-			-
8	304	Structures and Improvements	33,590	119			33,709
9	305	Collecting and Impounding Res.	-	-			-
10	306	Lake River and Other Intakes	-	-			-
11	307	Wells and Springs	48,568	-			48,568
12	308	Infiltration Galleries and Tunnels	-	-			-
13	309	Supply Mains	-	-			-
14	310	Power Generation Equipment	-	-			-
15	311	Electric Pumping Equipment	374,524	-			374,524
16	320	Water Treatment Equipment	5,333	-			5,333
17	330	Distribution Reservoirs & Standpi	191,234	120			191,354
18	331	Transmission and Distribution Ma	511,531	44			511,574
19	333	Services	46,102	-			46,102
20	334	Meters	198,273	-			198,273
21	335	Hydrants	8,813	-			8,813
22	336	Backflow Prevention Devices	-	-			-
23	339	Other Plant and Miscellaneous E	-	-			-
24	340	Office Furniture and Fixtures	24,871	-			24,871
25	341	Transportation Equipment	(1,935)	6,001			4,065
26	342	Stores Equipment	-	-			-
27	343	Tools and Work Equipment	5,847	-			5,847
28	344	Laboratory Equipment	-	-			-
29	345	Power Operated Equipment	18,577	-			18,577
30	346	Communications Equipment	20,671	-			20,671
31	347	Miscellaneous Equipment	-	-			-
32	348	Other Tangible Plant	5,666	-			5,666
33							-
34		TOTALS	$ 1,491,666	$ 6,283	$ -	$ -	$ 1,497,950
35							
36	Accumulated Depreciation per Direct						$ 1,491,666
37							
38	Increase (decrease) in Accumulated Deprecaition						$ 6,283
39							
40	Adjustment to Accumulated Depreciation						$ 6,283
41							
42	SUPPORTING SCHEDULES						
43	B-2, pages 3.1-3.16						
44							

H2O, Inc.
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.		Amount Recorded	Unexpended Cash[1]	CIAC Adjustments[2]	Amortizable Balance	Amortization Rate	Amortization[3]	Year	Total Amortization	Accumulated Amortization
1	Accumulated Amortization (A.A.)									
2										
3	Computation of CIAC Balances									
6	Balance at 12/31/1992	$ 42,760			$ 42,760				-	-
7	Additions 1993	4,794								
8	Balance at 12/31/1993	$ 47,554			$ 47,554	3.60%	1,626	1993	1,626	1,626
9	Additions 1994	1,045								
10	Balance at 12/31/1994	$ 48,599			$ 48,599	3.60%	1,731	1994	1,731	3,356
11	Additions 1995									
12	Balance at 12/31/1995	$ 48,599			$ 48,599	3.60%	1,750	1995	1,750	5,106
13	Additions 1996									
14	Balance at 12/31/1996	$ 48,599			$ 48,599	3.60%	1,750	1996	1,750	6,856
15	Additions 1997	167,061								
16	Balance at 12/31/1997	$ 215,660			$ 215,660	3.60%	4,757	1997	4,757	11,612
17	Additions 1998	(28)								
18	Balance at 12/31/1998	$ 215,632			$ 215,632	3.60%	7,763	1998	7,763	19,375
19	Additions 1999									
20	Balance at 12/31/1999	$ 215,632			$ 215,632	3.60%	7,763	1999	7,763	27,138
21	Additions 2000	315								
22	Balance at 12/31/2000	$ 215,947			$ 215,947	3.60%	7,768	2000	7,768	34,907
23	Additions 2001	49,350								
24	Balance at 12/31/2001	$ 265,297			$ 265,297	3.60%	8,662	2001	8,662	43,569
25	Additions 2002	124,542								
26	Balance at 12/31/2002	$ 389,839			$ 389,839	3.60%	11,792	2002	11,792	55,361
27	Additions 2003	2,781,417								
28	Balance at 12/31/2003	$ 3,171,256			$ 3,171,256	3.60%	64,100	2003	64,100	119,461
29	Additions 2004	196,752								
30	Balance at 12/31/2004	$ 3,368,008			$ 3,368,008	3.60%	117,707	2004	117,707	237,168
31	Additions 2005	2,428,609								
32	Balance at 12/31/2005	$ 5,796,617			$ 5,796,617	3.60%	164,963	2005	164,963	402,131
33	Additions 2006	3,512,498								
34	Balance at 12/31/2006	$ 9,309,115	$ (2,660,967)		$ 6,648,148	3.60%	224,006	2006	224,006	626,137
35										
36										
37	Computed Balances				$ 6,648,148					$ 626,137
38	Balance per Direct Filing				6,449,776					683,565
39	Increase (Decrease) in Balance				$ 198,372					$ (57,428)
40										
41	Adjustment to gross CIAC				$ 198,372					
42	Adjustment to A.A				3a					$ 57,428
43										3b

44 [1] Unexpended cash adjusted by $198,372 for HUF's collected from customer who were receiveing service at end of test year.
45 [2]Half-year Convention
46 [2]Half-year Convention

H2O, Inc.
Test Year Ended December 31, 2006
Deferred Income Taxes

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line No.		
1	**Deferred Tax Analysis**	
2	**December 31, 2006**	
3		
4		
5	Accounting basis at end of year (Note 1)	$ 5,476,453
6		
7	Tax basis of capital assets at end of year (Note 1)	3,835,234
8		
9	Timing Difference	$ (1,641,219)
10		
11	Tax rate (from schedule C-3)	38.50%
12		
13	Defered Tax Liability **[1]**	$ (631,825)
14		
15	AIAC End of Year (Accounting Basis)	$ (4,632,209)
16		
17	AIAC End of Year (Tax Basis)	-
18		
19	Timing Difference	4,632,209
20		
21	Tax rate (from schedule C-3)	38.50%
22		
23	Defered Tax Asset **[2]**	$ 1,783,277
24		
25		
26	Net Deferred Tax Asset (Liability) **[3]=[1] plus [2]**	$ 1,151,451
27		
28	Deferred Income Tax per Direct Filing	$ 846,927
29		
30	Increase (Decrease) in Deferred Income Taxes	$ 304,524
31		
32	Adjustment to Deferred Income Taxes	$ (304,524)
33		
34	Note 1 - Calculation of Plant Book and Tax Basis	
35		

36		Tax	Book
37	Plant in Service (from B-2)		$ 12,996,414
38	CIAC (from B-2)		(6,648,148)
39	Amort. on CIAC (From B-2)		626,137
40	Asset Cost	$ 4,933,687	$ 6,974,403
41	Accum. Depr. (from B-2)	(1,098,453)	(1,497,950)
42	NBV	$ 3,835,234	$ 5,476,453
43			

H2O, Inc.
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)	$	235,781
3	Pumping Power (1/24 of Pumping Power)		10,890
4	Purchased Water (1/24 of Purchased Water)		3,241
5	Material and Supplies Inventories		-
6	Prepayments		8,127
7			
8			
9	Total Working Capital Allowance	$	258,039
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	Rebuttal C-1	Rebuttal B-1	
17	E-1		

H2O, Inc.
Test Year Ended December 31, 2006
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Adjusted Test Year Book Results	Adjustments	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 3,171,070	$ -	$ 3,171,070	$ (134,153)	$ 3,036,917
3	Unmetered Water Revenues	-		-		-
4	Other Water Revenues	208,697	(1,125)	207,572		207,572
5		$ 3,379,767	$ (1,125)	$ 3,378,642	$ (134,153)	$ 3,244,489
6	**Operating Expenses**					
7	Salaries and Wages	$ 790,693	-	$ 790,693		$ 790,693
8	Purchased Water	77,793	-	77,793		77,793
9	Purchased Power	253,894	7,455	261,349		261,349
10	Chemicals	4,229	-	4,229		4,229
11	Repairs and Maintenance	169,792	(2,424)	167,368		167,368
12	Office Supplies and Expense	75,119	(3,948)	71,171		71,171
13	Outside Services	66,331	-	66,331		66,331
14	Water Testing	12,289	-	12,289		12,289
15	Rents	175,063	-	175,063		175,063
16	Transportation Expenses	214,459	-	214,459		214,459
17	Insurance - General Liability	52,245	-	52,245		52,245
18	Insurance - Health and Life	61,213	-	61,213		61,213
19	Reg. Comm. Exp. - Rate Case	40,000	-	40,000		40,000
20	Miscellaneous Expense	187,311	(19,124)	168,187		168,187
21	Depreciation Expense	471,243	(14,171)	457,073		457,073
22	Taxes Other Than Income	63,002	-	63,002		63,002
23	Property Taxes	197,405	341	197,747		197,747
24	Income Tax	171,332	15,976	187,309	(51,645)	135,664
25				-		-
26	**Total Operating Expenses**	$ 3,083,414	$ (15,894)	$ 3,067,520	$ (51,645)	$ 3,015,875
27	**Operating Income**	$ 296,353	$ 14,769	$ 311,122	$ (82,508)	$ 228,614
28	**Other Income (Expense)**					
29	Interest Income	-	-	-		-
30	Other income	-	-	-		-
31	Interest Expense	(12,826)	946	(11,880)		(11,880)
32	Other Expense	-	-	-		-
33						
34	**Total Other Income (Expense)**	$ (12,826)	$ 946	$ (11,880)	$ -	$ (11,880)
35	**Net Profit (Loss)**	$ 283,527	$ 15,714	$ 299,242	$ (82,508)	$ 216,734
36						
37	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
38	Rebuttal C-1, page 2				Rebuttal A-1	
39						

H2O, Inc.
Test Year Ended December 31, 2006
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2
Witness: Bourassa

Line No.		Adjusted Test Year Book Results	1 Depreciation	2 Property Taxes	3 Sales Tax	4 Reclass Misc. Expense	5 Reclass R&M Expense	6 Reclass Expense	7 Remove Late Filing Penalty	8 Remove Unnecessary Expense	9 Interest Sync.	10 Income Tax	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**														
2	Metered Water Revenues	$ 3,171,070											$ 3,171,070	$ (134,153)	$ 3,036,917
3	Unmetered Water Revenues	-											-		-
4	Other Water Revenues	208,697			(1,125)								207,572		207,572
5		$ 3,379,767	$ -	$ -	$ (1,125)	$ -	$ -	$ -	$ -	$ -		$ -	$ 3,378,642	$ (134,153)	$ 3,244,489
6	**Operating Expenses**														
7	Salaries and Wages	$ 790,693											$ 790,693		$ 790,693
8	Purchased Water	77,793											77,793		77,793
9	Purchased Power	253,894						7,455					261,349		261,349
10	Chemicals	4,229											4,229		4,229
11	Repairs and Maintenance	169,792					(2,424)						167,368		167,368
12	Office Supplies and Expense	75,119								(3,948)			71,171		71,171
13	Outside Services	66,331											66,331		66,331
14	Water Testing	12,289											12,289		12,289
15	Rents	175,063											175,063		175,063
16	Transportation Expenses	214,459											214,459		214,459
17	Insurance - General Liability	52,245											52,245		52,245
18	Insurance - Health and Life	61,213											61,213		61,213
19	Reg. Comm. Exp. - Rate Case	40,000											40,000		40,000
20	Miscellaneous Expense	187,311				(6,646)		(7,455)	(5,023)				168,187		168,187
21	Depreciation Expense	471,243	(14,171)										457,073		457,073
22	Taxes Other Than Income	63,002											63,002		63,002
23	Property Taxes	197,405		341									197,747		197,747
24	Income Tax	171,332										15,976	187,309	(51,645)	135,664
25													-		-
26	**Total Operating Expenses**	$ 3,083,414	$ (14,171)	$ 341	$ -	$ (6,646)	$ (2,424)	$ -	$ (5,023)	$ (3,948)	$ -	$ 15,976	$ 3,067,520	$ (51,645)	$ 3,015,875
27	**Operating Income**	$ 296,353	$ 14,171	$ (341)	$ (1,125)	$ 6,646	$ 2,424	$ -	$ 5,023	$ 3,948	$ -	$ (15,976)	$ 311,122	$ (82,508)	$ 228,614
28	**Other Income (Expense)**														
29	Interest Income	-											-		-
30	Other income	-											-		-
31	Interest Expense	(12,826)									946		(11,880)		(11,880)
32	Other Expense	-											-		-
33															
34	**Total Other Income (Expense)**	$ (12,826)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 946	$ -	$ (11,880)	$ -	$ (11,880)
35	**Net Profit (Loss)**	$ 283,527	$ 14,171	$ (341)	$ (1,125)	$ 6,646	$ 2,424	$ -	$ 5,023	$ 3,948	$ 946	$ (15,976)	$ 299,242	$ (82,508)	$ 216,734
36															
37	SUPPORTING SCHEDULES:														
38	Rebuttal C-2, page 1 to 11														
39															

RECAP SCHEDULES:
Rebuttal C-1, page 1

H2O, Inc.
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa
REVISED

Line No.		Adjustments to Revenues and Expenses						
		1 Depreciation Expense	2 Property Taxes	3 Sales Tax	4 Reclass Misc. Exp.	5 Reclass R&M Exp.	6 Reclass Expense	Subtotal
1	Revenues			(1,125)				(1,125)
2	Expenses	(14,171)	341		(6,646)	(2,424)	-	(22,899)
3	Operating Income	14,171	(341)	(1,125)	6,646	2,424	-	21,774
4	Interest Expense							-
5	Other Income / Expense							-
6	Net Income	14,171	(341)	(1,125)	6,646	2,424	-	21,774

Line No.		Adjustments to Revenues and Expenses						
		7 Remove Late Filing Penalty	8 Unnecessary Expense	9 Interest Sync.	10 Income taxes	11	12	Subtotal
7	Revenues							(1,125)
8	Expenses	(5,023)	(3,948)		15,976			(15,894)
9	Operating Income	5,023	3,948	-	(15,976)	-	-	14,769
10	Interest Expense			946				946
11	Other Income / Expense							-
12	Net Income	5,023	3,948	946	(15,976)	-	-	15,714

H2O, Inc.
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Account No.	Description	Rebuttal Original Cost	Proposed Rate	Depreciation Expense
301	Organization Cost	-	0.00%	-
302	Franchise Cost	131,452	0.00%	-
303	Land and Land Rights	7,954	0.00%	-
304	Structures and Improvements	538,179	3.33%	17,921
305	Collecting and Impounding Res.	-	2.50%	-
306	Lake River and Other Intakes	-	2.50%	-
307	Wells and Springs	255,856	3.33%	8,520
308	Infiltration Galleries and Tunnels	-	6.67%	-
309	Supply Mains	-	2.00%	-
310	Power Generation Equipment	-	5.00%	-
311	Electric Pumping Equipment	4,437,582	12.50%	554,698
320	Water Treatment Equipment	51,404	3.33%	1,712
330	Distribution Reservoirs & Standpipe	2,713,063	2.22%	60,230
331	Transmission and Distribution Mains	1,649,545	2.00%	32,991
333	Services	207,500	3.33%	6,910
334	Meters	2,290,426	8.33%	190,793
335	Hydrants	45,343	2.00%	907
336	Backflow Prevention Devices	-	6.67%	-
339	Other Plant and Miscellaneous Equipment	-	6.67%	-
340	Office Furniture and Fixtures	90,771	6.67%	6,054
341	Transportation Equipment	121,240	20.00%	24,248
342	Stores Equipment	-	4.00%	-
343	Tools and Work Equipment	52,616	5.00%	2,631
344	Laboratory Equipment	-	10.00%	-
345	Power Operated Equipment	29,569	5.00%	1,478
346	Communications Equipment	224,500	10.00%	22,450
347	Miscellaneous Equipment	-	10.00%	-
348	Other Tangible Plant	149,414	10.00%	14,941
	TOTALS	$ 12,996,414		$ 946,484
	Less: Amort. of Contributions - Adjusted Balance End of TY	$ 6,648,148	7.3616%	$ (489,411)
	Total Depreciation Expense			$ 457,073
	Depreciation Expense per Direct Filing			471,243
	Increase (decrease) in Depreciation Expense			(14,171)
	Adjustment to Revenues and/or Expenses			$ (14,171)

H2O, Inc.
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	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended 12/31/2006	$	3,378,642
4	Adjusted Revenues in year ended 12/31/2006		3,378,642
5	Rebuttal Proposed Revenues		3,244,489
6	Average of three year's of revenue	$	3,333,924
7	Average of three year's of revenue, times 2	$	6,667,848
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		9,231
12			
13	Full Cash Value	$	6,658,618
14	Assessment Ratio		23.00%
15	Assessed Value		1,531,482
16	Property Tax Rate		12.8467%
17			
18	Property Tax		196,744
19	Tax on Parcels		1,002
20			
21	Total Property Tax at Proposed Rates	$	197,747
22	Property Taxesper Direct Filing		197,405
23	Change in Property Taxes	$	341
24			
25			
26	Adjustment to Revenues and/or Expenses	$	341
27			
28			

H2O, Inc.
Test Year Ended December 31, 2006
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	Removal of Sales Tax From Other Water Revenues		
2			
3	Sales Tax included in Other Water Revenues	$	(1,125)
4			
5			
6	Increase(decrease) in Other Revnues	$	(1,125)
7			
8	Adjustment to Revenue and/or Expense	$	(1,125)
9			
10			
11			
12			
13			
14			
15	REFERENCE		
16	Staff Adjustment #1 Schedule BCA 12		
17			
18			
19			
20			

H2O, Inc.
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.			
1	Reclass Miscellaneous Expense to Plant-in-Service		
2			
3	Misellaneous Expense reclassified to 330 Distrib. Reserv. and Standpipe	$	(6,646)
4			
5			
6	Increase(decrease) in Miscellaneous Expense	$	(6,646)
7			
8	Adjustment to Revenue and/or Expense	$	(6,646)
9			
10			
11			
12			
13			
14			
15	REFERENCE		
16	Staff Adjustment #2 Schedule BCA 13		
17			
18			
19			
20			

H2O, Inc.
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.			
1	Reclass Repairs and Maintenance Expense to Plant-in-Service		
2			
3	Repairs and Maintenance Expense reclassified to 330 Trans. & Distrib. Mains	$	(2,424)
4			
5			
6	Increase(decrease) in Repairs and Maintenance	$	(2,424)
7			
8	Adjustment to Revenue and/or Expense	$	(2,424)
9			
10			
11			
12			
13			
14			
15	REFERENCE		
16	Staff Adjustment #3 Schedule BCA 14		
17			
18			
19			
20			

H2O, Inc.
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line No.				Label
1	Reclass Misc. Expense to Purchased Power			
2				
3	Miscellaneous Expense	$	(7,455)	6a
4	Purchased Power	$	7,455	6b
5				
6	Increase(decrease) in Expenses	$	-	
7				
8	Adjustment to Revenue and/or Expense	$	-	
9				
10				
11				
12				
13				
14				
15	REFERENCE			
16	Staff Adjustment #4 Schedule BCA 15			
17				
18				
19				
20				

H2O, Inc.
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	Removal of Late Tax Filing Penalty from Misc. Expense		
2			
3	Late Filing Penalty included in Miscellaneous Expense	$	(5,023)
4			
5			
6	Increase(decrease) in Miscellaneous Expense	$	(5,023)
7			
8	Adjustment to Revenue and/or Expense	$	(5,023)
9			
10			
11			
12			
13			
14			
15	REFERENCE		
16	Staff Adjustment #5 Schedule BCA 16		
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Line No.			
1	Removal of Unncessary Expense from Office Supplies Expense		
2			
3	Unnecessary Expense in Office Supplies Expense	$	(3,948)
4			
5			
6	Increase(decrease) in Office Supplies Expense	$	(3,948)
7			
8	Adjustment to Revenue and/or Expense	$	(3,948)
9			
10			
11			
12			
13			
14			
15	REFERENCE		
16	Staff Adjustment #6 Schedule BCA 17		
17			
18			
19			
20			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Line No.			
1	Interest Synchronization With Rate Base		
2			
3			
4	Fair Value Rate Base	$ 1,995,695	
5	Weighted Cost of Debt from D-1	0.60%	
6	Synchronized Interest		$ 11,880
7			
8	Test Year Interest Expense		$ 12,826
9			
10	Increase (decrease) in Interest Expense		$ (946)
11			
12	Adjustment to Revenue and/or Expense		$ 946
13			
14			
15			
16			
17			
18			
19			
20			

H2O, Inc.
Test Year Ended December 31, 2006
Adjustment to Revenues and/or Expenses
Adjustment Number 10

Exhibit
Final Schedule C-2
Page 11
Witness: Bourassa

Line No.	Income Tax Computation		Final Adjusted		Final Adjusted with Rate Increase	
7	Taxable Income		$ 486,550		$ 352,397	
9	Arizona Income Before Taxes		$ 486,550		$ 352,397	
11	Less Arizona Income Tax		$ 33,903		$ 24,555	
12	Rate =	6.97%				
13	Arizona Taxable Income		$ 452,648		$ 327,842	
15	Arizona Income Taxes		$ 33,903		$ 24,555	
17	Federal Income Before Taxes		$ 486,550		$ 352,397	
19	Less Arizona Income Taxes		$ 33,903		$ 24,555	
21	Federal Taxable Income		$ 452,648		$ 327,842	
23	FEDERAL INCOME TAXES:					
24	15% BRACKET		$ 7,500		$ 7,500	
25	25% BRACKET		$ 6,250		$ 6,250	
26	34% BRACKET		$ 8,500	Federal	$ 8,500	Federal
27	39% BRACKET		$ 91,650	Effective	$ 88,858	Effective
28	34% BRACKET		$ 40,000	Tax	$ -	Tax
29				Rate		Rate
30	Federal Income Taxes		$ 153,900	31.63%	$ 111,108	31.53%
33	Total Income Tax		$ 187,803		$ 135,664	
35	Overall tax rate				38.50%	
38	Income taxes per Direct Filing		$ 171,332			
40	Increase (decrease) to Income Taxes		$ 16,471			

H2O, Inc.
Test Year Ended December 31, 2006
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.53%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.50%
9		
10	Operating Income % = 100% - Tax Percentage	61.50%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6259
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		A-1
20		

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H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 55,280	$ 47,308	$ (7,972)	-14.42%	1.90%	1.70%
2	3/4 Inch	Residential	$ 1,997,926	$ 1,985,467	$ (12,459)	-0.62%	68.62%	71.32%
3	1 Inch	Residential	$ 184,593	$ 164,156	$ (20,438)	-11.07%	6.34%	5.90%
4	1.5 Inch	Residential	$ 20,856	$ 17,731	$ (3,125)	-14.98%	0.72%	0.64%
5	2 Inch	Residential	$ 2,065	$ 1,687	$ (378)	-18.31%	0.07%	0.06%
6								
7		Subtotal	$ 2,260,720	$ 2,216,349	$ (44,371)	-1.96%	77.65%	79.62%
8								
9	5/8 Inch	Commercial	$ 2,299	$ 2,148	$ (152)	-6.60%	0.08%	0.08%
10	3/4 Inch	Commercial	$ 8,400	$ 8,361	$ (39)	-0.46%	0.29%	0.30%
11	1 Inch	Commercial	$ 5,055	$ 4,496	$ (559)	-11.07%	0.17%	0.16%
12	1.5 Inch	Commercial	$ 1,785	$ 1,471	$ (313)	-17.56%	0.06%	0.05%
13	2 Inch	Commercial	$ 80,656	$ 72,483	$ (8,173)	-10.13%	2.77%	2.60%
14	3 Inch	Commercial	$ 55,378	$ 49,470	$ (5,908)	-10.67%	1.90%	1.78%
15		Subtotal	$ 153,573	$ 138,430	$ (15,144)	-9.86%	5.27%	4.97%
16								
17	3/4 Inch	Landscape Irrigation	$ 3,020	$ 3,014	$ (6)	-0.18%	0.10%	0.11%
18	1 Inch	Landscape Irrigation	$ 41,891	$ 39,299	$ (2,592)	-6.19%	1.44%	1.41%
19	1.5 Inch	Landscape Irrigation	$ 32,643	$ 29,651	$ (2,992)	-9.17%	1.12%	1.07%
20	2 Inch	Landscape Irrigation	$ 335,174	$ 307,716	$ (27,458)	-8.19%	11.51%	11.05%
21								
22		Subtotal	$ 412,728	$ 379,680	$ (33,048)	-8.01%	14.18%	13.64%
23								
24								
25	2 Inch	Construction	$ 16,707	$ 14,026	$ (2,681)	-16.05%	0.57%	0.50%
26	3 Inch	Construction	$ 67,721	$ 35,290	$ (32,432)	-47.89%	2.33%	1.27%
27		Subtotal	$ 84,429	$ 49,315	$ (35,113)	-41.59%	2.90%	1.77%
28								
29	Total Revenues Before Annualization		$ 2,911,450	$ 2,783,774	$ (44,371)	-1.52%	100.00%	100.00%
30								
31								
32								
33								
34								

Docket W-02234A-07-0557

H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Revenue Annualization: Proposed Revenues	Revenue Annualization: Dollar Change	Percent Change	Additional Bills to be Issued	Additional Gallons to be Pumped (In 1,000's)	Schedule Number
1	5/8 Inch	Residential	$ (75)	$ (60)	$ 15	0.00%	(5)	(63)	C-2, P 5.1
2	3/4 Inch	Residential	$ 203,288	$ 197,608	$ (5,679)	-2.79%	6,458	55,359	C-2, P 5.2
3	1 Inch	Residential	$ 4,766	$ 4,141	$ (625)	-13.12%	60	1,437	C-2, P 5.3
4	1.5 Inch	Residential	$ 1,446	$ 1,225	$ (221)	-15.31%	8	433	C-2, P 5.4
5	2 Inch	Residential							C-2, P 5.5
6									
7		Subtotal	$ 209,425	$ 202,914	$ (6,511)	-3.11%	6,521	57,166	
8									
9	5/8 Inch	Commercial	$ (165)	$ (131)	$ 34	0.00%	(11)	(177)	C-2, P 5.6
10	3/4 Inch	Commercial	$ 1,309	$ 1,328	$ 19	1.46%	20	529	C-2, P 5.7
11	1 Inch	Commercial	$ 387	$ 339	$ (47)	-12.25%	5	113	C-2, P 5.8
12	1.5 Inch	Commercial	$ -	$ -	$ -	0.00%	-	-	C-2, P 5.9
13	2 Inch	Commercial	$ (4,326)	$ (3,716)	$ 610	0.00%	(10)	(1,521)	C-2, P 5.10
14	3 Inch	Commercial	$ (9,659)	$ (8,315)	$ 1,344	0.00%	(12)	(3,346)	C-2, P 5.11
15		Subtotal	$ (12,454)	$ (10,495)	$ 1,959	-15.73%	(8)	(4,402)	
16									
17	3/4 Inch	Landscape Irrigation	$ 836	$ 818	$ (18)	-2.15%	23	260	C-2, P 5.12
18	1 Inch	Landscape Irrigation	$ 6,411	$ 5,994	$ (417)	-6.50%	26	2,686	C-2, P 5.13
19	1.5 Inch	Landscape Irrigation	$ 8,305	$ 7,579	$ (726)	-8.74%	18	3,368	C-2, P 5.14
20	2 Inch	Landscape Irrigation	$ 50,432	$ 46,001	$ (4,431)	-8.79%	62	20,622	C-2, P 5.15
21									
22		Subtotal	$ 65,984	$ 60,392	$ (5,592)	-8.47%	129	26,935	
23									
24									
25	2 Inch	Construction							
26	3 Inch	Construction							
27		Subtotal	$ -	$ -	$ -	0.00%	-	-	
28									
29									
30									
31									
32	Total Revenue Annualization		$ 262,954	$ 252,811	$ (10,143)	-3.86%	6,642	79,698	
33									
34									

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H2O, Inc.
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Subtotal Metered Revenues	$ 2,911,450	$ 2,783,774	$ (127,676)	-4.39%	100.00%	100.00%
2	Subtotal Revenue Annualization	262,954	252,811	(10,143)	-3.86%	9.03%	9.08%
3	Total Metered Revenues	$ 3,174,404	$ 3,036,585	$ (137,819)	-4.34%		
4							
5	Misc. Revenues	$ 207,572	$ 207,572	-	0.00%	7.13%	7.46%
6	Reconciling Amount to GL	(3,335)	331	3,666	-109.93%	-0.11%	0.01%
7	Total Water Revenues	$ 3,378,642	$ 3,244,488	$ (134,153)	-3.97%	0.00%	0.00%
8							
9							
10							
11							
12							
13							
14							
15							
16							
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31							
32							
33							
34							

H2O, Inc.
Test Year Ended December 31, 2006
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2006	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	232	3,554	$ 19.55	$ 16.42	(3.12)	-15.98%
2	3/4 Inch	Residential	5,299	8,334	$ 31.05	$ 30.05	(1.01)	-3.25%
3	1 Inch	Residential	180	25,909	$ 83.29	$ 71.74	(11.55)	-13.86%
4	1.5 Inch	Residential	10	47,728	$ 167.33	$ 136.11	(31.22)	-18.66%
5	2 Inch	Residential	1	44,752	$ 206.05	$ 167.13	(38.91)	-18.89%
6								
7		Subtotal	5,722					
8								
9	5/8 Inch	Commercial	4	17,614	$ 44.57	$ 42.37	(2.20)	-4.93%
10	3/4 Inch	Commercial	11	23,312	$ 58.81	$ 60.03	1.22	2.08%
11	1 Inch	Commercial	6	20,643	$ 72.18	$ 62.89	(9.28)	-12.86%
12	1.5 Inch	Commercial	1	38,917	$ 148.74	$ 122.00	(26.74)	-17.98%
13	2 Inch	Commercial	14	176,803	$ 484.68	$ 422.24	(62.43)	-12.88%
14	3 Inch	Commercial	7	208,665	$ 656.90	$ 547.06	(109.84)	-16.72%
15		Subtotal	43					
16								
17	3/4 Inch	Landscape Irrigation	7	10,283	$ 34.52	$ 33.30	(1.23)	-3.56%
18	1 Inch	Landscape Irrigation	15	97,197	$ 233.71	$ 218.02	(15.68)	-6.71%
19	1.5 Inch	Landscape Irrigation	8	139,708	$ 361.40	$ 323.83	(37.57)	-10.40%
20	2 Inch	Landscape Irrigation	35	326,843	$ 801.26	$ 730.12	(71.14)	-8.88%
21								
22		Subtotal	64					
23								
24								
25	2 Inch	Construction	2	341,763	$ 832.74	$ 701.30	(131.44)	-15.78%
26	3 Inch	Construction	12	120,263	$ 470.38	$ 246.78	(223.60)	-47.54%
27		Subtotal	14					
28								
29								
30		Total	5,843					

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

H2O, Inc.
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 15.00	$ 11.93	$ (3.07)	-20.47%
3	3/4 Inch	$ 18.00	$ 17.90	$ (0.11)	-0.58%
4	1 Inch	$ 37.00	$ 29.83	$ (7.18)	-19.39%
5	1 1/2 Inch	$ 75.00	$ 59.65	$ (15.35)	-20.47%
6	2 Inch	$ 120.00	$ 95.44	$ (24.56)	-20.47%
7	3 Inch	N/A	$ 190.88	N/A	
8	4 Inch	N/A	$ 298.25	N/A	
9	6 Inch	N/A	$ 596.50	N/A	
10					
11	Construction 2 inch	120.00	-		
12	Construction 3 inch	120.00	-		
13					
14					
15					
16	Gallons In Minimum (All Zones and Classes)	1,000	-		
17					
18			(Per 1,000 gallons)		
19	**Commodity Rates**		**Present**	**Proposed**	**Percent**
20	**(Residential, Commercial, Industrial)**	**Block**	**Rate**	**Rate**	**Change**	**Change**
21						
22	All Meter Sizes	1,001 gallons to 20,000 gallons	$ 1.78	N/A	N/A	N/A
23		Over 20,000 gallons	$ 2.11	N/A	N/A	N/A
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						

H2O, Inc.
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Bourassa

Line No.			(Per 1,000 gallons) Present Rate		Proposed Rate	Change	Percent Change
1							
2	**Commodity Rates**						
3	**(Residential, Commercial, Irrigationl)**	**Block**					
4	5/8 Inch Meter	1 gallons to 3,000 gallons	N/A	$	1.20	N/A	N/A
5		3,001 gallons to 10,000 gallons	N/A	$	1.60	N/A	N/A
6		over 10,000 gallons	N/A	$	2.05	N/A	N/A
7							
8	3/4 Inch Meter	1 gallons to 3,000 gallons	N/A	$	1.20	N/A	N/A
9		3,001 gallons to 10,000 gallons	N/A	$	1.60	N/A	N/A
10		over 10,000 gallons	N/A	$	2.05	N/A	N/A
11							
12	1 Inch Meter	1 gallons to 25,000 gallons	N/A	$	1.60	N/A	N/A
13		over 25,000 gallons	N/A	$	2.05	N/A	N/A
14	1.5 Inch Meter	1 gallons to 50,000 gallons	N/A	$	1.60	N/A	N/A
15		over 50,000 gallons	N/A	$	2.05	N/A	N/A
16							
17	2 Inch Meter	1 gallons to 80,000 gallons	N/A	$	1.60	N/A	N/A
18		over 80,000 gallons	N/A	$	2.05	N/A	N/A
19							
20	3 Inch Meter	1 gallons to 160,000 gallons	N/A	$	1.60	N/A	N/A
21		over 160,000 gallons	N/A	$	2.05	N/A	N/A
22							
23	4 Inch Meter	1 gallons to 250,000 gallons	N/A	$	1.60	N/A	N/A
24		over 250,000 gallons	N/A	$	2.05	N/A	N/A
25							
26	6 Inch Meter	1 gallons to 500,000 gallons	N/A	$	1.60	N/A	N/A
27		over 500,000 gallons	N/A	$	2.05	N/A	N/A
28							
29							
30							
31							
32							
33	**Construction/Standpipe/Bulk**	All gallons	N/A	$	2.05	N/A	N/A
34							

H2O, Inc.
Changes in Representative Rate Schedules
Test Year Ended December 31, 2006

Exhibit
Schedule H-3
Page 3
Witness: Bourassa
2nd Revised

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 15.00	$ 15.00
2	Establishment (After Hours)	$ 25.00	$ 25.00
3	Reconnection (Deliquent)	$ 15.00	$ 15.00
4	Reconnection (Deliquent and After Hours)	N/A	$ 15.00
5	Meter Test	$ 25.00	$ 25.00
6	Deposit Requirement (Residential)	(a)	(a)
7	Deposit Requirement (None Residential Meter)	(a)	(a)
8	Deposit Interest	(b)	(b)
9	Re-Establishment (With-in 12 Months)	(c)	(c)
10	Re-Establishment (After Hours)	(c)	(c)
11	NSF Check	$ 15.00	$ 15.00
12	Deferred Payment, Per Month	1.00%	1.50%
13	Meter Re-Read	$ 10.00	$ 10.00
14	Charge of Moving Customer Meter -		
15	Customer Requested per Rule R14-2-405B	Cost	Cost
16	After hours service charge, per Rule R14-2-403D	Refer to	Refer to
17		Above	Above
18		Charges	Charges
19	Late Charge per month	N/A	1.5%
20	Off-site Facilities Hook-up Fee (See H-3, page 5)	(d)	(d)
21	CAP Purchased Water Surcharge	N/A	(e)
22	Company Locks Damaged by Customer	(f)	(f)
23	Mains Damaged by Customer	(f)	(f)
24			

25 (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
26 (b) Interest per Rule R14-2-403(B).
27 (c) Minimum charge times number of full months off the system. per Rule R14-2-403(D).
28 (d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-
29 division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide
30 water production, delivery, storage, and presssure among all new service connections.
31 (e) The CAP surcharge is in addition to all other commodity charges and will be adjusted annually to recover
32 the acquistion and purchased water costs of the Company associated with the right to receive 147 acre
33 feet of Central Arizona Project water each year for delivery to customers. The surcharge will include a 10 year
34 amortization of the acquistion cost plus the projected annual fixed costs of the contract and the delivery costs.
35 Surcharge will be computed annually based on gallons sold and trued-up at the end of each year with any
36 over or under recovery of actual costs during the year included in the next years surcharge computation.
37
38 (f) Per Commission Rule R14-2-407(B).
39
40
41 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
42 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
43 TAX. PER COMMISSION RULE 14-2-409D(5).
44
45 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
46 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.
47
48
49

H2O, Inc.
Test Year Ended December 31, 2006
Meter and Service Line Charges

Exhibit
Schedule H-3
Page 4
Witness: Bourassa
REVISED

Meter and Service Line Charges

Meter Size	Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	(a) Proposed Service Line Charge	Proposed Meter Install-ation Charge	(a) Total Proposed Charge
5/8 x 3/4 Inch			$ 285.00	$ 385.00	$ 135.00	$ 520.00
3/4 Inch			320.00	385.00	215.00	600.00
1 Inch			360.00	465.00	265.00	730.00
1 1/2 Inch			545.00	520.00	475.00	995.00
2 Inch			915.00	N/A	N/A	N/A
2 Inch / Turbine			N/T	800.00	995.00	1,795.00
2 Inch / Compound			N/A	800.00	1,840.00	2,640.00
3 Inch			1,150.00	N/A	N/A	N/A
3 Inch / Turbine			N/T	1,015.00	1,520.00	2,535.00
3 Inch / Compound			N/T	1,135.00	2,495.00	3,630.00
4 Inch			1,885.00	N/A	N/A	N/A
4 Inch / Turbine			N/T	1,430.00	2,570.00	4,000.00
4 Inch / Compound			N/T	1,610.00	3,545.00	5,155.00
6 Inch			3,780.00	N/A	N/A	N/A
6 Inch / Turbine			N/T	2,150.00	4,925.00	7,075.00
6 Inch / Compound			N/T	2,270.00	6,820.00	9,090.00
8 Inch & Larger			N/T	At Cost	At Cost	At Cost

N/T = No Tariff

(a) As meters and service lines are now taxable income for income purposes, The Company shall collect income taxes on the meter and service line charges. Any tax collected will be refunded each year as the meter deposit is refunded.

H2O, Inc.
Test Year Ended December 31, 2006
Capacity Reservation Charges

Exhibit
Rebuttal Schedule H-3
Page 5
Witness: Bourassa

Line No.			
1			
2	**Off-site Capacity Reservation Charge (Hook-up Fee)**		
3			
4			
5	Meter Size	Present	Proposed
6	5/8 x 3/4 Inch	$ 875.00	$ 875.00
7	3/4 Inch	$ 1,050.00	$ 1,050.00
8	1 Inch	$ 1,750.00	$ 1,750.00
9	1 1/2 Inch	$ 3,500.00	$ 3,500.00
10	2 Inch	$ 5,600.00	$ 5,600.00
11	3 Inch	$ 10,500.00	$ 10,500.00
12	4 Inch	$ 17,500.00	$ 17,500.00
13	6 Inch and larger	$ 35,000.00	$ 35,000.00
14			
15			
16			
17			
18	N/T = No Tariff		
19			
20			

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

I. INTRODUCTION AND QUALIFICATIONS.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. ARE YOU THE SAME THOMAS J. BOURRASSA THAT FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A. Yes, and all of my background information and testimony regarding my qualifications is contained in that portion of my direct testimony.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY SET FORTH IN THIS VOLUME I?

A. The purpose of this rebuttal testimony is to respond as appropriate to the direct testimony of Mr. Brendan Aladi on behalf of the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission"). I will also update my cost of capital analysis and recommended rate of return set forth in my direct testimony using recent financial data.[1]

II. SUMMARY OF REBUTTAL TESTIMONY AND THE COMPANY'S REVISED REQUESTED COST OF CAPITAL

Q. PLEASE SUMMARIZE YOUR UPDATED COST OF CAPITAL ANALYSIS.

A. Since the filing of the Company's direct testimony, the cost of equity has increased substantially, as indicated by the Discounted Cash Flow ("DCF") model

[1] My rebuttal testimony relating to the H2O, Inc.'s rate base, income statement (revenue and operating expenses), required increase in revenue, and rate design and proposed rates and charges for services are set forth in a separate volume.

and the Capital Asset Pricing Model ("CAPM"). The table below summarizes the results of my updated analysis using those models:

	Range	Midpoint
DCF Constant Growth (earnings growth)	10.6% - 15.6%	13.1%
DCF Constant Growth (sustainable growth)	8.3% - 11.9%	10.1%
Two-Stage Growth Model	10.3% - 13.6%	12.0%
DCF Average Results	**9.7% - 13.7%**	**11.7%**
CAPM Historical Market Risk Premium		9.7%
CAPM Current Market Risk Premium		23.5%
Average CAPM Results	**9.3% - 23.5%**	**16.4%**
Average Overall Results	**9.5% - 18.6%**	**14.1%**

The schedules containing my updated cost of capital analysis are attached as Exhibit D-1.

Q. PLEASE SUMMARIZE YOUR RECOMMENDED COST OF DEBT AND EQUITY, AND YOUR RECOMMENDED RATE OF RETURN ON RATE BASE AT THIS STAGE OF THE PROCEEDINGS.

A. The Company's recommended capital structure consists of 9.5 percent debt and 90.5 percent common equity as shown on Rebuttal Schedule D-1. Based on my updated cost of capital analysis, I am recommending a cost of equity of 12.0 percent for the Company. The Company's recommended cost of debt is 9.5 percent.

Based on my 12.0 percent recommended cost of equity, the Company's weighted average cost of capital ("WACC") is 11.46 percent, as shown on Rebuttal Schedule D-1. I recommend that the WACC be used as the rate of return and applied to the Company's fair value rate base ("FVRB") to compute the Company's required operating income.

Q. IS YOUR REBUTTAL COST OF EQUITY RECOMMENDATION HIGHER THAN WHAT WAS SET FORTH IN YOUR DIRECT TESTIMONY?

A. Yes. In my direct testimony relating to the cost of capital which was filed almost one year ago, I recommended a cost of equity of 10.75 percent based on financial information from February 2008. My current recommendation, 12.0 percent, is based on current financial information. The methodologies that I have used are the same. However, key inputs into the DCF and CAPM models have changed over the past year. For example, the current market risk premium has increased substantially reflecting the current economic environment under which all business must raise capital.

Q. WHY ARE YOU RECOMMENDING A COST OF EQUITY OF ONLY 12.0 PERCENT, WHEN YOUR FINANCIAL MODELS INDICATE THAT A HIGHER EQUITY RETURN IS APPROPRIATE?

A. The midpoint of the range of cost of equity estimates is 14.1 percent, as shown above. Given H2O's relatively small size, the regulatory methods and policies used in this jurisdiction (which increase investment risk), and other firm-specific factors, it is my opinion that at the present time, a cost of equity of 14.1 percent is

warranted and could be easily supported by the available data. Even so, I am recommending only 12.0 percent to reflect H2O's lower financial risk compared to the publicly traded water utilities in my sample group.

Q. PLEASE SUMMARIZE THE COST OF DEBT AND EQUITY RECOMMENDED BY STAFF, AND ITS RESPECTIVE RECOMMENDATIONS FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.

A. Staff is recommended an operating margin approach. This is because Staff is recommending a negative rate base. Consequently, Staff has not provided a cost of capital analysis nor has it directly responded to my direct testimony on the cost of capital. Accordingly, Staff is recommending an operating margin of 10 percent.[2]

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

[2] *See* Staff Schedule BCA-1.

REBUTTAL SCHEDULES
(COST OF CAPITAL)

H2O, Inc.
Test Year Ended December 31, 2006
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	240,387	9.50%	6.27%	0.60%	229,931	8.40%	6.29%	0.53%
2									
3	Stockholder's Equity[1,2,3]	2,290,145	90.50%	12.00%	10.86%	2,506,879	91.60%	12.00%	10.99%
4									
5	Totals	2,530,532	100.00%		11.46%	2,736,810	100.00%		11.52%
6									
7									
8	[1] Adjusted per Direct $2043,049.								
9	[2] Increase Equity for rebuttal adjustment to CIAC		$	(57,428)					
10	[3] Increase Equity for rebuttal adjustment to DIT		$	304,524					
11									
12	SUPPORTING SCHEDULES:								RECAP SCHEDULES:
13	Rebuttal D-1								
14	Rebuttal D-3								
15	Rebuttal D-4								
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									

H2O, Inc.
Test Year Ended December 31, 2006
Cost of Long Term Debt

Exhibit
Rebuttal Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year Annual Interest	End of Test Year Interest Rate	End of Test Year Weighted Cost	End of Projected Year Amount Outstanding	End of Projected Year Annual Interest	End of Projected Year Interest Rate	End of Projected Year Weighted Cost
1	Long-term Debt (Decision 56327)	32,444	2,920	9.00%	1.21%	32,444	2,920	9.00%	1.27%
2	WIFA Loan (Decision 62620)	207,943	12,144	5.84%	5.05%	197,487	11,533	5.84%	5.02%
3		-	-	0.00%	0.00%	-	-	0.00%	0.00%
4		-	-	0.00%	0.00%	-	-	0.00%	0.00%
5		-	-	0.00%	0.00%	-	-	0.00%	0.00%
6		-	-	0.00%	0.00%	-	-	0.00%	0.00%
7		-	-	0.00%	0.00%	-	-	0.00%	0.00%
8		-	-	0.00%	0.00%	-	-	0.00%	0.00%
9		-	-	0.00%	0.00%	-	-	0.00%	0.00%
10		-	-	0.00%	0.00%	-	-	0.00%	0.00%
11									
12									
13	Totals	$ 240,387	$ 15,064		6.27%	$ 229,931	$ 14,453		6.29%
14									
15	SUPPORTING SCHEDULES								
16									
17									
18									
19									
20									
21									

H2O, Inc.
Test Year Ended December 31, 2006
Cost of Preferred Stock

Exhibit
Rebuttal Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
18				Rebuttal D-1			
19							
20							

H2O, Inc.
Test Year Ended December 31, 2006
Cost of Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line No.	
1	
2	The Company is proposing a return on equity of 12.0 percent.
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	SUPPORTING SCHEDULES: RECAP SCHEDULES:
18	Rebuttal D-1
19	
20	

H2O, Inc.
Summary of Results

Exhibit D-1
Rebuttal Schedule D-4.0
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
5	DCF Constant Growth	10.6%	15.6%	13.1%
6	DCF Sustainable Growth	8.3%	11.9%	10.1%
7	DCF Two-Stage	10.3%	13.6%	12.0%
9	Average DCF Results	9.7%	13.7%	11.7%
11	CAPM	9.3%	23.5%	16.4%
13	Average DCF and CAPM Results	9.5%	18.6%	14.1%

H2O, Inc.
Selected Characteristics of Water Utilities

Exhibit D-1
Rebuttal Schedule D-4.1
Witness: Bourassa

Line No.	Company	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1						
2						
3						
4	1. American States	80%	$ 308.5	$ 714.6	NR	A2
5	2. Aqua America	85%	$ 616.2	$ 2,507.4	AA-	NR
6	3. California Water	97%	$ 396.1	$ 970.2	NR	NR
7	4. Connecticut Water	85%	$ 61.4	$ 243.7	AAA	NR
8	5. Middlesex	90%	$ 90.8	$ 312.4	A	NR
9	6. SJW Corp.	95%	$ 218.4	$ 483.7	NR	NR
10						
11	Average	89%	$ 281.9	$ 872.0		
12						
13	H2O, Inc.	100%	$ 3.4	$ 11.8	NR	NR
14						
15	Source: AUS Utility Reports (February 2009)					
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						

H2O, Inc.
Capital Structures of Water Utilities

Exhibit D-1
Rebuttal Schedule D-4.2
Witness: Bourassa

No.	Company	Book Value Long-Term Debt	Book Value Common Equity	Market Value Long-Term Debt	Market Value Common Equity
1	American States	47.0%	53.0%	31.4%	68.6%
2	Aqua America	55.4%	44.6%	32.6%	67.4%
3	California Water	43.0%	57.0%	25.7%	74.3%
4	Connecticut Water	47.9%	52.1%	33.3%	66.7%
5	Middlesex	49.8%	50.2%	40.8%	59.2%
6	SJW Corp.	47.7%	52.3%	31.6%	68.4%
7					
8	Average	48.5%	51.5%	32.6%	67.4%
9					
10	H2O, Inc.	9.5%	90.5%	N/A	N/A

Source: Value Line Analyzer Data (February 20, 2009)

H2O, Inc.
Comparisons of Past and Future Estimates of Growth

Line No.	Company	Five-year historical compound annual changes: Price	Book Value	DPS	EPS	Average Future Growth[1]
7	1. American States	8.84%	5.66%	2.82%	13.51%	8.25%
8	2. Aqua America	6.73%	7.31%	7.82%	6.20%	7.75%
9	3. California Water	14.51%	5.53%	0.88%	10.46%	8.50%
10	4. Connecticut Water	0.29%	3.38%	1.19%	1.41%	9.05%
11	5. Middlesex	-0.05%	6.96%	1.52%	7.60%	8.00%
12	6. SJW Corp.	17.82%	8.91%	7.02%	7.39%	12.75%
15	GROUP AVERAGE	8.02%	6.29%	3.54%	7.76%	9.05%
16	GROUP MEDIAN	7.79%	6.31%	2.17%	7.50%	8.38%

[1] See Rebuttal Schedule D-4.5

Sources:
Value Line Data
Yahoo Finance

H2O, Inc.
Comparisons of Past and Future Estimates of Growth

Exhibit D-1
Rebuttal Schedule D-4.4
Page 1
Witness: Bourassa

Line No.	Company	Ten-year historical compound annual changes: Price	Book Value	DPS	EPS	Average Future Growth[1]
7	1. American States	9.72%	4.83%	1.76%	3.13%	8.25%
8	2. Aqua America	9.75%	9.00%	6.97%	6.77%	7.75%
9	3. California Water	8.42%	3.51%	0.90%	3.22%	8.50%
10	4. Connecticut Water	6.28%	3.78%	1.22%	1.93%	9.05%
11	5. Middlesex	7.37%	4.35%	1.91%	2.17%	8.00%
12	6. SJW Corp.	14.89%	5.89%	6.11%	5.58%	12.75%
15	GROUP AVERAGE	9.40%	5.23%	3.15%	3.80%	9.05%
16	GROUP MEDIAN	9.07%	4.59%	1.84%	3.17%	8.38%

[1] See Rebuttal Schedule D-4.5

Sources:
Value Line Data
Yahoo Finance

H2O, Inc.
Analysts Forecasts of Earnings Per Share Growth

Exhibit D-1
Rebuttal Schedule D-4.5
Witness: Bourassa

Line No.		(1)	(2)		(3)	(4)
		EPS GROWTH				Average Growth (G)
	Company	Zacks	Morningstar	Yahoo	Value Line	(Cols 1-3)
1	1. American States	11.00%	7.00%	4.00%	11.00%	8.25%
2	2. Aqua America	8.00%	7.50%	7.50%	8.00%	7.75%
3	3. California Water	8.00%	8.00%	10.00%	8.00%	8.50%
4	4. Connecticut Water					9.05%
5	5. Middlesex	8.00%		8.00%	8.00%	8.00%
6	6. SJW Corp.	13.00%	15.00%	10.00%	13.00%	12.75%
7						
8						
9	GROUP AVERAGE	9.60%	9.38%	7.90%	9.60%	9.05%
10	GROUP MEDIAN					8.38%

Sources:
Value Line Investment Analyzer Data February 20, 2009
Zacks Investment Research Website February 20, 2009
Morningstar Website February 20, 2009
Yahoo Finance Website February 20, 2009

H2O, Inc.
Estimates of Sustainable Growth

Exhibit D-1
Rebuttal Schedule D-4.6
Witness: Bourassa

Line No.		(1)	(2)	(3)	(4)	(5)
1						
2						
3						Average
4						Sustainable
5		Retention	Rate	br	sv	Growth
6	Company	Ratio	of Return	Growth	Growth	(Cols 3+4)
7	1. American States	0.50	12.50%	6.30%	2.23%	8.53%
8	2. Aqua America	0.40	12.00%	4.80%	0.63%	5.43%
9	3. California Water	0.51	11.00%	5.60%	1.46%	7.07%
10	4. Connecticut Water					
11	5. Middlesex					
12	6. SJW Corp.					
13						
14						
15	GROUP AVERAGE	0.47	11.83%	5.57%	1.44%	7.01%
16	GROUP MEDIAN	0.50	12.00%	5.60%	1.46%	7.07%
17						
18	Sources:					
19	Value Line Data					
20						
21						
22						
23						

H2O, Inc.
Estimates of sv Growth

Exhibit D-1
Rebuttal Schedule D-4.7
Witness: Bourassa

Line No.	Company	(1) Stock Financing Rate	(2) Current Market to Book Ratio	(3) v	(4) sv Growth
7	1. American States	4.62%	1.93	0.48	2.23%
8	2. Aqua America	1.03%	2.57	0.61	0.63%
9	3. California Water	2.71%	2.18	0.54	1.46%
10	4. Connecticut Water				na
11	5. Middlesex				na
12	6. SJW Corp.				na
15	GROUP AVERAGE	2.79%	2.23	0.54	1.44%
16	GROUP MEDIAN	2.71%	2.18	0.54	1.46%

Sources:
Value Line Data

Exhibit D-1
Rebuttal Schedule D-4.8
Witness: Bourassa

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model
Using Projected EPS Growth

Line No.	Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Growth (g)[1]	(5) Indicated Cost of Equity k=Div Yld + g (Cols 3+4)
1	1. American States	33.91	1.08	3.18%	8.25%	11.4%
2	2. Aqua America	18.79	0.54	2.87%	7.75%	10.6%
3	3. California Water	40.30	1.18	2.93%	8.50%	11.4%
4	4. Connecticut Water	22.01	0.89	4.05%	9.05%	13.1%
5	5. Middlesex	14.48	0.71	4.92%	8.00%	12.9%
6	6. SJW Corp.	25.41	0.73	2.86%	12.75%	15.6%
7						
8	GROUP AVERAGE			3.47%	9.05%	12.5%
9	GROUP MEDIAN					12.2%

[1] See Rebuttal Schedules D-4.5

Sources:
Value Line Investment Analyzer Data February 20, 2009
Yahoo Finance Website February 20, 2009

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Sustainable Growth

Exhibit D-1
Rebuttal Schedule D-4.9
Witness: Bourassa

Line No.		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1								Indicated
2								Cost of
3			Next		Sustainable Growth[1]			Equity
4		Spot	Year's	Dividend			br+sv	k=Div Yld + g
5	Company	Price (Po)	Div (D1)	Yield	br	vs	Growth (g)	(Cols 3+6)
6	1. American States	33.91	1.08	3.18%	6.30%	2.23%	8.53%	11.7%
7	2. Aqua America	18.79	0.54	2.87%	4.80%	0.63%	5.43%	8.3%
8	3. California Water	40.30	1.18	2.93%	5.60%	1.46%	7.07%	10.0%
9	4. Connecticut Water	22.01	0.89	4.05%			7.01%	11.1%
10	5. Middlesex	14.48	0.71	4.92%			7.01%	11.9%
11	6. SJW Corp.	25.41	0.73	2.86%			7.01%	9.9%
12								
13								
14	GROUP AVERAGE			3.47%			7.01%	10.5%
15	GROUP MEDIAN							10.5%
16								
17								
18	[1] See Schedule D-4.6 and D-4.7							
19								
20								
21	Sources:							
22	Value Line Investment Analyzer Data February 20, 2009							
23	Yahoo Finance Website February 20, 2009							
24								

H2O, Inc.
Discounted Cash Flow Analysis (Water)
Two-Stage Growth - Projected

Exhibit D-1
Rebuttal Schedule D-4.10
Witness: Bourassa

Line No.		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1								
2								
3								
4			Next			Projected Growth Rates		Indicated
5		Spot	Year's	Yield	Near	Long		Cost of
6	Company	Price(P_0)	Div (D_1)	(D_1/P_0)	Term[1]	Term (GDP)	Average[2]	Equity
7	1. American States	33.91	1.08	3.18%	8.25%	6.80%	7.77%	11.0%
8	2. Aqua America	18.79	0.54	2.87%	7.75%	6.80%	7.44%	10.3%
9	3. California Water	40.30	1.18	2.93%	8.50%	6.80%	7.94%	10.9%
10	4. Connecticut Water	22.01	0.89	4.05%	9.05%	6.80%	8.31%	12.4%
11	5. Middlesex	14.48	0.71	4.92%	8.00%	6.80%	7.60%	12.5%
12	6. SJW Corp.	25.41	0.73	2.86%	12.75%	6.80%	10.79%	13.6%
13								
14								
15	GROUP AVERAGE			3.47%			8.31%	11.8%
16	GROUP MEDIAN							11.7%
17								
18	[1] See Rebuttal Schedule D-4.5							
19	[2] Near term growth given weighting of .67							
20								
21								
22								
23								
24								

H2O, Inc.
Market Betas

Exhibit D-1
Rebuttal Schedule D-4.11
Witness: Bourassa

Line No.		Company	
1		Company	
2	1.	American States	0.95
3	2.	Aqua America	0.90
4	3.	California Water	1.05
5	4.	Connecticut Water	0.80
6	5.	Middlesex	0.80
7	6.	SJW Corp.	1.05
8		Average	**0.93**
9			
10	Source:		
11	Value Line Investment Analyzer Data February 20, 2009		
12			
13			
14			
15			
16			

H2O, Inc.
Computation of Current Market Risk Premium

Exhibit D-1
Rebuttal Schedule D-4.12
Witness: Bourassa

Line No.	Month	Dividend Yield	+	Growth	=	Expected Market Return	-	Monthly Average 30 Year Treasury Rate	=	Market Risk Premium
4	Dec 2007	2.61%	+	13.51%	=	16.12%	-	4.52%	=	11.60%
5	Jan 2008	2.67%	+	15.19%	=	17.86%	-	4.33%	=	13.53%
6	Feb	2.74%	+	16.47%	=	19.21%	-	4.52%	=	14.69%
7	March	2.85%	+	17.64%	=	20.49%	-	4.39%	=	16.10%
8	April	2.69%	+	15.73%	=	18.42%	-	4.44%	=	13.98%
9	May	2.73%	+	15.51%	=	18.24%	-	4.60%	=	13.64%
10	Jun	3.13%	+	18.51%	=	21.64%	-	4.69%	=	16.95%
11	Jul	3.15%	+	18.61%	=	21.76%	-	4.57%	=	17.19%
12	Aug	3.06%	+	17.08%	=	20.14%	-	4.50%	=	15.64%
13	Sept	3.07%	+	19.30%	=	22.37%	-	4.27%	=	18.10%
14	Oct	4.31%	+	30.53%	=	34.84%	-	4.17%	=	30.67%
15	Nov	4.97%	+	35.02%	=	39.99%	-	4.00%	=	35.99%
16	Dec 2008	4.44%	+	29.62%	=	34.06%	-	2.87%	=	31.19%
17	Jan 2009	4.86%	+	30.02%	=	34.88%	-	3.13%	=	31.75%
18										
19	Recent 12 Mon Avg	3.50%	+	22.00%	=	25.50%	-	4.18%	=	21.32%
23										
24	Short-term Trends									
25	Recent Nine Months Avg	3.75%	+	23.80%	=	27.55%	-	4.09%	=	23.46%
26	Recent Six Months Avg	4.12%	+	26.93%	=	31.05%	-	3.82%	=	27.22%
27	Recent Three Months Avg	4.76%	+	31.55%	=	36.31%	-	3.33%	=	32.98%
28										
29	Sources									
30	Value Line Investment Analyzer Software Data - Value Line 1700 Stocks									
31	Federal Reserve									

H2O, Inc.
Test Year Ended December 31, 2006
Capital Asset Pricing Model (CAPM)

Exhibit D-1
Rebuttal Schedule D-4.13
Witness: Bourassa

Line No.		Rf	+	beta[3]	x	Rp	=	k
1								
2								
3	Historical Market Risk Premium CAPM[1]	2.3%	+	0.93	x	7.5% [4]	=	9.3%
4								
5	Current Market Risk Premium CAPM[2]	3.7%	+	0.93	x	21.3% [5]	=	23.5%
6								
7								
8	Average							16.4%
9								
10								
11								

12 [1] Federal Reserve February 19, 2009 average of 5, 7 and 10 year Treasury rates (Rf)
13 [2] Federal Reserve February 19, 2009 30 year Treasury rate (Rf)
14 [3] Value Line Investment Analyzer data. See Sched. D-4.11
15 [4] Historical Market Risk Premium from (Rp) MorningStar SBBI 2008 Yearbook Table A-2 Intermediate-Horizon ERP 1926-2007
16 [5] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
17 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Sched. D-4.12.
18
19
20

EXHIBIT
A-4
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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2009 APR 22 A 11: 30

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

KRISTIN K. MAYES–Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS WATER UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE.	DOCKET NO. W-02987A-07-0557

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT,

REVENUE REQUIREMENT, RATE DESIGN)

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II. REVENUE REQUIREMENT. 2

III. RATE BASE. 3

A. Contributions-in-aid of Construction ("CIAC") - Unexpended Hook-up Fees and Construction-Work-in-Progress funded with Hook-up Fees 4

B. Deferred Income Taxes 6

IV. RATE DESIGN. 6

I. INTRODUCTION AND QUALIFICATIONS.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

A. Yes, my rebuttal and direct testimony was submitted in support of the initial application filed.

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A. I will provide rejoinder testimony in response to the surrebuttal testimony of Arizona Corporation Commission Utilities Division Staff ("Staff") as relates to rate base, income statement and rate design for H2O, Inc. ("Company" or "H2O"). More specifically, I will respond to Staff's testimony on the rate base treatment of unexpended hook-up fees ("HUFs") in rate base as contributions-in-aid of construction ("CIAC"), the income tax rate used in the deferred income tax computation, the Company's CAP surcharge "request", and Staff's recommendation to eliminate the off-site capacity reservation charge (hook-up fee)

Q. WHAT IS THE REVENUE REQUIREMENT ADJUSTMENT THAT THE COMPANY IS PROPOSING IN ITS REJOINDER FILING?

A. The Company has not changed its recommendations that are contained in its rebuttal filing. The Company continues to propose a decrease in revenues of $134,153, a decrease of 3.97 percent for a total revenue requirement of $3,244,489.

II. REVENUE REQUIREMENT.

Q. WHAT ARE THE REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY AND STAFF?

A. The proposed revenue requirements and proposed rate increases at this stage of the proceeding are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Staff Surrebuttal	$3,218,705	$(159,937)	-4.73%
Company Rejoinder	$3,244,489	$(135,153)	-3.97%

Q. WHAT IS THE COMPANY'S PROPOSED RATE OF RETURN?

A. The Company continues to propose a rate of return on equity of 11.45%. This is based on the weighted average cost of capital. I discuss the Company's proposed rate of return and my cost of capital in the second volume of my rebuttal testimony.

Q. IS STAFF RECOMMENDING AN OPERATING MARGIN APPROACH?

A. Yes. Since Staff is proposing a negative rate base, it is proposing an operating margin approach.[1]

[1] Staff is proposing a 10 percent operating margin.

Q. WHAT ARE THE MAJOR DIFFERENCES BETWEEN STAFF AND THE COMPANY AT THIS STAGE OF THE PROCEEDING?

A. As I will discuss, Staff and the Company remain in disagreement on the rate base treatment of unexpended hook-up fees ("HUFs"). In fact, this is the only major rate base and/or income statement disagreement. By including unexpended HUF's in rate base as CIAC, Staff's rate base is negative. Accordingly, Staff is proposing an operating margin approach.

As I will also discuss, there is a disagreement with respect to the income tax rate used in the deferred income tax computation.

Q. IS THE COMPANY SEEKING A CAP SURCHARGE?

A. No. Staff does not recommend a CAP surcharge at this time.[2] However, neither the Company's Application nor its Amended Application requested such a Surcharge.

III. RATE BASE.

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING?

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

	OCRB	FVRB
Staff Surrebuttal	$ (500,901)	$ (500,901)
Company Rejoinder	$1,995,695	$1,996,695

[2] *See* Surrebuttal Testimony of Brendan C. Aladi ("Aladi Sb") at 6.

A. **Contributions-in-aid of Construction ("CIAC") - Unexpended Hook-up Fees and Construction-Work-in-Progress funded with Hook-up Fees**

Q. PLEASE COMMENT ON STAFF'S SURREBUTTAL TESTIMONY REAGARDING THE RATE BASE TREATMENT OF UNXPENDED HOOK-UUP FEES IN RATE BASE AS CIAC?

A. Staff witness, Mr. Aladi, believes that it is proper rate making to include the unexpended HUF's in rate base as CIAC because it preserves the ratemaking balance and removes excess earnings potential.[3] However, I have already testified, there is no plant-in service cost in rate base which corresponds to the unexpended HUF amount and this results in a rate base mismatch.[4] Staff's rate base is "unbalanced" and there is no over earning potential. In fact, there is an under earning potential.

Let me explain. Normally, CIAC funded plant has no rate base impact. That is because the plant costs funded are offset by an equal and corresponding amount of CIAC. CIAC funded plant is revenue neutral as a result. There is no basis for a return on rate base and there is no depreciation recovery of plant costs in rates and the cost of service is not impacted. In fact, the revenue neutrality of CIAC is precisely why utilities can apply and receive approval of HUF's outside the context of a rate case.

Q. IS THEIR AN EXCESS EARNINGS POTENTIAL IF THE UNEXPENDED CASH IS NOT INCLUDED IN RATE BASE AS CIAC?

A. No. This is because, as I previously stated, CIAC funded plant is revenue neutral. Consider, for example, the normal situation where a utility has $100 of plant cost

[3] Aladi Sb at 5.
[4] See Rebuttal Testimony of Thomas J. Bourassa "(Bourassa Rb") at 7.

that is funded with $100 of CIAC. The rate base is for this plant is zero ($100 of plant cost less $100 of CIAC). Now consider the situation, similar to the instant case, where the plant cost is zero because the utility has not spent the funds on plant ($0 plant cost) and $100 of cash that the utility will use to pay for the plant. The rate base is still zero ($0 plant cost and $0 of CIAC). Under either of these two situations, the rate base is zero and "balanced". The utility neither over earns nor under earns in either situation.

But if there is no plant cost and the $100 of cash is included in rate base as CIAC, the rate base is a negative $100. The rate base is now "unbalanced". In fact, it is artificially lower which gives rate payers an unjustified windfall in two ways. First, the lower rate base results in a lower return component in the cost of service and revenue requirement. Second, lower depreciable plant results in a lower depreciation component in the cost of service and revenue requirement. The utility will under earn, not over earn.

Q. IN THE FUTURE, WHEN THE UTILITY SPENDS THE CASH ON PLANT, WILL THE RATE BASE CHANGE?

A. No, all things remaining the same. Again, using the example above, a future rate base will have $100 of plant and $100 of CIAC, or zero rate base ($100 of plant less $100 of CIAC). It should be clear, when the Company expends the unexpended HUF's it had on hand at the end of the test year on future plant for future capacity to serve future customers, the rate base will not change.

Again, this is the nature of CIAC funded plant. CIAC funded plant is revenue neutral. However, it is not revenue neutral if the plant costs are not

properly matched with CIAC is rate base. The Company's proposals result in a properly matched rate base, where as Staff's does not.

B. Deferred Income Taxes

Q. PLEASE EXPLAIN WHY YOU USED A TAX RATE OF 38.6 PERCETN IN YOUR DEFERRED INCOME TAX COMPUTATION?

A. Because that is the income tax rate used in the instant case. The authority for determining deferred income taxes (*Statement of Financial Accounting Standards No. 109* – Accounting for Income Taxes) requires the use of the expected future income tax rates. Arguably, the expected income tax rate is the income tax rate used to compute the revenue requirement.

Q. WHAT IS STAFF'S INCOME TAX RATE USED TO COMPUTE THE REVENUE REQUIREMENT?

A. 38.6 percent, as shown on Staff surrebuttal schedule BCA-2, line 17. Staff used 34.9, as shown on Staff surrebuttal schedule BCA-9-1, to compute deferred income taxes. Again, Staff should have used 38.6 percent, not 34.9 percent.

IV. RATE DESIGN.

A. Offsite Facilities Capacity Reservation Charge (Hook-up Fee)

Q. PLEASE COMMENT ON STAFF'S RECOMMENDATION TO DISCONTINUE THE CURRENTLY AUTHORIZED OFFISITE FACITITIES RESERVATION CHARGE (HUF).

A. Staff recommends the discontinuation of the currently authorized offsite facilities reservation charge.[5] The Company opposes this. The Company's high capitalization of zero cost capital is the result of collecting the HUF's far in advance of constructing the necessary plant. Since the Company is small, has limited earnings and limited access to capital, the HUF's have helped to fund needed plant. Growth has paid for growth. Had the Company not collected the HUF's in advance, it would have had to raise the necessary capital through long-term debt which has a cost and would have resulted a much higher rate base and much higher rates. It is only by the inappropriate treatment of unexpended HUF's by Staff that Staff's rate base is negative.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, except I do wish to note that my silence on any position taken by Staff or with respect to any public comment, does not signal agreement.

[5] Aladi Sb at 6.

EXHIBIT
A-5
ADMITTED

SALLQUIST, DRUMMOND & O'CONNOR, P.C.
ATTORNEYS AT LAW
TEMPE OFFICE
4500 S. LAKESHORE DRIVE
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2008 OCT 14 P 1:24

AZ CORP COMMISSION
DOCKET CONTROL

October 14, 2008

Ms. Kay Kilger
Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

Re: H2O Inc.; Docket No. W-02234A-07-0557; Compliance Filing

Dear Ms. Kilger:

Attached please find the original and fifteen (15) copies of the Affidavit of Publication and the Affidavit of Mailing as required in the JULY 30, 2008 Procedural Order in the Subject Docket.

In the event you have any questions regarding this matter, please do not hesitate to call the undersigned.

Sincerely,

Richard L. Sallquist
For the Firm

cc: Hearing Division
Legal Division
Utilities Division
Don Schnepf

43032-00000.309

Affidavit of Publication

STATE OF ARIZONA
COUNTY OF PINAL } ss.

PUBLIC NOTICE OF THE HEARING ON THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES.

(Docket No. W-02234A-07-0557)

On October 1, 2007, H2O, Inc. ("H2O" or "Company") filed a rate application with the Arizona Corporation Commission ("Commission"). H2O's application, as revised, proposes an annual revenue decrease of approximately $257,614, or 7.62 percent below current revenues. For average consumption (8,334 gallons per month) residential customers, H2O's proposal would decrease monthly rates by 9.05 percent. The actual percentage rate change for individual customers would vary depending upon the type and quantity of service provided.

The Commission's Utilities Division Staff ("Staff") is in the process of auditing and analyzing the application, and has not yet made any recommendations regarding H2O's proposed rates. The Commission will determine the appropriate relief to be granted based on the evidence presented by the parties. The Commission is not bound by the proposals made by H2O, Staff, or any intervenors. Therefore, the final rates approved by the Commission may be higher or lower than the rates requested by H2O.

How You Can View or Obtain a Copy of the Rate Proposal

Copies of the application and proposed rates are available from H2O at 41502 N. Schnepf Road, Queen Creek, Arizona 85242, between 8:00 and 12:00 pm, and 1:00 to 4:30pm, Monday thru Friday, and at the Commission's Docket Control Center at 1200 West orms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than November 14, 2008, and send a copy of the motion to H2O or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a customer of H2O, a shareholder of H2O, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to H2O or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before November 14, 2008. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at http://www.azcc.gov/divisions/utilities/forms/interven.pdf. The granting of intervention, among other things, enti-

DONOVAN M. KRAMER SR. first being duly sworn deposes and says: That he is a native born citizen of the United States of America, over 21 years of age, that he is publisher of the Florence Reminder and Blade-Tribune, a weekly newspaper published at Florence, Pinal County, Arizona, on Thursday of each week; that a notice, a full, true and complete printed copy of which is hereunto attached, was printed in the regular edition of said newspaper, and not in a supplement thereto, for ONE consecutive issues the first publication thereof having been on the 25TH

day of SEPTEMBER A.D., 2008

Second publication _____

Third publication _____

Fourth publication _____

Fifth publication _____

Sixth publication _____

FLORENCE REMINDER AND BLADE-TRIBUNE

By Donovan M. Kramer Sr.
DONOVAN M. KRAMER SR., Publisher

Sworn to before me this 29th

day of September A.D., 2008

Notary Public in and for the County of Pinal, State of Arizona

Official Seal
NOTARY PUBLIC
State of Arizona
County of Pinal
ARMELIA M SANCHEZ
My Comm. Expires 09-30-2009

Richard L. Sallquist
SALLQUIST, DRUMMOND & O'CONNOR, P.C.
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
Telephone: (480) 839-5202
Fax: (480) 345-0412
Attorneys for H2O, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF H2O, INC., AN ARIZONA CORPORATION, FOR A DETERMINIATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	)	DOCKET NO. W-02234A-07-0557 **AFFIDAVIT OF MAILING**

STATE OF ARIZONA)
)
County of Pinal)

The undersigned being first duly sworn deposes and says as follows:

1. I am Donald S. Schnepf, President of H2O.Inc. My business address is 41502 North Schnepf Road, Queen Creek, Arizona 85242.

2. On or about September 30, 2008, I caused to be mailed to every customer of record as of that date, the notice of the Company's Rate Application in the form attached hereto as Attachment One.

Further affiant sayeth not.

Donald L. Schnepf

43032.00000.307

SUBSCRIBED AND SWORN to before me this 14th day of October, 2008, by Donald S. Schnepf.

Anna Lamprecht
Notary Public

My Commission Expires:

March 6, 2012

ANNA LAMPRECHT
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
Commission Expires Mar. 6, 2012

43032.00000.307

PUBLIC NOTICE OF THE HEARING ON THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES.
(Docket No. W-02234A-07-0557)

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The Commission's Utilities Division Staff ("Staff") is in the process of auditing and analyzing the application, and has not yet made any recommendations regarding H2O's proposed rates. The Commission will determine the appropriate relief to be granted based on the evidence presented by the parties. The Commission is not bound by the proposals made by H2O, Staff, or any intervenors. Therefore, the final rates approved by the Commission may be higher or lower than the rates requested by H2O.

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Copies of the application and proposed rates are available from H2O at 41502 N. Schnepf Road, Queen Creek, Arizona 85242, between 8:00 and 12:00 am, and 1:00 to 4:30pm, Monday thru Friday, and at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours and on the Internet via the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **March 9, 2009, at 10:00 a.m.** at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. W-02234A-07-0557 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **November 14, 2008,** and send a copy of the motion to H2O or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;

2. A short statement of your interest in the proceeding (e.g., a customer of H2O, a shareholder of H2O, etc.); and

3. A statement certifying that you have mailed a copy of the motion to intervene to H2O or its counsel and to all parties of record in the case.

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ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, E-mail Lhogan@azcc.gov, voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

ORIGINAL

EXHIBIT A-6 ADMITTED

TARIFF SCHEDULE

UTILITY: H2O, INC. SHEET NO. 1

DOCKET NO. W-02234A-00-0706
DECISION NO.

EFFECTIVE DATE:

OFF-SITE CAPACITY RESERVATION CHARGE

I. Purpose and Applicability

The purpose of the capacity charges payable to H2O, Inc. ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage, pressure and fire flow among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means H2O Inc., an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and these facilities will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or other uses, regardless of meter size.

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III. Off-Site Capacity Reservation Charge

Each new service connection shall pay the total Off-Site Capacity Reservation Charge derived from the following table:

OFF-SITE CAPACITY RESERVATION CHARGE TABLE		
Meter Size	**Size Factor**	**Total Fee**
5/8" x ¾ "	1	$875.00
¾"	1.2	$1,050.00
1"	2	$1,750.00
1- ½ "	4	$3,500.00
2"	6.4	$5,600.00
3"	12	$10,500.00
4"	20	$17,500.00
6" or larger	40	$35,000.00

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Capacity Reservation Charge: The Off-Site Capacity Reservation Charge may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Capacity Reservation Charge: Off-Site Capacity Reservation Charges may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-Site Capacity Reservation Charges shall not be used for repairs, maintenance, or operational purposes.

(C) Time of Payment:

a. For those requiring a main extension agreement –

In the event that the person or entity will be constructing improvements ("Builder") is otherwise required to enter into a main extension agreement, whereby the Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406 (B), payment of the charges required hereunder shall be made by the Builder within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the main extension agreement in accordance with R14-2-406(M).

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b. For those connecting to an existing main that was installed pursuant to a main extension agreement that was approved by the Arizona Corporation Commission –

In the event that the Builder or other new applicant for service is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to provide water service to any Builder or other applicant for service in the event that the Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment has not been paid.

(E) Large Subdivision Projects: In the event that the Builder is engaged in the development of a residential subdivision containing more than 50 lots, the Company may, in its discretion, agree to payment of capacity charges in installments. Such installments shall be based on the residential subdivision development's phasing and will attempt to equitably apportion the payment of charges hereunder based on the Builder's construction schedule and water service requirements.

(F) Off-Site Capacity Reservation Charge Non-refundable: The amounts collected by the Company pursuant to the Off-Site Capacity Reservation Charge shall be non-refundable contributions in aid of construction.

(G) Use of Charges Received: All funds collected by the Company as Off-Site Capacity Reservation Charges shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(H) Off-Site Capacity Reservation Charge in Addition to On-Site Facilities: The Capacity Reservation Charge shall be in addition to any costs associated with a main extension agreement for on-site facilities.

(I) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the Off-Site Capacity Reservation Charge or the Off-Site Capacity Reservation Charge has been terminated by order of the Arizona Corporation Commission (Commission), any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(J) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the Off-Site

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Capacity Reservation Charge and which are contemplated to be constructed using the proceeds of the Off-Site Capacity Reservation Charge, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the Off-Site Capacity Reservation Charge.

(K) Replacement and Superceding of Company's Facilities Construction Advance Tariff: - This tariff schedule, and the capacity charges provided hereinabove, supersede and replace the Company's Facilities Construction Advance tariff, which became effective on June 1, 1989, in accordance with Decision No. 56486. Otherwise, all applicants for service must comply with the terms and conditions governing the establishment of service set forth in the Company's tariff schedules on file with the Arizona Corporation Commission, as they may be amended from time to time. Any unused funds remaining from the Facilities Construction Advance tariff shall be transferred to the Off-Site Capacity Reservation account and used in the manner described herein.

Effective Date: 12-14-00

Approved for Filing in Compliance with
Decision No. 63259

APPROVED FOR FILING
DECISION #: 63259

EXHIBIT
number S-1
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF H2O, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	DOCKET NO. W-02234A-07-0557

DIRECT

TESTIMONY

OF

KATRIN STUKOV

UTILITIES ENGINEER

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

JANUARY 23, 2009

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ENGINEERING REPORT 2

EXHIBIT

Engineering Report ..... Exhibit KS

INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Katrin Stukov. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Utilities Engineer.

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

A. I have been employed by the Commission since June 2006.

Q. Please list your duties and responsibilities.

A. As a Utilities Engineer, specializing in water and wastewater engineering, I inspect, investigate, and evaluate water and wastewater systems; obtain data, prepare investigative reports; suggest corrective action and provide technical recommendations on water and wastewater system deficiencies; and provide written and oral testimony on rate and other cases before the Commission.

Q. How many cases have you analyzed for the Utilities Division?

A. I have analyzed approximately 35 cases covering various responsibilities for the Utilities Division.

Q. What is your educational background?

A. I graduated from the Moscow University of Civil Engineering with a Bachelor of Science degree in Civil Engineering with a concentration in water and wastewater systems.

Q. Briefly describe your pertinent work experience.

A. Prior to my employment with the Commission, I was a design review environmental engineer with the Arizona Department of Environmental Quality ("ADEQ") for twenty years. My responsibilities with ADEQ included review of projects for the construction of water and wastewater facilities. Prior to that, I worked as a civil engineer in several engineering and consulting firms, including Bechtel, Inc. and Brown & Root, Inc., in Houston, Texas.

PURPOSE OF TESTIMONY

Q. Were you assigned to provide the Utilities Division Staff's ("Staff") engineering analysis and recommendation for the H20, Inc. ("H20" or "Company") in this proceeding?

A. Yes. I reviewed the Company's application and responses to data requests, and I visited the water system on September 12, 2008. This testimony and its attachment present Staff's engineering evaluation.

ENGINEERING REPORT

Q. Please describe the attached Engineering Report, Exhibit KS.

A. Exhibit KS presents H20 water system's details and Staff's analysis and findings, and is attached to this direct testimony. Exhibit KS contains the following major topics: (1) a description and analysis of the water system, (2) water use, (3) growth, (4) compliance with the rules of the ADEQ, Arizona Department of Water Resources, and the Arizona Corporation Commission, (5) depreciation rates and Staff's conclusions and recommendations.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT KS

Engineering Report For
H2O, Inc.
Docket No. W-02234A-07-0557 (RATES)
By: Katrin Stukov
Utilities Engineer
September 24, 2008

SUMMARY

CONCLUSIONS

1. The Arizona Department of Environmental Quality ("ADEQ") has reported that the H20's Public Water System ("PWS") #11-060 is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

2. The Maricopa County Environmental Services Department ("MCESD"), as a formally delegated agent of the ADEQ, reported that H20's PWS# 07-904 is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

3. MCESD has reported that the Town of Queen Creek's PWS# 07-033, which supplies water to H20 PWS # 07-904, is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

4. The H20's water system PWS# 11-060 has a water loss of 10.1 percent, which is just above the recommended threshold amount of 10 percent.

5. The H20 water system's current well and storage capacities are adequate to serve the present customer base and a reasonable level of growth.

6. The Company is located in the Phoenix Active Management Area ("AMA") and is in compliance with Arizona Department of Water Resources ("ADWR") reporting requirements, and upon completion of its review of the Company's System Water Plan, which includes a Water Supply Plan, Drought Preparedness Plan and Water Conservation Plan, ADWR will issue the documentation stating whether or not the System Water Plan filed meets ADWR requirements.

7. The Company has no outstanding Arizona Corporation Commission ("ACC") compliance issues.

8. The Company has an approved curtailment plan and a backflow prevention tariffs.

RECOMMENDATIONS

1. The Company's water system PWS# 11-060 has water loss of 10.1 percent. Staff recommends that the Company evaluate this water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2009. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective. The Company shall file such report with Docket Control, as a compliance item in this docket, within six month of the effective date of the decision in this case.

2. Staff recommends that the Company file as a compliance item in this docket no later than December 31, 2009, a copy of the documentation issued by ADWR indicating that the Company's System Water Plan met ADWR requirements.

3. Staff recommends its annual water testing expense estimate of $23,976 be used for this proceeding.

4. Staff recommends that the Company adopt the depreciation rates delineated in Table C on a going forward basis.

5. Staff recommends approval of its service line and meter installation charges labeled "Staff's Recommendation" in Table D.

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A. INTRODUCTION AND LOCATION OF COMPANY

On October 1, 2007, H2O, Inc. Water Company ("H2O" or "Company") filed its initial rate application with the Arizona Corporation Commission ("ACC" or "Commission"), and on May 13, 2008, H2O filed an amended rate application.

H20's service area is located in the vicinity of Queen Creek, in portions of Pinal and Maricopa Counties. H20 served over 6,300 customers in 2006.

The H20's water plant facilities are located in both Pinal and Maricopa Counties, subsequently, ADEQ regulates facilities within Pinal County under PWS #11-060 and MCESD regulates H2O'S facilities within Maricopa County under PWS # 07-904 (this system is a consecutive water system to the Town of Queen Creek ("Town") water system PWS #07-033).

The Company is temporarily purchasing water from the Town's water system, formally owned by Queen Creek Water Company[1], in order to serve approximately 77 customers, within H20's service area, located west of the railroad/Rittenhouse Road ("railroad") in Maricopa County. H20 indicated that it is planning to install a water line extension sometime in the future in order to interconnect both distribution systems (PWS #11-060 and PWS # 07-904) east and west of the railroad, which when installed will eliminate any need to purchase water from the Town.

Figure 1 shows the location of the Company within Pinal and Maricopa Counties and delineates the approximate 11,640 acres of H20's existing certificated area.

B. DESCRIPTION OF THE WATER SYSTEM

The H20 water systems were visited on September 12, 2008, by Katrin Stukov, Staff Utilities Engineer, in the accompaniment of Donald Schnepf, the Company President and Craig Thiesenhusen, the water system operator.

The Company reported that in 2006 its plant consisted of four active wells, eight storage tanks, gas chlorination units, pressure tanks, booster pumps and two separate distribution systems serving 6,382 customers (the main water system PWS #11-060 had 6,305 connections and the consecutive system PWS# 07-904 had 77 connections).

Table A includes a detailed plant facility listing and a system schematic is shown as Figure 2.

[1] The application of Queen Creek Water Company to sell its assets to the Town was approved by ACC in Decision No 70204 on March 20, 2008.

Figure 1

Maricopa County

Pinal County

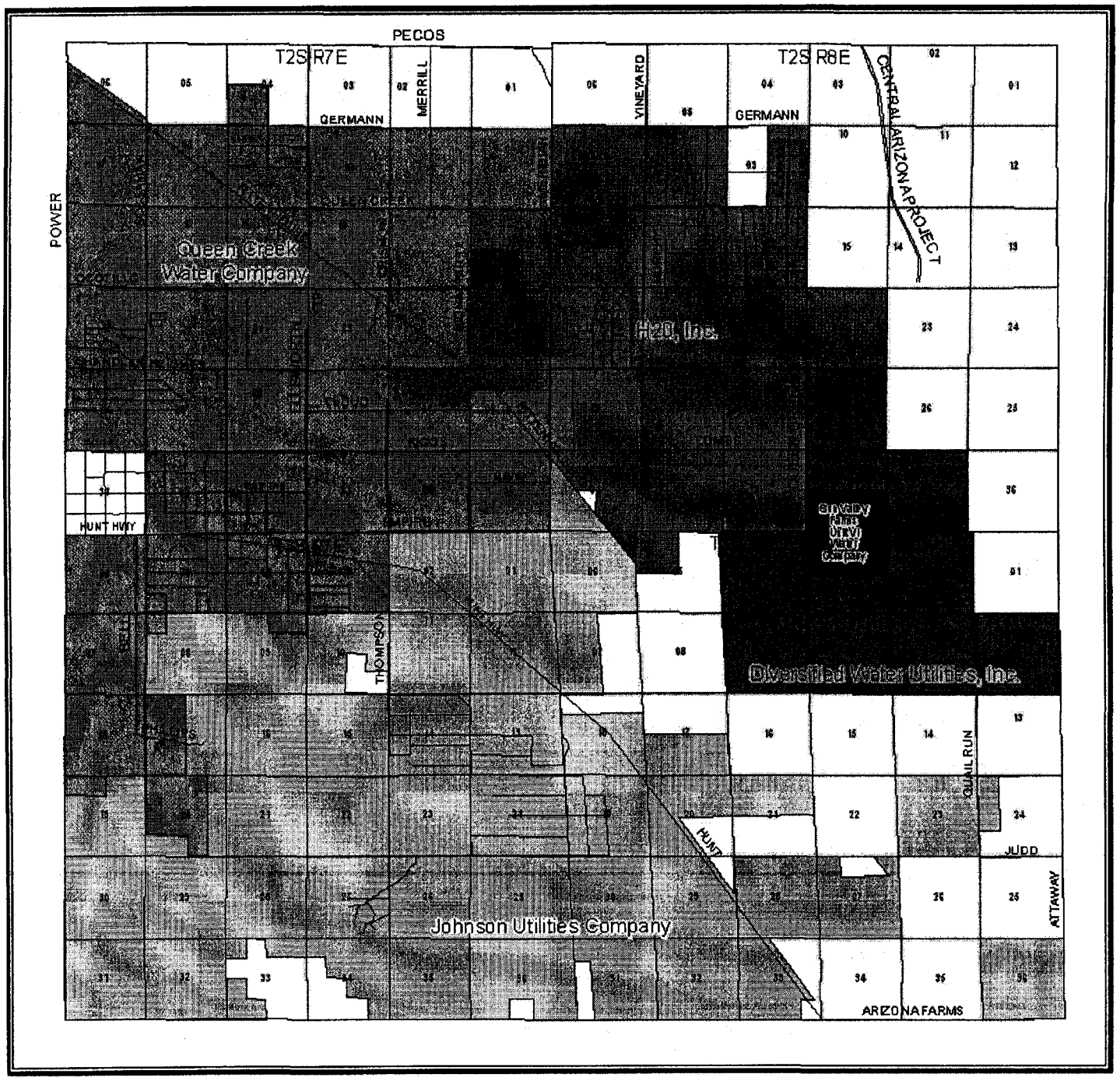


Table A. Plant Facilities Summary[2]

Wells

Plant Name	Well ADWR ID#	Pump horsepower (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Notes
Main	55-605834	300	1,300	1,200	16/14	10	1966	Primary
	55-605835	200	1,050	1,200	20/16	6	1950	Back-up
	55-605836	n/a	n/a	1,200	20/16	n/a	1950	Not in service
	55-605837	n/a	n/a	1,200	20/16	n/a	1966	Capped
Castlegate	55-625006	300	1,400	940	16	10	1972	
Pecan Creek North	55-809158	300	1,200	878	16	10	1946	

Water Tanks and Components

Plant Name	Storage Tanks		Pressure Tanks		Booster Pumps		Components	Structures
	Size (gallons)	quantity	Size (gallons)	quantity	hp	quantity		
Main	500,000 200,000	1 1	5,000	1	15 50 60	4 3 1	Chlorinator(2) w/enclosure	Steel shade 8' Block wall
Castlegate	800,000 800,000	1 1	5,000	2	50	6	Chlorinator w/enclosure	Steel shade 8' Block wall
Pecan Creek North	800,000 800,000	1 1	5,000	2	50	6	Chlorinator w/enclosure; Backup Generator	Steel shade 8' Block wall
Links	700,000 300,000	1 1	5,000	2	15 25 100	3 3 100	Chlorinator w/enclosure; Backup Generator	Steel shade 8' Block wall

Mains

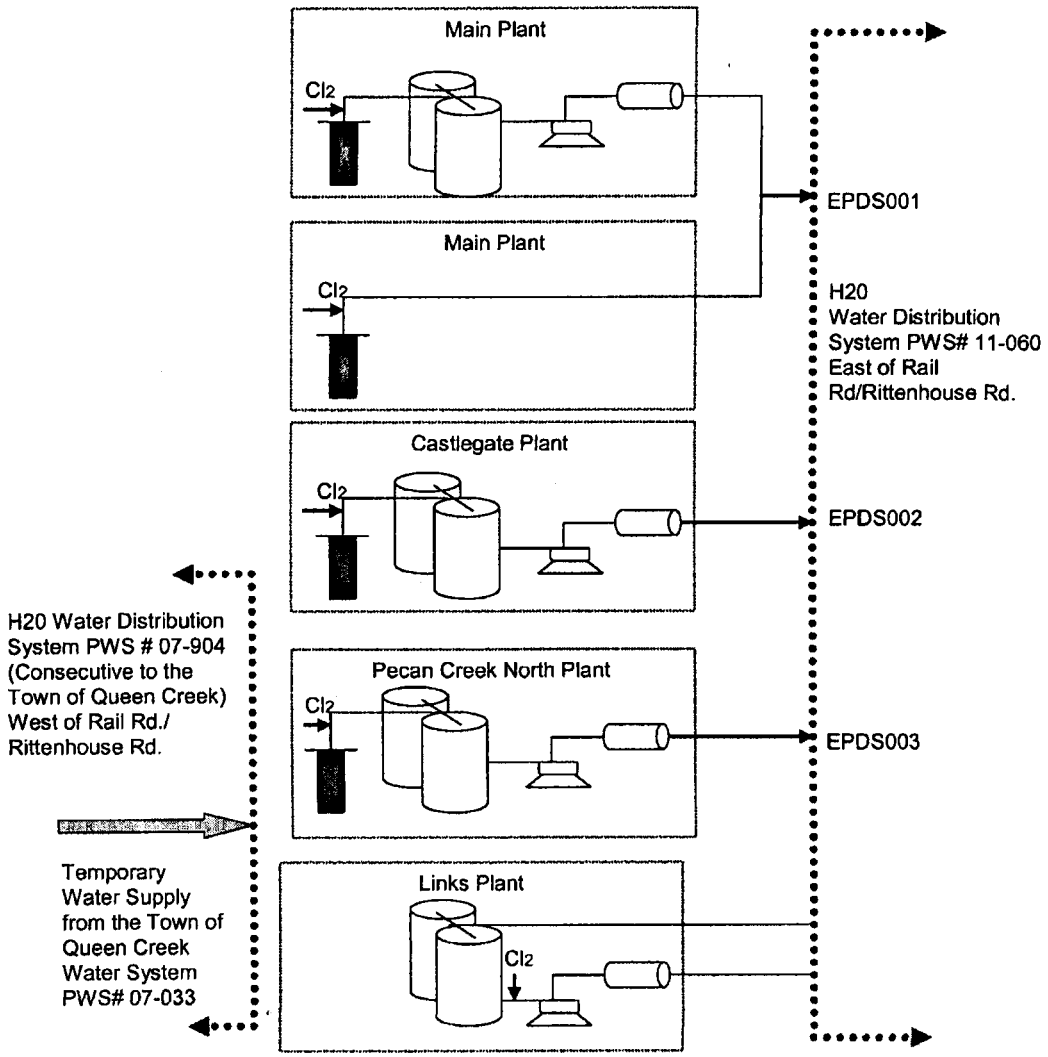
Size(inches)	Material	Length(feet)
4		8,752
6		154,033
8		252,453
10		-
12		224,077

Customer Meters

Size(inches)	Quantity
5/8 X 3/4	236
3/4	6,119
1	212
1 1/2	22
2	79
Total	6,668

[2] Based on the Company's application

Figure 2 System Schematic



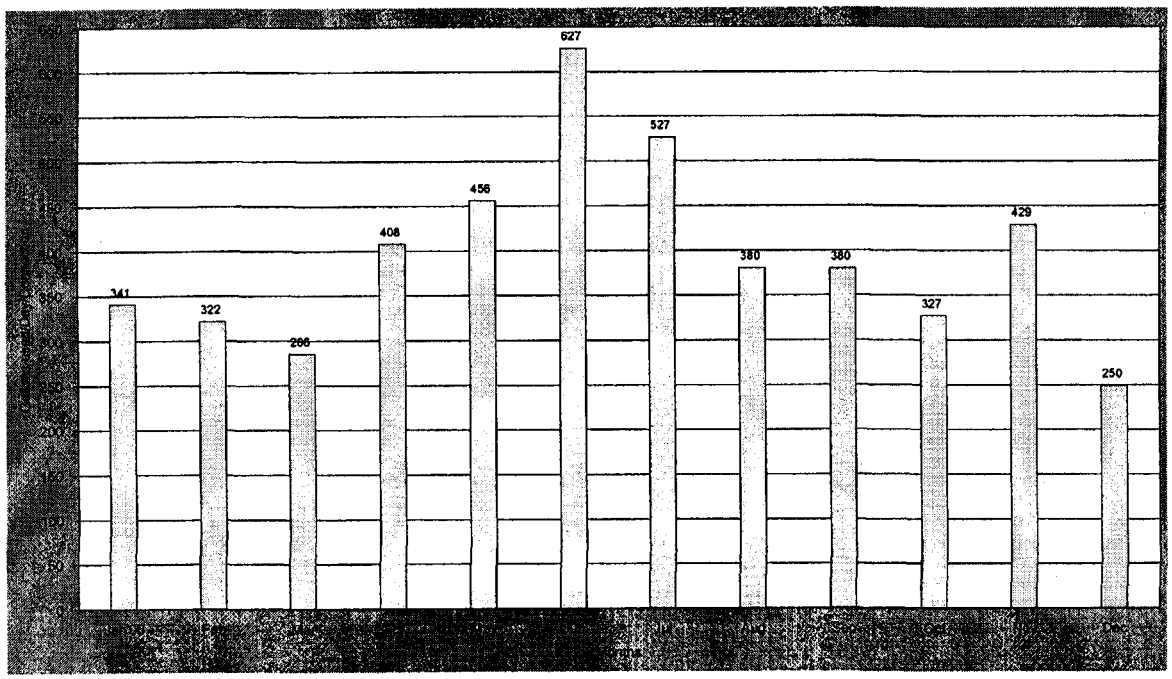
C. WATER USE

1. Main Water System PWS# 11-060

Water Sold

Figure 3 represents the water consumption data for the test year ending December 31, 2006, provided by the Company in its water use data sheet[3]. Customer consumption included a high monthly water use of 627 gallons per day ("GPD") per connection in June, and the low water use was 250 GPD per connection in December. The average annual use was 394 GPD per connection.

Figure 3 Water Use



Non-account Water

Non-account water should be 10 percent or less. 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 company to identify water and revenue losses due to leakage, theft and flushing.

[3] Per Company's response dated September 8, 2008.

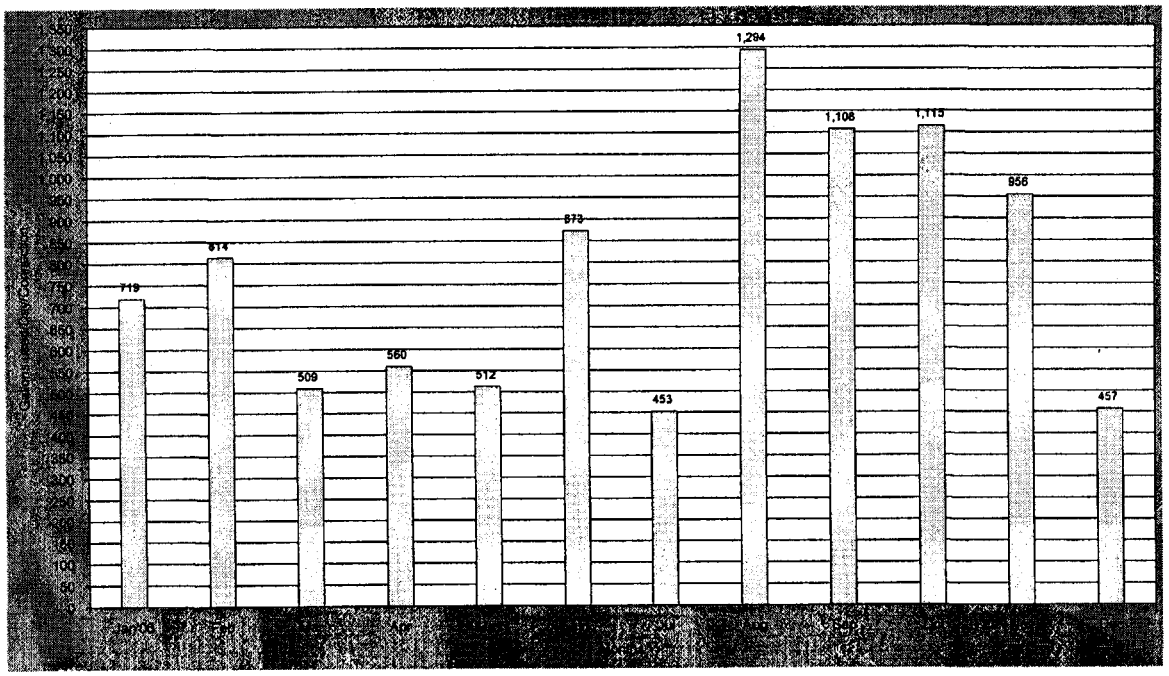
The Company reported 922,090,000 gallons pumped, 825,049,000 gallons sold and 3,537,947 gallons of metered non-revenue uses[4] for the test year, resulting in a water loss of 10.1 percent, which is just above the recommended threshold amount of 10 percent.

2. Consecutive Water System PWS# 07-904

Water Sold

Figure 4 represents the water consumption data for the test year ending December 31, 2006, provided by the Company in its water use data sheet[5]. Customer consumption included a high monthly water use of 1,294 GPD per connection in August, and the low water use was 457 GPD per connection in December. The average annual use was 781 GPD per connection.

Figure 4 Water Use



Non-account Water

The Company reported 21,240,000 gallons purchased and 21,240,000 gallons sold for the test year, resulting in a water loss of 0.00 percent, because during the test year customers were directly metered by the Town.

[4] Per Company's response dated September 16, 2008.
[5] Per Company's response dated September 8, 2008.

D. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Company's current system has adequate production and storage capacities to serve its customer base and reasonable growth.

E. GROWTH

Based on customer data obtained from the Company's Annual Reports, it is projected that the Company could have over 12,000 customers by 2011. Figure 5 depicts actual growth from 2004 to 2006 and projects an estimated growth in the service area for the next five years using linear regression analysis.

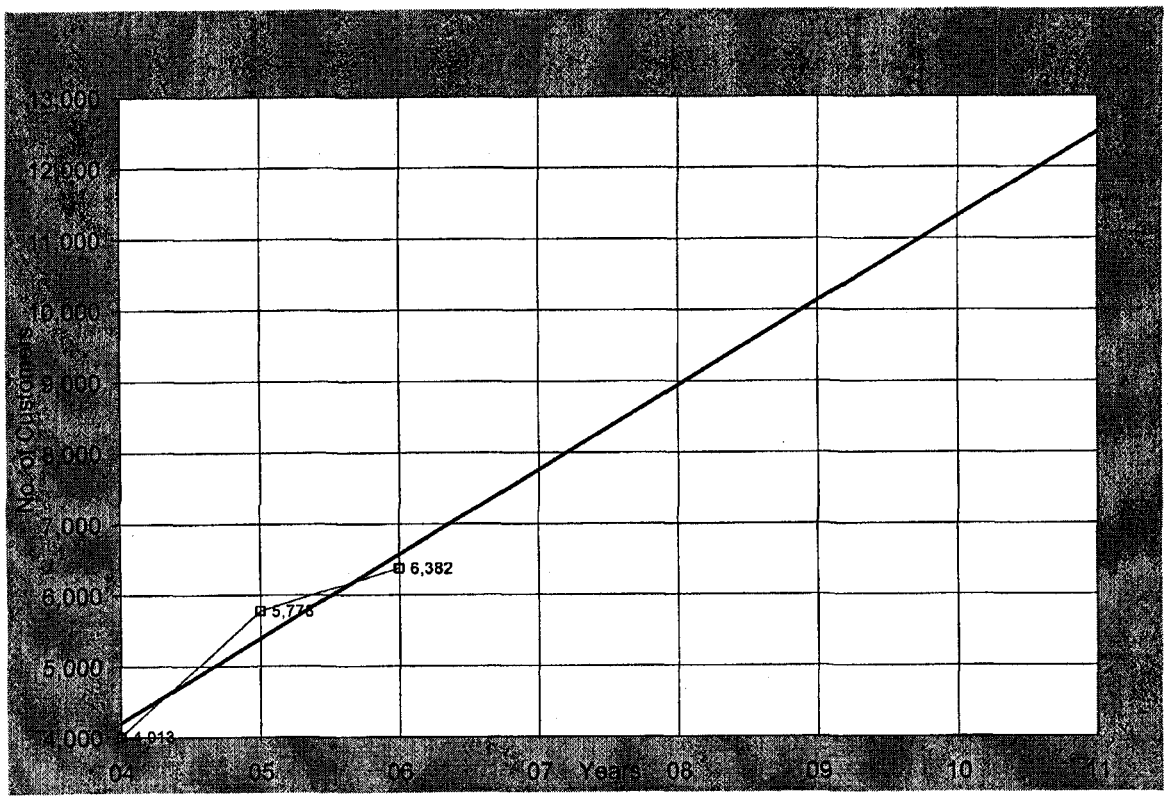


Figure 5 Growth Projection

F. ADWR COMPLIANCE

The Company is located in the Phoenix Active Management Area ("AMA"). According to an ADWR Compliance Status Report, dated July 25, 2008, the Company's water system is in compliance with the reporting requirements. Upon completion of its review of the Company's System Water Plan, which includes a Water Supply Plan, Drought Preparedness Plan and Water Conservation Plan, per *Arizona Revised Statutes* § 45-341-343, ADWR will issue the documentation stating whether or not the System Water Plan filed meets ADWR requirements.

G. ADEQ COMPLIANCE

Compliance Status

Based on ADEQ Compliance Status Report of September 7, 2007, and Compliance Inspection Report of July 14, 2008, H20 PWS # 11-060 has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Based on MCESD Compliance Status Report, dated August 29, 2008, H20 PWS # 07-904 has no deficiencies and MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Based on MCESD Compliance Status Report, dated September 2, 2008, the Town PWS #07-033, which supplies water to H20 PWS # 07-904, has no deficiencies and MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Water Testing Expense

The Company reported its water testing expense at $13,900[6] for the 2006 test year and at $22,185[7] for 2008. Staff has reviewed the Company's testing expense and has recalculated testing costs based on the current Sample Schedules provided by ADEQ and the costs provided by the Aquatic Consulting & Testing Laboratory.

Table B shows Staff's annual water monitoring expense estimate of $23,976.

[6] Per Company's response dated May 13, 2008.
[7] Per Company's response dated September 8, 2008.

Table B. Water Testing Cost

Monitoring	Sample Frequency					Average number of tests per year	Cost per test	Average Annual Cost
	#07-094	#11-060 (3 EPDS[8])						
	DS[9]	DS	EPDS001	EPDS002	EPDS003			
Total coliform	2 / MN	20 / MN				264	$25	$6,600
TTHM	1 / yr	4 / QT				17	$150	$2,550
HAA5	1 / yr	4 / QT				17	$200	$3,400
Lead & Copper	10 /3 yr	30 /3 yr				13	$30	$400
IOCs			1 / 9 yr	1 / 3 yr	1 / 3 yr	0.77	$300	$233
VOCs			1 / 6 yr	4 / 1 yr	4 / 1 yr	8.16	$225	$1,836
SOCs			2 / 9 yr	4 / 3 yr	4 / 3 yr	2.88	$2,075	$5,994
RADs			1 / 9 yr	4/ 1 yr	4 / 1 yr	8.11	$350	$2,838
Asbestos			1 / 9 yr	1 / 9 yr	1 / 9 yr	0.33	$175	$58
Nitrate			1 / 1yr	1 / 1yr	1 / 1yr	3	$20	$60
Nitrite			1 / 9 yr	1 / 9 yr	1 / 9 yr	0.33	$20	$7
Total								**$23,976**

H. ACC COMPLIANCE

A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company[10].

I. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table C. The depreciation rate table submitted by the Company with this application deviates from Staff's typical and customary water depreciation rate table (For example, the Company has not classified its plant-in-service in to the sub-accounts: NARUC Accounts No. 320.1, 320.2, 330.1, 330.2 and 340.1). Staff recommends that the Company adopt Staff's typical and customary depreciation rates in the accounts listed in Table C on a going forward basis.

---

[8] Entry Point into the Distribution System ("EPDS")
[9] Distribution System ("DS")
[10] Per ACC Compliance status check dated August 28, 2008

TABLE C
TYPICAL DEPRECIATION RATES FOR WATER COMPANIES

NARUC Account 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	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

J. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. Service line and meter installation charges are refundable advances. The Company has submitted a prior listing of Staff's customary range of charges for the service line and meter installation charges. However, Staff will recommend its updated version at its the lower end of its customary range of charges as shown in Table D. Staff believes its updated charges, which are slightly higher than the charges proposed by the Company, are more reflective of current costs. The Company also has requested charges for the installation of 8-inch and larger service line and meter be charged on an individual customer basis "At Cost". Staff concurs with using this approach for larger size meters. Therefore, Staff recommends that the charges labeled "Staff's Recommendation" in Table D be adopted.

Table D. Service Line and Meter Installation Charges

Meter Size	Company's Current Charges	Company's Requested Charges			Staff's Recommendation		
		Service Line Charges	Meter Charges	Total Charges	Service Line Charges	Meter Charges	Total Charges
5/8"x 3/4"	$285	$385	$135	$520	$415	$105	$520
3/4"	$320	$385	$215	$600	$415	$205	$620
1"	$360	$435	$255	$690	$465	$265	$730
1-1/2"	$545	$470	$465	$935	$520	$475	$995
2"	$915	N/A	N/A	N/A	N/A	N/A	N/A
2"- Turbine	N/T	$630	$965	$1,595	$800	$995	$1,795
2"- Compound	N/T	$630	$1,690	$2,320	$800	$1,840	$2,640
3"	$1,150	N/A	N/A	N/A	N/A	N/A	N/A
3"- Turbine	N/T	$805	$1,470	$2,275	$1,015	$1,620	$2,635
3"- Compound	N/T	$845	$2,265	$3,110	$1,135	$2,495	$3,630
4"	$1,885	N/A	N/A	N/A	N/A	N/A	N/A
4"- Turbine	N/T	$1,170	$2,350	$3,520	$1,430	$2,570	$4,000
4"- Compound	N/T	$1,230	$3,245	$4,475	$1,610	$3,545	$5,155
6"	$3,780	N/A	N/A	N/A	N/A	N/A	N/A
6"-Turbine	N/T	$1,730	$4,545	$6,275	$2,150	$4,925	$7,075
6"-Compound	N/T	$1,770	$6,280	$8,050	$2,270	$6,820	$9,090
8" & larger	N/T	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Note: "N/T"- No Tariff
"N/A"- Not Applicable

2. Off-site Capacity Reservation Charges (Hook-up Fee)

The Company has approved Off-site Capacity Reservation Charges.

3. Curtailment Plan Tariff

The Company has an approved curtailment plan tariff.

4. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff.

EXHIBIT
S-2
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	)	DOCKET NO. W-02234A-07-0557

DIRECT

TESTIMONY

OF

BRENDAN C. ALADI

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 23, 2009

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EXECUTIVE SUMMARY
H2O, INC.
DOCKET NO. W-02234A-07-0557

H2O, Inc. is an Arizona for profit Class B public service corporation providing water to approximately 6,300 customers in the vicinity of Queen Creek, in portions of Pinal and Maricopa Counties in Arizona. In compliance with Decision No. 69413, on October 1, 2007, H2O, Inc. ("H2O" or "Company") filed its initial rate application with the Arizona Corporation Commission ("ACC" or "Commission"). On May 13, 2008, H2O filed an amended application which it subsequently revised on December 22, 2008. The application shows that for the test year ended December 31, 2006, the Company produced adjusted operating revenues of $3,379,767 and an operating income of $296,353, for a 15.24 percent rate of return on a fair value rate base (same as original cost) of $1,944,185. H2O requests a $154,861 revenue decrease to provide a $199,823 operating income representing a 10.28 percent rate of return.

The testimony of Mr. Brendan Aladi presents Staff's recommendation in the areas of rate base, operating income, revenue requirement and rate design. Staff recommends operating revenue of $3,218,705, a decrease of $159,937, or 4.73 percent, less than the adjusted test year revenue of $3,378,642, to produce a $321,871 operating income and a 10.0 percent operating margin. Staff calculated a negative $500,901 rate base for which no meaningful rate of return can be calculated. Staff's primary rate base adjustments are a $2,859,339 increase to contributions-in-aid-of-construction ("CIAC") and a $34,405 increase to advances-in-aid-of-construction ("AIAC"), and the primary adjustment to operating income is a $210,061 decrease to depreciation expense.

The present rate design has minimum monthly charges of $15, $18, $37, $75 and $120 for 5/8-inch, ¾-inch, 1-inch, 1.5-inch and 2-inch meter sizes, respectively. Customers with meters of each size receive the first 1,000 gallons of water each month as part of the minimum monthly charge and pay a commodity rate of $1.78 per 1,000 gallons for the next 19,000 gallons and $2.11 per 1,000 gallons for all gallons over 20,000.

The Company's proposed rate design has a three-tier rate structure for 5/8-inch and 3/4-inch customer classes with break-over points at 4,000 gallons, and at 10,000 gallons. The Company also proposes a two-tier rate structure for 1-inch meter sizes and larger with break-over points that vary incrementally by meter size. The Company proposes to begin charging a minimum monthly charge for 3-inch, 4-inch, 6-inch, 8-inch and 10-inch meters for the first time. The typical 5/8-inch meter bill with median use of 2,500 gallons would decrease by $5.11, or 26.3 percent, from $19.45 to $14.35.

Staff recommends a three-tier inverted block rate structure for the 5/8-inch and 3/4-inch customer classes with break-over points at 3,000 gallons and at 10,000 gallons. Staff recommends a two-tier inverted block rate structure for the meter sizes 1-inch and larger with break-over points that increase by meter size. Staff recommends monthly minimum charges that increase proportionally to the volumetric capacity of the meter sizes. Staff's recommended rate design would generate Staff's recommended water revenue requirement of $3,218,705, including

$3,011,133 from metered water sales. The typical 5/8-inch meter bill with median use of 2,500 gallons would decrease by $5.47, or 28.1 percent, from $19.45 to $13.98.

The Company proposes a Central Arizona Project ("CAP) surcharge. Staff will address this issue in Supplemental Testimony because Staff does not have sufficient information to make a recommendation at this time.

I. INTRODUCTION

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

A. My name is Brendan Aladi. I am a Public Utilities Analyst employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in Accounting from Central State University, in Wilberforce, Ohio, and a Masters of Arts degree in Accounting from the University of Illinois at Springfield.

My prior work experience includes approximately 18 years of auditing (both internal and external). Prior to joining the Commission, I was employed by the Office of Audit and Analysis for the Arizona Department of Transportation as an external auditor.

In 2007, I began employment at the Commission as a Public Utilities Analyst III in the Finance and Regulatory Analysis Section. Since coming to the Commission, I have participated in a number of rate cases and other regulatory proceedings involving water and gas utilities. I have also attended various seminars and classes on general regulatory and business issues, including the National Association of Regulatory Utility Commissioners ("NARUC") Utility Rate School.

Q. Briefly describe your responsibilities as a Public Utilities Analyst III.

A. I am responsible for the examination and verification of financial and statistical information included in assigned utility rate applications. I develop revenue requirements,

design rates, and prepare written reports, testimony and schedules to present Staff's recommendations to the Commission.

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

A. The purpose of my testimony is to present Staff's analysis and recommendations regarding the H2O application for a permanent rate decrease. I will present recommendations in the areas of rate base, operating income, revenue requirement and rate design. Staff witness Katrin Stukov will present the engineering analysis and recommendations.

Q. What is the basis of your recommendations?

A. I performed a regulatory audit of the Company's records to determine whether sufficient, relevant and reliable evidence exists to support the proposals in the H2O rate application. My regulatory audit consisted of the following: (1) examining and testing the Company's accounting ledgers, reports and supporting documents; (2) checking the accumulation of amounts in the records; (3) tracing recorded amounts to source documents; and (4) verifying that the Company applied accounting principles that were in accordance with the NARUC Uniform System of Accounts ("USOA").

Q. How is your testimony organized?

A. My testimony is presented in eleven sections. Section I is this introduction. Section II provides a background of the Company. Section III is a summary of consumer service issues. Section IV is a summary of proposed revenues. Section V is a summary of Staff's rate base and operating income adjustments. Section VI presents Staff's rate base recommendations. Section VII presents Staff's operating income recommendations. Section VIII discusses rate design. Section IX discusses the Off-site Capacity Reservation

Charge (Hoop-up Fee). Section X pertains to the Company's proposed Central Arizona Project ("CAP") surcharge. Section XI discusses the Company's compliance with Decision No. 69413.

II. BACKGROUND

Q. Would you please review the pertinent background information associated with the Company's application for a permanent rate decrease?

A. Yes. H2O is a class B for-profit public service corporation providing water service to approximately 6,300 customers in the vicinity of Queen Creek, in portions of Maricopa and Pinal Counties, Arizona. The Company's present rates were approved in Decision No. 58641 (May 27, 1994). Decision No. 69413 (April 16, 2007), pertaining to a Company request for a tariff revision, ordered the Company to file a rate case by September 31, 2007, using a test year of 2006 or later.

Q. What test year did H2O use in its filing?

A. H2O's rate filing is based on the twelve months ended December 31, 2006.

III. CONSUMER SERVICE

Q. Please provide a brief summary of customer comments received by the Commission regarding H2O.

A. Staff reviewed the Commission's records and found nine complaints for the period January 1, 2005 through January 22, 2009, all of which have been resolved.

IV. SUMMARY OF PROPOSED REVENUES

Q. What revenue requirement is H2O proposing?

A. H2O proposes total annual operating revenue of $3,224,906, a $154,861 (4.6 percent) decrease from its adjusted test year revenues of $3,379,767.

Q. What is Staff's revenue requirement recommendation?

A. Staff's recommended revenue requirement is $3,218,705, a $159,937 (4.7 percent) decrease from Staff's adjusted test year revenues of $3,378,642.

V. SUMMARY OF STAFF'S RATE BASE AND OPERATING INCOME ADJUSTMENTS

Q. Please summarize Staff's rate base and operating income adjustments.

A. Rate Base:

Reclassification of Miscellaneous Expense to Plant – This adjustment increases plant in service by $6,646 to reflect plant that the Company misclassified as an expense.

Reclassification of Repairs and Maintenance Expense – This adjustment increases plant in service by $2,424 to reflect plant that the Company misclassified as an expense.

Accumulated Depreciation – This adjustment increases accumulated depreciation by $6,283 to reflect Staff's calculation based on Staff's recommended plant.

Contribution in Aid of Construction ("CIAC") – This adjustment increases the CIAC balance by $2,859,339 to properly reflect all CIAC paid by customers.

Advance in Aid of Construction ("AIAC") – This adjustment increases the AIAC balance by $34,405 to properly reflect all AIAC paid by customers.

Accumulated Deferred Income Taxes – This adjustment increases rate base by $445,872 and reflects corrected inputs to the Company's calculation.

B. Operating Income:

Reclassification of Repairs and Maintenance Expense – This adjustment decreases operating expenses by $2,424 to remove costs misclassified as an expense.

Reclassification of Miscellaneous Expense to Purchased Power – This adjustment reclassifies $7,455 from miscellaneous expense to purchased power expense.

Sales Tax – This adjustment decreases operating revenues by $1,125 to remove a misclassified sales tax credit for Other Operating Revenues.

Miscellaneous Expenses – This adjustment decreases operating expenses by $5,023 to remove a late tax filing penalty.

Reclassification of Miscellaneous Expense to Plant – This adjustment decreases operating expenses by $6,646 to remove costs misclassified as an expense.

Depreciation Expense – This adjustment decreases operating expenses by $210,061. This adjustment reflects Staff's calculation of depreciation expense based upon Staff's recommended plant balances and the amortization of Staff's CIAC balance.

Unnecessary Expenses – This adjustment decreases operating expenses by $3,948 to remove the cost of food service offered for sale to employees with no corresponding recognition of the revenues generated.

Water Testing – This adjustment increases operating expenses by $11,687 to reflect Staff's annual water testing costs (see the testimony of Staff witness, Katrin Stukov).

Property Tax Expense – This adjustment increases test year operating expense by $1,980 to reflect Staff's calculation of the Company's property tax expense.

Income Tax Expense – This adjustment increases test year operating expense by $91,525 to reflect application of the statutory State and Federal tax rates to Staff's taxable income.

VI. RATE BASE

Fair Value Rate Base

Q. Does H2O's application include schedules with elements of a Reconstruction Cost New Rate Base ("RCN")?

A. No. The Company's filing treats the OCRB the same as the fair value rate base.

Rate Base Summary

Q. Please summarize Staff's rate base recommendation.

A. Staff's adjustments to H2O's rate base resulted in a net decrease of $2,445,085, from $1,944,185 to a negative $500,901. Staff's recommendation results from the six rate base adjustments described below.

Rate Base Adjustment Nos. 1 and 2 – Reclassification of Expensed Amount to Plant

Q. What guidance should water utilities use to determine whether a cost should be capitalized by recording it in a plant account or treated as an operating expense?

A. The Arizona Administrative Code R14-2-411 D.2 requires water companies to maintain their accounting records in accordance with the NARUC USOA. It states that "Each utility shall maintain its books and records in conformity with the Uniform System of Accounts for Class A, B, C and D Water Utilities."

The NARUC USOA provides a listing of plant accounts and the types of costs that should be recorded in each account. Utilities should use the plant account listing and Accounting Instruction No. 14 "Utility Plant – Components of Construction Costs" to determine what costs should be recorded as plant.

Q. Did H2O expense costs that, according to the NARUC USOA, should be recorded in plant accounts?

A. Yes, the Company expensed plant costs incurred for distribution reservoirs and standpipes, and transmission and distribution main as shown on Schedules BCA-5 and BCA-6.

Q. What is the effect of expensing plant with life extending beyond the current period?

A. The effect of expensing plant beyond the current period will be inconsistent with the matching principle. The NARUC USOA requires utilities to follow accrual accounting. The matching principle is the underlying basis of accrual accounting. The matching principle requires that revenues in an accounting period be matched to the expenses incurred during that same accounting period.

The practice of expensing plant is inconsistent with the matching principle because the entire cost of the asset is matched to only one accounting period even though the asset will benefit many accounting periods. Adherence to the matching principle and the NARUC USOA requires that the cost of an asset that benefits more than one accounting period be capitalized (by recording it in a plant account) and depreciated over the asset's useful life.

Q. What is Staff recommending?

A. Staff recommends increasing plant in service by $9,070 ($6,646 + $2,424) to reclassify capital expenditures that the Company incorrectly recorded as operating expenses as shown on Schedules BCA-5 and BCA-6.

Rate Base Adjustment No. 3 – Accumulated Depreciation

Q. Did H2O record transactions correctly and maintain adequate records to support its proposed accumulated depreciation balance of $1,491,666?

A. No. In the past, the Company recorded costs for work-in-progress directly to plant accounts and then at year end, identified the recorded costs for incomplete projects and reported those costs as construction work in progress ("CWIP"). In the calendar year 2001, the Company removed CWIP transactions totaling $632,332 that was recorded as plant (Account #311) by allocating the amount to Account Nos. 311, 330 and 331 based on the following factors 32 percent, 34 percent and 35 percent, respectively. The Company's method of recording CWIP directly to plant is not in accordance with NARUC USOA, and it has not reduced plant (Account 311) by the CWIP amount of $632,332.

Q. How did staff calculate its recommended Accumulated Depreciation?

A. Staff calculated its accumulated depreciation balance by beginning with the plant balances authorized in Decision No. 58641. Staff applied the authorized composite depreciation

rate of 3.6 percent to the Staff recommended balances for the intervening years, and removed non-depreciable plant, documented retirements, CWIP recorded as plant and added depreciation accumulated on all documented additions in the intervening years.

Q. What is Staff recommending?

A. Staff recommends an accumulated depreciation balance of $1,497,786, a $6,120 increase over the Company's proposed balance of $1,491,666 as shown on Schedule BCA-7.

Rate base Adjustment No. 4 – Contributions in Aid of Construction ("CIAC"), Amortization of CIAC

Q. Did H2O include all of its CIAC in rate base?

A. No. H2O excluded $2,360,596 of its CIAC from rate base because it had not expended that amount. H2O also excluded $498,743 of CIAC from rate base that it has expended for CWIP.

Q. Did H2O also exclude from rate base the accumulated amortization attributable to the $2,859,339 of CIAC it excluded from rate base?

A. No. The Company excluded the CIAC but not the Accumulated Amortization of the CIAC pertaining to unexpended and CWIP CIAC funds. This unbalanced treatment unfairly overstates the rate base.

Q. Should CIAC or the related Accumulated Amortization be excluded from rate base?

A. No. The Commission usually recognizes CIAC in its entirety. Recognizing all CIAC and related accumulated amortizations is appropriate because the Company has the use of these funds regardless of whether it has expended the funds for plant. Recognition of CIAC in CWIP is also necessary since the NARUC USOA provides for the Company to

apply an allowance for funds used during construction ("AFUDC") to CWIP balances. Excluding either the unexpended or CWIP portion of CIAC from rate base effectively allows a utility to earn a return twice on CIAC funds.

Q. What did Staff calculate for the CIAC and Amortization of CIAC balances?

A. Staff calculated $9,309,115 and $683,565 for the gross CIAC and Accumulated Amortization of CIAC balances, respectively. These amounts are consistent with the Company's calculated amounts.

Q. What is Staff recommending?

A. Staff recommends increasing the CIAC balance by $2,859,339 as shown on Schedule BCA-8.

Rate base Adjustment No. 5 – Advances in Aid of Construction ("AIAC")

Q. Did H2O include all of its AIAC in the rate base?

A. No. H2O excluded $34,405 of its AIAC from rate base because it had not expended that amount.

Q. Should unexpended AIAC be excluded from rate base?

A. No. As discussed previously regarding CIAC, recognizing all AIAC is appropriate because the Company has the use of these funds regardless of whether it has expended the funds for plant. Excluding unexpended AIAC from rate base effectively allows a utility to earn on funds not provided by investors. AIAC represents capital provided from customers, developers or other sources other than owners. Thus, AIAC is appropriately a deduction in the calculation of rate base.

Q. What amount of AIAC did the Company include in its rate base?

A. The Company's application includes AIAC of $3,031,454, or $34,405 less than the $3,065,859 recorded in its balance sheet at the end of the test year.

Q. What is Staff recommending?

A. Staff recommends increasing the AIAC in rate base by $34,405 to add back the unexpended AIAC funds removed by the Company to reflect the actual AIAC balance at the end of the test year as shown on Schedules BCA-3 and BCA-9.

Rate Base Adjustment No. 6 – Accumulated Deferred Income Taxes

Q. What are deferred income taxes?

A. Deferred income taxes are the computed tax difference between income taxes calculated for rate-making purposes and the actual income taxes that a Company pays to the United States Treasury and the State of Arizona. Typically, the primary cause of the income tax difference is the straight line depreciation method used for ratemaking purposes and accelerated depreciation method used for federal and state income tax reporting purposes.

Q. When should deferred income taxes be recorded in the financial statements?

A. Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, requires companies to use deferred tax accounting to recognize income tax timing differences when they occur. Also, the Internal Revenue Service requires that timing differences related to using straight line and accelerated depreciation methods be normalized by recording deferred income taxes.

Q. Does H2O have an income tax timing difference that would result in deferred income taxes?

A. Yes. Schedule B-2, page 5, of the Company's December 22, 2008, revisions to its application show it proposes accumulated deferred income tax ("ADIT") for inclusion in rate base. The Company claims a $1,616,691 Deferred Tax Asset and a $769,764 Deferred Tax Liability for a net ADIT debit balance of $846,927. The Deferred Tax Asset pertains to a difference in net book value for tax and book basis, and the Deferred Tax Liability pertains to AIAC.

Q. Does Staff agree with the Company's general method for calculating ADIT?

A. Yes. Staff agrees in concept with the Company's method for estimating its ADIT. However, the Company's calculation uses a book balance of $1,180,340 for Accumulated Depreciation that differs from the amount ($1,491,666) in its filing. Staff has recalculated ADIT using Staff's recommended Plant and Accumulated Depreciation balances of $12,996,414 and $1,497,949, respectively, as shown in Schedule BCA-9.1. Staff calculated a $1,628,648 Accumulated Deferred Income Tax Debit and a $335,849 Accumulated Deferred Income Tax Credit for a net ADIT debit balance of $1,292,799 using its inputs for Plant and Accumulated Depreciation with the Company's method for estimating ADIT. A net debit ADIT balance increases rate base.

Q. Why is a net debit ADIT balance an increase to rate base?

A. A net debit ADIT balance shows that the Company's income taxes payable have exceeded the income taxes included in rates due to timing differences requiring investors to provide capital to fund the taxes payable until those taxes are recovered in the future. The primary reason for the net debit ADIT balance is the tax liability on AIAC related to customer connections, i.e., service line and meter installation charges.

Q. What is Staff recommending?

A. Staff recommends increasing the net debit ADIT by $445,872 from $846,927 to $1,292,799 as shown in Schedules BCA-4 and BCA-9.1.

VII. OPERATING INCOME

Operating Income Summary

Q. What are the results of Staff's analysis of test year operating revenues, expenses and income?

A. As shown on Schedules BCA-10 and BCA-11 Staff's analysis resulted in test year operating revenues of $3,378,642, expenses of $2,960,503 and income of $418,139. Staff's results reflect the ten adjustments described below.

Operating Income Adjustment No. 1 – Sales Tax

Q. Did H2O include any sales taxes in its test year operating revenue?

A. Yes. H2O included $1,125 of sales taxes in its test year operating revenue.

Q. What is the normal regulatory treatment of sales taxes?

A. Normally, sales taxes are treated as a pass-through item, i.e., they are neither recognized in operating revenues or operating expenses. Pass-through treatment is preferable as it allows for revising charges to ratepayers as statutory tax rates change.

Q. What is Staff recommending?

A. Staff recommends removing $1,125 from operating revenues as shown on Schedule BCA-12.

Operating Income Adjustment Nos. 2 and 3 – Reclassification of Expenses to Plant

Q. Did H2O record transactions as operating expenses costs that should have been capitalized?

A. Yes, as Staff discussed in Rate Base Adjustment Nos. 1 ($6,646) and 2 ($2,424), H2O recorded as operating expenses that according to the NARUC USOA and the matching principle, should be capitalized.

Q. What treatment does Staff recommend for the Company's expensed plant costs?

A. Staff recommends that the costs be treated consistent with the NARUC USOA and the matching principle. Staff recommends reclassifying these costs to exclude them from Test Year operating expenses and to include them in plant.

Q. What is Staff recommending?

A. Staff recommends decreasing operating expenses by $9,070 ($6,646 for Adjustment No. 2 and $2,424 for Adjustment No. 3) as shown in Schedules BCA-13 and BCA-14 to recognize a reclassification of these amounts to plant

Operating Income Adjustment No. 4 – Reclassification of Miscellaneous expense to Purchased Power

Q. Did H2O record certain purchased power costs as miscellaneous expenses?

A. Yes. Staff's examination revealed that H2O misclassified the recording of $7,455 purchased power expenses as in miscellaneous expenses according to the NARUC USOA.

Q. What is Staff recommending?

A. Staff recommends decreasing miscellaneous expense by $7,455 and increasing purchased power by the same amount as shown in Schedules BCA-11 and BCA-15.

Operating Income Adjustment No. 5 – Tax Penalty

Q. How does H2O propose to treat a late tax filing penalty?

A. H2O included a late tax filing penalty of $5,023 in operating expenses.

Q. What is the normal regulatory treatment of late tax filing penalty?

A. Penalties for delinquent tax filings are avoidable and they are not necessary for the provision of utility service. Accordingly, these penalties should be excluded from operating expenses.

Q. What is Staff recommending?

A. Staff recommends removing $5,023 from operating expenses as shown in Schedules BCA-11 and BCA-16.

Operating Income Adjustment No. 6 – Food Service Expense

Q. Does H2O's proposed test year operating expenses include costs for food items?

A. Yes. H2O included $3,948 for food service offered for sale to employees.

Q. What is Staff recommending?

A. Staff recommends decreasing operating expense by $3,948 as shown in Schedules BCA 11 and BCA-17.

Operating Income Adjustment No. 7 – Depreciation Expense

Q. What is the Company proposing for Depreciation expense?

A. The Company is proposing $471,243 for depreciation expense. The Company's calculation applies component rates to its proposed plant balances by account and offsets the aggregate of those results by amortization of CIAC using its proposed CIAC balance.

Q. Does Staff calculate Depreciation expense in the same manner as the Company?

A. Yes. Staff also calculates Depreciation expense by applying its recommended component depreciation rates by account to its recommended plant balances, and in accordance with the NARUC USOA, offsets the aggregate of those results by the amortization of CIAC using Staff's recommended CIAC balance. Staff's calculation of depreciation expense is $261,182 as shown in Schedule BCA-18. Staff uses the same component rates as the Company. Staff's depreciation expense is difference from the Company's primarily due to a difference in the CIAC balance amortized and to a lesser extent the plant balances.

Q. What is Staff recommending?

A. Staff recommends $261,182 for Depreciation expense, a $210,061 reduction from the Company's proposed amount as shown in Schedules BCA-11 and BCA-18.

Operating Income Adjustment No. 8 – Water Testing Expense

Q. What is the Company proposing for water testing expense?

A. The Company is proposing its recorded test year amount of $12,289 for water testing expense.

Q. What is Staff recommending?

A. Staff recommends $23, 976 for water testing expense, an $11,687 increase over the Company's proposed amount. Details of Staff recommended amount are presented in the testimony of Staff witness Katrin Stukov. Staff's adjustment is shown on Schedules BCA-11 and BCA-19.

Operating Income Adjustment No. 9 – Property Taxes

Q. What is H2O proposing for Test Year Property Taxes?

A. H2O is proposing $197,405 for Test Year property taxes or $122,411 more than the $74,994 recorded in the test year. The Company's proposed property taxes are calculated on the modified Arizona Department of Revenue ("ADOR") methodology typically adopted by the Commission for water and wastewater utilities. The results from using this methodology are primarily dependent upon the test year and proposed revenues. Using the modified ADOR method, the amount for property tax is specific for each revenue requirement just as each operating income has its own income tax expense. Therefore, the test year property tax is not equal to the anticipated on-going property tax if the authorized operating revenue differs from the test year operating revenue. The Company has calculated test year property taxes based on its proposed revenues instead of the test year amount. The Company's method of calculating property taxes does not vary with the authorized revenue, accordingly, it provides the correct on-going property tax only at its proposed revenues. Therefore, if the Commission adopts any revenue requirement other than that proposed by the Company, the Company's proposed test year property tax would not correspond with the adopted revenues.

Q. Can the Modified ADOR method for calculating Property Tax expense be used in a flexible manner that provides an appropriate value for Property Tax expense that recognizes the dependent relationship between Property Tax expense and revenues?

A. Yes. Including a factor for property taxes in the Gross Revenue Conversion Factor ("GRCF") (See Schedule BCA-2) automatically adjusts the revenue requirement for changes in revenue in the same way that income taxes are adjusted for changes in operating income. This flexible method will accurately reflect the appropriate level for Property Tax Expense for any level of authorized revenue. Staff has included a factor for

property taxes in its GRCF to allow an appropriate calculation for Property Tax expense based on test year revenue while also providing full recovery of Property Tax expense at any authorized revenue.

Q. What did Staff calculate for Test Year Property Tax expense?

A. Staff calculated $199,385 for test year Property Tax expense as shown in Schedules BCA-20.[1]

Q. What is Staff recommending?

A. Staff recommends increasing property tax expense by $1,980 as shown on Schedules BCA-11 and BCA-20.

Operating Income Adjustment No. 10 – Income Taxes

Q. What is the Company proposing for test year Income Tax expense?

A. The Company is proposing $171,332 for Test Year Income Tax Expense as shown on Schedule BCA-23.

Q. How did Staff calculate test year income tax expense?

A. Staff calculated test year income tax expense by applying the statutory state and federal income tax rates to Staff's adjusted test year taxable income as shown on Schedule BCA-2.

Q. What is Staff recommending?

A. Staff recommends a test year income tax expense of $262,857 as shown on Schedules BCA-2 and BCA-21.

[1] Schedule BCA-20 also shows calculations for Property Tax expense for Staff's recommended revenue.

VIII. RATE DESIGN

Rate Design Schedules

Q Did Staff prepare a schedule showing the present, Company proposed, and Staff recommended monthly minimums and commodity rates for each rate class?

A. Yes. Staff's Schedule BCA-22 shows the present monthly minimum charges and commodity rates, the Company's proposed monthly minimum charges and commodity rates and Staff's recommended monthly minimum charges and commodity rates. Schedule BCA-22 also shows the service charges.

Q. Did Staff prepare a schedule showing the average and median monthly bill under present rates, the Company's proposed rates, and Staff's recommended rates?

A. Yes. Staff's Schedule BCA-23 presents the average and median monthly bill using present rates, the Company's proposed rates and Staff's recommended rates.

Present Rate Design

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

A. The following is a general description of the present rate design. The present rate design contains minimum monthly charges only for the following meter sizes: 5/8-inch, $15.00; 3/4-inch, $18.00; 1-inch, $37.00; 1.5–inch, $75.00 and 2-inch, $120.00. Customers with meters of each size receive the first 1,000 gallons of water each month as part of the minimum monthly charge and pay a commodity rate of $1.78 per 1,000 gallons for the next 19,000 gallons and $2.11 for all gallons over 20,000. As discussed above, the present rate design is presented in Schedule BCA-22.

The Company's Proposed Water Rate Design

Q. Please provide an overview of the Company's proposed rate structure.

A. The Company's proposed rate design has a three-tier commodity rate structure for 5/8-inch and 3/4-inch customer classes with break-over points at 4,000 gallons, and 10,000 gallons. The Company proposes a two-tier rate structure for 1-inch meter sizes and larger with break-over points for residential, commercial and industrial customers that vary incrementally by meter size. The Company proposes a one-tier rate structure for 2-inch and 3-inch meter construction customers. The Company proposes to begin charging a minimum charge for 3-inch, 4-inch, and 6-inch meters for the first time. As discussed above, the Company's proposed rate design is shown in Schedule BCA-22.

Q. What is the impact of the Company's proposed rates on the typical 5/8-inch meter residential customer with median usage of 2,500 gallons?

A. The Company's proposed rates would decrease the typical 5/8-inch meter residential bill with median usage of 2,500 gallons from $19.45 to $14.35 for a decrease of $5.11 or 26.3 percent as shown in Schedule BCA-23, page 2.

Q. Does the Company propose any changes to its water system service charges?

A. Yes. The Company proposes to replace the 12 percent per annum deferred payment charge with 1.5 percent per month, and it proposes to introduce a charge for moving a customer meter and a separate charge for moving a meter after hours which it requests in the unspecific language "refer to above charges."

Q. Does the Company propose any changes to its meter and service line installation charges?

A. Yes. The Company proposed meter and service line installation charges based on a now out of date Staff memorandum suggesting typical meter and service line charges. Staff is

recommending meter and service line charges consistent with its current meter and service line guidance. Staff's recommended amounts are the same or higher than the Company's proposed amounts as shown in Schedule BCA-22.

Staff's Recommended Water Rate Design

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

A. Staff's rate design recognizes the growing importance of managing water as a finite resource and its increasing cost. The quantity of water resources available to Arizona and in H2O service territories does not grow with population and customer base, and the cost of developing, treating, and delivering water increases with diminishing supply and increased health and safety regulations. Staff recommends a rate design that encourages efficient use of water.

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

A. Staff recommends a three-tier inverted block rate structure for the 5/8-inch and 3/4-inch customer classes with break-over points at 3,000 gallons and at 10,000 gallons. Staff recommends a two-tier inverted block rate structure for the 1-inch meters and larger, and one-tier rate structure for the 2-inch and 3-inch construction customers. The recommended break-over points increase with meter size as shown in Schedule BCA-22. Under the recommended rate design, the monthly bill at any usage level is higher for a larger meter than for a smaller meter. Staff's recommendation eliminates any free gallons included in the minimum monthly charge. This will serve to eliminate the implication that

any water is free and to send an appropriate economic signal to customers for all consumption. Staff's rate design also includes recommendations for other meter sizes for which there are presently no customers. This will serve to provide a rate structure should the Company offer service through different sized meters in the future.

Q. Please describe the basis for Staff's recommended monthly minimum charges and commodity rates.

A. The monthly minimum charges and commodity rates recommended by Staff in this case are based on a methodology regularly used by Staff in water rate cases. This rate structure has been regularly adopted by the Commission. Staff's methodology for determination of monthly minimum charges is based on the volumetric capacity of each meter size and increases proportionally to the volumetric capacity of the meter size.

Staff's rate design is conservation oriented because the second tier rate for 5/8-inch meter customers is greater than the rate that would be required to recover the revenue requirement using a uniform commodity rate. As a result, customers experience a greater incremental cost for all use exceeding 3,000 gallons for this size meter. The concept for 5/8-inch meters is extended to customers with larger meters where the break-over points graduate in correlation with meter size. As discussed above, Staff's recommended rate design is presented in Schedule BCA-22.

Q. What is the impact of Staff's recommended rates on the typical 5/8-inch meter residential customer with median usage of 2,500 gallons?

A. The typical 5/8-inch meter bill with median use of 2,500 gallons would decrease by $5.47, or 28.1 percent, from $19.45 to $13.98 as shown in Schedule BCA-23, page 3.

Q. What water system service charges does Staff recommend?

A. Staff recommends the amounts shown in Schedule BCA-22. Staff's recommendations are different from the Company's for the following service charges:

1. Charge of moving customer meter after hours – The Company proposes to charge "referred to above charges" for moving a customer meter after hours. This language is not sufficiently specific. Staff recommends establishing "cost" as the charge for moving a customer meter after hours.

2. Damaged by customer for:

   a. Company locks
   b. Mains

The Company proposes a charge for customer damage in accordance with A.A.C. R14-2-407.B. This rule makes the customer responsible for payment for any equipment damaged from unauthorized breaking of seals, interfering, tampering or bypassing the utility meter. Staff is not opposed to the tariff, but it is redundant and unnecessary.

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

A. Staff's recommended rate design would generate Staff's recommended water revenue requirement of $3,218,705, including $3,011,133 from metered water sales and $207,572 from other operating revenue.

IX. OFF-SITE CAPACITY RESERVATION CHARGE (HOOK-UP FEE)

Q. Has the Commission authorized an off-site capacity reservation charge for the Company?

A. Yes. Decision No. 63259, dated December 14, 2000, authorize the Company's request for a hook-up fee. The currently authorized rates for each meter size are shown in Schedule BCA-22.

Q. Is H2O requesting to change its authorized hook-up fees in this proceeding?

A. No. The Company is requesting to continue charging its currently authorized hook-up fees.

Q. Is Staff recommending any change from the currently authorized hook-up fees at this time?

A. No, however, Staff reserves the right to modify its position in supplemental or surrebuttal testimony.

X. CAP SURCHARGE

Q. Does the Company propose a Central Arizona Project ("CAP") surcharge for its CAP water?

A. Yes. The Company proposes the following:

> "The CAP surcharge is in addition to all other commodity charges and will be adjusted annually to recover the acquisition and purchased water costs of the company associated with the right to receive 147 acre feet of Central Arizona Project Water each year for delivery to customers. The surcharge will include a 10 year amortization of the acquisition cost plus the projected annual fixed costs of the contract and the delivery costs. Surcharge will be computed annually based on gallons sold and trued-up at the end of each year with any over and under recovery of actual costs during the year included in the next years surcharge computation."

Q. What is Staff's recommendation regarding the CAP surcharge proposed by the Company?

A. Staff recommends denial of the CAP surcharge pending its receipt and analysis of responses to data requests.

XI. COMPLIANCE WITH DECISION NO. 69413

Q. Has the Company made refunds in compliance with the requirements of Decision No. 69413?

A. Decision No. 69413 required H2O to refund to ratepayers the revenues it collected on 3-inch meter customers for which it had no authorized tariff. Decision No. 69413 does not specify the method for calculating the refundable amount. The Company refunded to customers the amount it collected for the monthly minimum charge in excess of the authorized monthly minimum charge for a 2-inch meter. Thus, collections equal to the 2-inch monthly minimum charge were not refunded, and no collections of commodity charges were refunded. Staff presents this factual information revealed in the processing of this case. It is for the Commission to interpret whether the Company's refunding method complied with its order.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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DIRECT TESTIMONY OF BRENDAN C. ALADI

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BCA-23	TYPICAL BILL ANALYSIS

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base - Fair Value equals Original Cost	$ 1,944,185	$ 1,944,185	$ (500,901)	$ (500,901)
2	Adjusted Operating Income (Loss)	$ 296,354	$ 296,354	$ 418,139	$ 418,139
3	Current Rate of Return (L2 / L1)	15.24%	15.24%	NMF	NMF
4	Required Rate of Return	10.28%	10.28%	NMF	NMF
5	Required Operating Income: Col. A & B (L1 * L4); Col. C & D 10% Operating Margin	$ 199,823	$ 199,823	$ 321,871	$ 321,871
6	Operating Income Deficiency/(Excess) (L5 - L2)	$ (96,531)	$ (96,531)	$ (96,269)	$ (96,269)
7	Gross Revenue Conversion Factor	1.6043	1.6043	1.6614	1.6614
8	Required Revenue Increase/(Decrease) (L7 * L6)	$ (154,861)	$ (154,861)	$ (159,937)	$ (159,937)
9	Adjusted Test Year Revenue	$ 3,379,767	$ 3,379,767	$ 3,378,642	$ 3,378,642
10	Proposed Annual Revenue (L8 + L9)	$ 3,224,906	$ 3,224,906	$ 3,218,705	$ 3,218,705
11	Required Increase/(Decrease) in Revenue (%)	-4.58%	-4.58%	-4.73%	-4.73%
12	Rate of Return on Equity (%)	10.75%	10.75%	NMF	NMF

References:
Columns [A] and [B]: Company Schedules A-1, A-2, & D-1
Columns [C] and [D]: STAFF Schedules BCA-2, BCA-3 and BCA-11

NMF - Not Meaningful

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GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.8084%					
5	Subtotal (L3 - L4)	60.1916%					
6	**Revenue Conversion Factor (L1 / L5)**	1.661361					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 23)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)	0.0000%					
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 55)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor (BCA-16, L21)	1.9698%					
22	Effective Property Tax Factor (L20*L21)		1.2095%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.8084%			
24	Required Operating Income (Schedule BCA-1, Line 5)	$ 321,871					
25	AdjustedTest Year Operating Income (Loss) (Schedule BCA-11, Line 28)	418,139					
26	Required Increase in Operating Income (L24 - L25)		$ (96,269)				
27	Income Taxes on Recommended Revenue (Col. [E], L52)	$ 202,339					
28	Income Taxes on Test Year Revenue (Col. [B], L52)	262,857					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		(60,518)				
30	Recommended Revenue Requirement (Schedule BCA-1, Line 10)	$ 3,218,705					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30*L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		-				
35	Property Tax with Recommended Revenue (BCA-20, Col B, L16)	$ 196,234					
36	Property Tax on Test Year Revenue (BCA-16, Col A, L16)	199,385					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		(3,150)				
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		$ (159,937)				

		Test Year			Staff Recommended		
	Calculation of Income Tax:						
39	Revenue (Schedule BCA-10, Col. [C], Line 4 & Sch. BCA-1, Col. [D] Line 10)	$ -	$ 3,378,642	$ -	$ -	$ 3,218,705	$ -
40	Operating Expenses Excluding Income Taxes	$ -	$ 2,697,646	$ -	$ -	$ 2,694,495	$ -
41	Synchronized Interest (L56)	$ -	$ -	$ -	$ -	$ -	$ -
42	Arizona Taxable Income (L39 - L40 - L41)	$ -	$ 680,996	$ -	$ -	$ 524,210	$ -
43	Arizona State Income Tax Rate	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ -	$ 47,452	$ -	$ -	$ 36,527	$ -
45	Federal Taxable Income (L42 - L44)	$ -	$ 633,545	$ -	$ -	$ 487,683	$ -
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ -	$ 7,500	$ -	$ -	$ 7,500	$ -
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -	$ 6,250	$ -	$ -	$ 6,250	$ -
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -	$ 8,500	$ -	$ -	$ 8,500	$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -	$ 91,650	$ -	$ -	$ 91,650	$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ 101,505	$ -	$ -	$ 51,912	$ -
51	Total Federal Income Tax	$ -	$ 215,405	$ -	$ -	$ 165,812	$ -
52	Combined Federal and State Income Tax (L44 + L51)	$ -	$ 262,857	$ -	$ -	$ 202,339	$ -

53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]	34.0000%
55		
56		

	Calculation of Interest Synchronization: Not Applicable In This Docket	Water
57	Rate Base (Schedule BCA-3, Col. (C), Line 17	$ (500,901)
58	Weighted Average Cost of Debt (Schedule DRR-17, Col. [F], L1 + L2)	0.0000%
59	Synchronized Interest (L45 X L46)	NMF

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RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 12,987,344	$ 9,070	$ 12,996,414
2	Less: Accumulated Depreciation	1,491,666	6,283	1,497,949
3	Net Plant in Service	$ 11,495,678	$ 2,787	$ 11,498,465
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 6,449,776	$ 2,859,339	$ 9,309,115
5	Less: Accumulated Amortization	683,565	-	683,565
6	Net CIAC	5,766,211	2,859,339	8,625,550
7	Advances in Aid of Construction (AIAC)	3,031,454	34,405	3,065,859
8	Customer Deposits	1,600,755	-	1,600,755
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Unamortized Finance Charges	-	-	-
11	Deferred Income Tax Debits	846,927	445,872	1,292,799
12	Working Capital	-	-	-
13	Intentionally Left Blank	-	-	-
17	**Original Cost Rate Base**	$ 1,944,185	$ (2,445,085)	$ (500,901)

References:
Column [A], Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C]: Schedule BCA-4 Column [H].

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SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED Revised Schedule B-2	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] STAFF ADJUSTED
		PLANT IN SERVICE:									
1		Intangible Plant									
2	301.00	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	302.00	Franchises	131,452	-	-	-	-	-	-	-	131,452
4	303.00	Land & Land Rights	7,954	-	-	-	-	-	-	-	7,954
5		Subtotal Intangible	139,406	-	-	-	-	-	-	-	139,406
6											
7		Source of Supply									
8	304.00	Structures & Improvements	$ 538,179	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 538,179
9	305.00	Collecting and Impounding Res.	-	-	-	-	-	-	-	-	-
10	306.00	Lake River and Other Intakes	-	-	-	-	-	-	-	-	-
11	307.00	Wells and Springs	255,856	-	-	-	-	-	-	-	255,856
12	308.00	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	-
13	309.00	Supply Mains	-	-	-	-	-	-	-	-	-
14	310.00	Power Generating Equipment	-	-	-	-	-	-	-	-	-
15	311.00	Electric Pumping Equipment	4,437,582	-	-	-	-	-	-	-	4,437,582
16	312.00	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-
17	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
18		Subtotal Source of Supply	$ 5,231,617	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,231,617
19											
20		Water Treatment									
21	320.00	Water Treatment Equipment	$ 51,404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,404
22	321.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
23	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
24	325.00	Electric Pumping Equipment	-	-	-	-	-	-	-	-	-
25	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-	-	-
26	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-	-
27		Subtotal Water Treatment	51,404	-	-	-	-	-	-	-	51,404
28											
29		Transmission & Distribution									
30	330.00	Distribution Reservoirs & Standpipe	$ 2,706,417	$ 6,646	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,713,063
31	331.00	Transmission and Distribution Mains	1,647,121	-	2,424	-	-	-	-	-	1,649,545
32	332.00	Services	207,500	-	-	-	-	-	-	-	207,500
33	334.00	Meters	2,290,426	-	-	-	-	-	-	-	2,290,426
34	335.00	Hydrants	45,343	-	-	-	-	-	-	-	45,343
35	336.00	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
36	339.00	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
37		Subtotal Transmission & Distribution	6,896,807	6,646	2,424	-	-	-	-	-	6,905,877
38											
39		General Plant									
40	340.00	Office Furniture and Equipment	$ 90,771	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 90,771
41	340.10	Computer and Software	-	-	-	-	-	-	-	-	-
42	341.00	Transportation Equipment	121,240	-	-	-	-	-	-	-	121,240
43	342.00	Stores Equipment	-	-	-	-	-	-	-	-	-
44	343.00	Tools and Work Equipment	52,616	-	-	-	-	-	-	-	52,616
45	344.00	Laboratory Equipment	-	-	-	-	-	-	-	-	-
46	345.00	Power Operated Equipment	29,569	-	-	-	-	-	-	-	29,569
47	346.00	Communications Equipment	224,500	-	-	-	-	-	-	-	224,500
48	347.00	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
49	349.00	Other Tangible Plant	149,414	-	-	-	-	-	-	-	149,414
50		Plant Held for Future Use	-	-	-	-	-	-	-	-	-
51		Subtotal General Plant	668,110	-	-	-	-	-	-	-	668,110
52											
53		Total	12,987,344	6,646	2,424	-	-	-	-	-	12,996,414
54	Add:										
55			-	-	-	-	-	-	-	-	-
56			-	-	-	-	-	-	-	-	-
57	Less:										
58			-	-	-	-	-	-	-	-	-
59			-	-	-	-	-	-	-	-	-
60	Total Plant in Service		$ 12,987,344	$ 6,646	$ 2,424	$ -	$ -	$ -	$ -	$ -	$ 12,996,414
61	Less: Accumulated Depreciation		1,491,666	-	-	6,283	-	-	-	-	1,497,949
62	Net Plant in Service (L59 - L 60)		$ 11,495,678	$ 6,646	$ 2,424	$ (6,283)	$ -	$ -	$ -	$ -	$ 11,498,465
63											
64		*LESS:*									
65		Contributions In Aid of Construction (CIAC)	$ 6,449,776	$ -	$ -	$ -	$ 2,859,339	$ -	$ -	$ -	$ 9,309,115
66		Less: Accumulated Amortization	683,565	-	-	-	-	-	-	-	683,565
67		Net CIAC (L25 - L26)	$ 5,766,211	$ -	$ -	$ -	$ 2,859,339	$ -	$ -	$ -	$ 8,625,550
68		Advances in Aid of Construction (AIAC)	3,031,454	-	-	-	-	34,405	-	-	3,065,859
71		Customer Deposits	1,600,755	-	-	-	-	-	-	-	1,600,755
72		Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-
75		*ADD:*									
76		Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
77		Deferred Income Tax Debits	846,927	-	-	-	-	-	445,872	-	1,292,799
78		Working Capital	-	-	-	-	-	-	-	-	-
79		Intentionally Left Blank	-	-	-	-	-	-	-	-	-
80		Original Cost Rate Base	$ 1,944,185	$ 6,646	$ 2,424	$ (6,283)	$ (2,859,339)	$ (34,405)	$ 445,872	$ -	$ (500,901)

ADJ #	References:
1	Schedule BCA-5
2	Schedule BCA-6
3	Schedule BCA-7
4	Schedule BCA-8
5	Schedule BCA-9
6	Schedule BCA-9.1

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RATE BASE ADJUSTMENT #1 - RECLASSIFICATION OF MISCELLANEOUS EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	330	Distribution Reservoirs and Standpipes	$ 2,706,417	$ 6,646	$ 2,713,063

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

H2O, Inc.
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RATE BASE ADJUSTMENT #2 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	331	Transmission and Distribution Mains	$ 1,647,121	$ 2,424	$ 1,649,545

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

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RATE BASE ADJUSTMENT #3 - ACCUMULATED DEPRECIATION

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Accumulated Depreciation	$ 1,491,666	$ 6,283	$ 1,497,949

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

H2O, Inc.
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RATE BASE ADJUSTMENT #4 - CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Beginning Balance Contribution in aid of Construction	$ 6,449,776	$ 2,859,339	$ 9,309,115

CIAC Adjustment Schedules

Add:	
CIAC - Cash in various bank accounts	$ 2,360,596
Expended CIAC included in CWIP	498,743
	$ 2,859,339

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
[C] = BCA Testimony

H2O, Inc.
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RATE BASE ADJUSTMENT #5 - ADVANCES-IN-AID-OF-CONSTRUCTION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Advance in Aid of Construction	$ 3,031,454	$ 34,405	$ 3,065,859

References
[A]: Assets per the Company's rate application
[B]: Col [C] - Col [A] Assets that were validated during audit.
[C]: BCA Testimony

H2O, Inc.
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RATE BASE ADJUSTMENT #6 - DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
	Accumulated Deferred Income tax	$ 846,927	$ 445,872	$ 1,292,799

1	AIAC End of Year (Tax Basis)	$ 4,666,614	
2	AIAC End of Year (Accounting Basis)	-	
3	Timing Difference	4,666,614	
4	Tax rate	34.90%	
5	Accumulated Defered Income Tax Debit		$1,628,648

6	Accounting basis at end of year (Note 1)	$ 2,872,915	
7	Tax basis of capital assets at end of year (Note 1)	3,835,234	
8	Timing Difference	$ 962,319	
9	Tax rate	34.90%	
10	Accumulated Defered Income Tax Credit		$ 335,849
11	Net Deferred Income Tax (L5 - L10)		$1,292,799

Note 1 - Calculation of Plant Book and Tax Basis

	Tax	Book
Plant in Service (from BCA-3)		$ 12,996,414
CIAC (from BCA-3)		(9,309,115)
Amort. on CIAC (From BCA-3)		683,565
Asset Cost	$ 4,933,687	$ 4,370,864
Accum. Depr. (from BCA-3)	(1,098,453)	(1,497,949)
Net Book Value	$ 3,835,234	$ 2,872,915

References
[A]: Accumulated DIT per the Company's rate application
[B]: Col [C] - Col [A]
[C]: BCA Testimony

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OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:					
1	Metered Water Sales	$ 3,171,070	$ -	$ 3,171,070	$ (159,937)	$ 3,011,133
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	208,697	(1,125)	207,572	-	207,572
4	**Total Operating Revenues**	$ 3,379,767	$ (1,125)	$ 3,378,642	**$ (159,937)**	**$ 3,218,705**
5						
6	*OPERATING EXPENSES:*					
7	Salaries and Wages	$ 790,693	-	$ 790,693	$ -	$ 790,693
8	Purchased Water	77,793	-	77,793	-	77,793
9	Purchased Power	253,894	7,455	261,349	-	261,349
10	Chemicals	4,229	-	4,229	-	4,229
11	Repairs and Maintenance	169,792	(2,424)	167,368	-	167,368
12	Office Supplies and Expense	75,119	(3,948)	71,171	-	71,171
13	Outside Services	66,331	-	66,331	-	66,331
14	Water Testing	12,289	11,687	23,976	-	23,976
15	Rents	175,063	-	175,063	-	175,063
16	Transportation Expenses	214,459	-	214,459	-	214,459
17	Insurance - General Liability	52,245	-	52,245	-	52,245
18	Insurance - Health and Life	61,213	-	61,213	-	61,213
19	Reg. Comm. Exp.- Rate Case	40,000	-	40,000	-	40,000
20	Miscellaneous Expenses	187,311	(19,124)	168,187	-	168,187
21	Depreciation Expense	471,243	(210,061)	261,182	-	261,182
22	Taxes Other than Income	63,002	-	63,002	-	63,002
23	Property Taxes	197,405	1,980	199,385	(3,150)	196,234
24	Income Taxes	171,332	91,525	262,857	(60,518)	202,339
25	Intentionally Left blank(Rounding)	-	-	-	-	-
27	**Total Operating Expenses**	3,083,413	(122,910)	2,960,503	(63,668)	2,896,834
28	**Operating Income (Loss)**	$ 296,354	$ 121,785	**$ 418,139**	$ (96,269)	**$ 321,871**

References:
Column (A): Company Schedule C-1
Column (B): Schedule BCA-11
Column (C): Column (A) + Column (B)
Column (D): Schedules BCA-1 and BCA-2
Column (E): Column (C) + Column (D)

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SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] ADJ #9	[K] ADJ #10	[L] ADJ #11	[M] STAFF ADJUSTED
	REVENUES:													
1	Metered Water Sales	$ 3,171,070	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,171,070
2	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Operating Revenue	208,697	(1,125)	-	-	-	-	-	-	-	-	-	-	207,572
4	Total Operating Revenues	$ 3,379,767	$ (1,125)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,378,642
5														
6	*OPERATING EXPENSES:*													
7	Salaries and Wages	$ 790,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 790,693
8	Purchased Water	77,793	-	-	-	-	-	-	-	-	-	-	-	77,793
9	Purchased Power	253,894	-	-	-	7,455	-	-	-	-	-	-	-	261,349
10	Chemicals	4,229	-	-	-	-	-	-	-	-	-	-	-	4,229
11	Repairs and Maintenance	169,792	-	-	(2,424)	-	-	-	-	-	-	-	-	167,368
12	Office Supplies and Expense	75,119	-	-	-	-	-	(3,948)	-	-	-	-	-	71,171
13	Outside Services	66,331	-	-	-	-	-	-	-	-	-	-	-	66,331
14	Water Testing	12,289	-	-	-	-	-	-	-	11,687	-	-	-	23,976
15	Rents	175,063	-	-	-	-	-	-	-	-	-	-	-	175,063
16	Transportation Expenses	214,459	-	-	-	-	-	-	-	-	-	-	-	214,459
17	Insurance - General Liability	52,245	-	-	-	-	-	-	-	-	-	-	-	52,245
18	Insurance - Health and Life	61,213	-	-	-	-	-	-	-	-	-	-	-	61,213
19	Reg.-Comm. Exp.- Rate Case	40,000	-	-	-	-	-	-	-	-	-	-	-	40,000
20	Miscellaneous Expenses	187,311	-	(6,646)	-	(7,455)	(5,023)	-	-	-	-	-	-	168,187
21	Depreciation Expense	471,243	-	-	-	-	-	-	(210,061)	-	-	-	-	261,182
22	Taxes Other than Income	63,002	-	-	-	-	-	-	-	-	-	-	-	63,002
23	Property Taxes	197,405	-	-	-	-	-	-	-	-	1,980	-	-	199,385
24	Income Taxes	171,332	-	-	-	-	-	-	-	-	-	91,525	-	262,857
25	Intentionally Left blank(Rounding)	-	-	-	-	-	-	-	-	-	-	-	-	-
27	Total Operating Expenses	$ 3,083,413	$ -	$ (6,646)	$ (2,424)	$ -	$ (5,023)	$ (3,948)	$ (210,061)	$ 11,687	$ 1,980	$ 91,525	$ -	$ 2,960,503
28	Operating Income (Loss)	$ 296,354	$ (1,125)	$ 6,646	$ 2,424	$ -	$ 5,023	$ 3,948	$ 210,061	$ (11,687)	$ (1,980)	$ (91,525)	$ -	$ 418,139

ADJ #	References:
1	Schedule BCA-12
2	Schedule BCA-13
3	Schedule BCA-14
4	Schedule BCA-15
5	Schedule BCA-16
6	Schedule BCA-17
7	Schedule BCA-18
8	Schedule BCA-19
9	Schedule BCA-20
10	Schedule BCA-21

OPERATING INCOME ADJUSTMENT #1 - REMOVAL OF SALES TAX FROM OTHER WATER REVENUES

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Other Water Revenue	$ 208,697	$ (1,125)	$ 207,572

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

Remove sales tax from other water revenues to treat it as a pass-through item.

OPERATING INCOME ADJUSTMENT #2 - RECLASSIFICATION OF MISC. EXPENSES TO PLANT ACCOUNT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	675	Miscellaneous Expense	$ 174,833	$ (6,646)	$ 168,187

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Testimony BCA

Reclassify $6,646 from miscellaneous expenses to
Distribution Reservoirs and Standpipes

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OPERATING INCOME ADJUSTMENT #3 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT ACCOUNT

Line No.	Acct. #	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	
1	620	Repairs and Maintenance Expense	$ 169,792	$ (2,424)	$ 167,368	$ (2,424)

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

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OPERATING INCOME ADJUSTMENT #4 - RECLASSIFICATION OF MISC. EXPENSE TO PURCHASED POWER EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Miscellaneous Expense	$ 187,311	$ (7,455)	$ 179,856
2		Purchased Power	$ 253,894	7,455	$ 261,349
3		Total	$ 441,205	$ -	441,205

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

The Company erroneously posted purchased power expense to miscellaneous expense.

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OPERATING INCOME ADJUSTMENT #5 - REMOVAL OF LATE TAX FILING PENALTY FROM MISC. EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Miscellaneous Expense	$ 179,856	$ (5,023)	$ 174,833

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

Remove *late tax filing penalty* from miscellaneous expense.

OPERATING INCOME ADJUSTMENT #6 - REMOVAL OF UNNECESSARY EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Office Supplies Expense	$ 75,119	$ (3,948)	$ 71,171

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

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OPERATING INCOME ADJUSTMENT #7 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] AMOUNT	[B] PROJECTED RATE	[C] DEPRECIATION EXPENSE
	Plant In Service				
1	301	Organization	$ -	0.00%	$ -
2	302	Franchises	131,452	0.00%	$ -
3	303	Land and Land Rights	7,954	0.00%	$ -
4	304	Structures & Improvements	538,179	3.33%	$ 17,921
5	305	Collecting & Impounding Reservoirs	-	2.50%	$ -
6	306	Lakes, Rivers, Other Intakes	-	2.50%	$ -
7	307	Wells and Springs	255,856	3.33%	$ 8,520
8	308	Infiltration Galleries and Tunnels	-	6.67%	$ -
9	309	Supply Mains	-	2.00%	$ -
10	310	Power Generation Equipment	-	5.00%	$ -
11	311	Electric Pumping Equipment	4,437,582	12.50%	$ 554,698
12	320	Water Treatment Equipment	51,404	3.33%	$ 1,712
13	330	Distribution Reservoirs & Standpipes	2,713,063	2.22%	$ 60,230
14	331	Transmission & Distribution Mains	1,649,545	2.00%	$ 32,991
15	333	Services	207,500	3.33%	$ 6,910
16	334	Meters & Meter Installation	2,290,426	8.33%	$ 190,792
17	335	Hydrants	45,343	2.00%	$ 907
18	336	Backflow Prevention Devices	-	6.67%	$ -
19	339	Other Plant & Misc. Equipment	-	6.67%	$ -
20	340	Office Furniture & Equipment	90,771	6.67%	$ 6,054
21	341	Transportation Equipment	121,240	20.00%	$ 24,248
22	342	Stores Equipment	-	4.00%	$ -
23	343	Tools, Ship & Garage Equipment	52,616	5.00%	$ 2,631
24	344	Laboratory Equipment	-	10.00%	$ -
25	345	Power Operated Equipment	29,569	5.00%	$ 1,478
26	346	Communication Equipment	224,500	10.00%	$ 22,450
27	347	Miscellaneous Equipment	-	10.00%	$ -
28	348	Other Tangible Plant	149,414	10.00%	$ 14,941
29					
30		Subtotal General	$ 12,996,414		$ 946,484
31		Less: Non- depreciable Account(s) (L2 + L3)	139,406		
32		Depreciable Plant (L29-L30)	$ 12,857,008		
33					
34		Contributions-in-Aid-of-Construction (CIAC)	$ 9,309,115		
35		Composite Depreciation/Amortization Rate	7.36%		
36		Less: Amortization of CIAC (L34 x L35)			$ 685,302
37		**Depreciation Expense - STAFF [Col. (C), L30 - L36]**			$ 261,182

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
38	Depreciation Expense	$ 471,243	$ (210,061)	$ 261,182

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OPERATING INCOME ADJUSTMENT #8 - WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	$ 12,289	$ 11,687	$ 23,976

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #9 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2006	$ 3,378,642	$ 3,378,642
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 6,757,284	$ 6,757,284
4	Staff Recommended Revenue	3,378,642	$ 3,218,705
5	Subtotal (Line 4 + Line 5)	$ 10,135,926	$ 9,975,989
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 3,378,642	$ 3,325,330
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 6,757,284	$ 6,650,659
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	9,321	9,321
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 6,747,963	$ 6,641,338
13	Assessment Ratio	23.00%	23.00%
14	Assessment Value (Line 12 * Line 13)	$ 1,552,031	$ 1,527,508
15	Composite Property Tax Rate - Obtained from ADOR	12.8467%	12.8467%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 199,385	
17	Company Proposed Property Tax	197,405	
18	Staff Test Year Adjustment (Line 16 - Line 17)	$ 1,980	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 196,234
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 199,385
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		$ (3,150)
22	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)		$ (3,150)
23	Increase (Decrease) in Revenue Requirement		$ (159,937)
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.96983%

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20
Line 23: Schedule BCA-1

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OPERATING INCOME ADJUSTMENT #10- INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ 171,332	$ 91,525	$ 262,857

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Schedule BCA-2, Line 52

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RATE DESIGN

Monthly Usage Charge
Residential, Commercial
Irrigation and Construction

	Present Rates	Company Proposed	Staff Recommended
Gallons in the minimum	1,000	-	-
5/8" x 3/4" Meter	$ 15.00	$ 11.70	$ 10.40
3/4" Meter	18.00	17.55	15.60
1" Meter	37.00	29.25	25.90
1.5" Meter	75.00	58.50	51.90
2" Meter	120.00	93.60	83.00
3" Meter	N/T	187.20	166.10
4" Meter	N/T	292.50	259.50
6" Meter	N/T	585.00	519.00
Irrigation 3/4"	18.00	17.55	15.60
Irrigation 1"	37.00	29.25	25.90
Irrigation 1.5"	75.00	58.50	51.90
Irrigation 2"	120.00	93.60	83.00
Construction 2"	120.00	93.60	-
Construction 3"	N/T	187.20	-

Commodity Charges

	Present		Company Proposed			Staff Recommended		
	1st Tier	2nd Tier	1st Tier	2nd Tier	3rd Tier	1st Tier	2nd Tier	3rd Tier
No Gallons Included in any Minimum								
Excess of Minimum - per 1,000 Gallons	$ 1.78	$ 2.11	$ 1.20	$ 1.80	$ 2.05	$ 1.43	$ 2.15	$ 2.58
5/8" x 3/4" Meter	20,000	Infinite	4,000	10,000	Infinite	3,000	10,000	Infinite
3/4" Meter	20,000	Infinite	4,000	10,000	Infinite	3,000	10,000	Infinite
1" Meter	20,000	Infinite		25,000	Infinite		25,000	Infinite
1.5" Meter	20,000	Infinite		50,000	Infinite		50,000	Infinite
2" Meter	20,000	Infinite		80,000	Infinite		80,000	Infinite
3" Meter	N/T	N/T		160,000	Infinite		160,000	Infinite
4" Meter	N/T	N/T		250,000	Infinite		250,000	Infinite
6" Meter	N/T	N/T		500,000	Infinite		500,000	Infinite
Irrigation 3/4"	20,000	Infinite	$ 4,000	10,000	Infinite	3,000	10,000	Infinite
Irrigation 1"	20,000	Infinite		25,000	Infinite		25,000	Infinite
Irrigation 1.5"	20,000	Infinite		50,000	Infinite		50,000	Infinite
Irrigation 2"	20,000	Infinite		80,000	Infinite		80,000	Infinite
Construction 2"	20,000	Infinite			Infinite			Infinite
Construction 3"	N/T	N/T			Infinite			Infinite

Service Line and Meter Installation Charges

	Present Rates	Company Proposed			Staff Recommended		
	Total	Service Line	Meter Install.	Total	Service Line	Meter Install.	Total
5/8" x 3/4" Meter	285.00	385.00	135.00	520.00	415.00	105.00	520.00
3/4" Meter	320.00	385.00	215.00	600.00	415.00	205.00	620.00
1" Meter	360.00	435.00	255.00	690.00	465.00	265.00	730.00
1.5" Meter	545.00	470.00	465.00	935.00	520.00	475.00	995.00
2" Meter	915.00	N/T	N/T	N/T	N/T	N/T	N/T
2" Turbine Meter	N/T	630.00	965.00	1,595.00	800.00	995.00	1,795.00
2" Compound Meter	N/T	630.00	1,690.00	2,320.00	800.00	1,840.00	2,640.00
3" Meter	1,150.00						
3" Turbine Meter	N/T	805.00	1,470.00	2,275.00	1,015.00	1,620.00	2,635.00
3" Compound Meter	N/T	845.00	2,265.00	3,110.00	1,135.00	2,495.00	3,630.00
4" Meter	1,885.00						
4" Turbine Meter	N/T	1,170.00	2,350.00	3,520.00	1,430.00	2,570.00	4,000.00
4" Compound Meter	N/T	1,230.00	3,245.00	4,475.00	1,610.00	3,545.00	5,155.00
6" Meter	3,780.00						
6" Turbine Meter	N/T	1,730.00	4,545.00	6,275.00	2,150.00	4,925.00	7,075.00
6" Compound Meter	N/T	1,770.00	6,280.00	8,050.00	2,270.00	6,820.00	9,090.00
8" Meter and Larger	N/T	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Service Charges

	Present	Company Proposed	Staff Recommended
Establishment	15.00	15.00	15.00
Establishment (After Hours)	25.00	25.00	25.00
Reconnection (Delinquent)	15.00	15.00	15.00
Reconnection (Delinquent)- After Hours	N/A	15.00	15.00
Meter Test (If Correct)	25.00	25.00	25.00
Deposit - Residential Note 1	(1)	(1)	(1)
Deposit - Non - Residential Note 2	(2)	(2)	(2)
Deposit Interest - Note 3	(3)	(3)	(3)
Re-Establishment (Within 12 Months)- Note 4	(4)	(4)	(4)
Re-Establishment (After Hours)- Note 4	(4)	(4)	(4)
NSF Check	15.00	25.00	25.00
Deferred Payment, per Month	12%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	10.00	10.00
Late Charge per Month	N/T	1.50%	1.50%
Company Locks Damaged by Customer- Note 5	N/T	(5)	(5)
Mains Damaged by Customer- Note 5	N/T	(5)	(5)
Charge of Moving Customer Meters -			
Per Customer Request	N/T	Cost	Cost
After hours service charge	N/T	Refer to above charges	Cost

Note 1 Per Commission Rules (R14-2-403.B) Two times the average bill.
Note 2 Per Commission Rules (R14-2-403.B) Two and one-half times the average bill
Note 3 Per Commission Rules (R14-2-403.B)
Note 4 Months off system times the minimum (R14-2-403.D)
Note 5 Per Commission Rules (R14-2-407.B)

CAP Surcharge

Currently there is no authorized CAP surcharge. The Company proposes the following CAP surcharge in addition to all other commodity charges and will be adjusted annually to recover the acquisition and purchased water costs of the Company associated with the right to receive 147 acre feet of Central Arizona Project water each year for delivery to customers. The surcharge will include a 10 year amortization of the acquisition cost plus the projected annual fixed costs of the contract and the delivery costs. Surcharge will be computed annually based on gallons sold and trued-up at the end of each year with any over and under recovery of actual costs during the year included in the next years surcharge computation. Staff will present a recommendation on the CAP surcharge in supplemental testimony.

Off-Site Capacity Reservation Charge (Hook-up Fee) - Note 6

	Present Rates	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	875.00	875.00	875.00
3/4" Meter	1,050.00	1,050.00	1,050.00
1" Meter	1,750.00	1,750.00	1,750.00
1½" Meter	3,500.00	3,500.00	3,500.00
2" Meter	5,600.00	5,600.00	5,600.00
3" Meter	10,500.00	10,500.00	10,500.00
4" Meter	17,500.00	17,500.00	17,500.00
6" Meter	35,000.00	35,000.00	35,000.00

Note 6 New Water Installations. May be assessed only once per parcel, service connection, or lot within a subdivision . Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage, and pressure among all new service connections.

NT = No Tariff

H2O, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - CURRENT RATES

LINE NO.	CUSTOMER CLASS	CURRENT					
		AVERAGE			MEDIAN		
		USAGE	DOLLARS		USAGE	DOLLARS	
1	Residential 5/8"	3,553	$	21.32	2,500	$	19.45
2	Residential 3/4"	8,333	$	32.83	6,500	$	29.57
3	Residential 1"	25,908	$	85.07	17,500	$	68.15
4	Residential 1.5"	47,726	$	169.10	34,500	$	141.20
5	Residential 2"	44,800	$	207.93	46,500	$	211.52
6	Residential 3"	NOT USED					
7	Residential 4"	NOT USED					
8	Residential 6"	NOT USED					
9	Residential 8"	NOT USED					
12	Commerical 5/8"	17,617	$	46.36	1,500	$	17.67
13	Commerical 3/4"	23,309	$	60.58	11,500	$	38.47
14	Commerical 1"	20,642	$	73.95	8,500	$	52.13
15	Commerical 1.5"	38,917	$	150.51	34,000	$	140.14
16	Commerical 2"	176,813	$	486.48	46,500	$	211.52
17	Commerical 3"	NOT USED					
18	Commerical 4"	NOT USED					
19	Commerical 6"	NOT USED					
20	Commerical 8"	NOT USED					
23	Irrigation 3/4"	10,282	$	36.30	6,500	$	29.57
24	Irrigation 1"	97,197	$	235.48	43,000	$	121.13
25	Irrigation 1.5"	139,711	$	363.19	76,000	$	228.76
26	Irrigation 2"	326,818	$	802.99	219,128	$	575.76
27	Construction 2"	341,750	$	834.49	1,500	$	122.67
28	Construction 3"	NOT USED					
29	Intentially Left Blank	NOT USED					
30	Intentially Left Blank	NOT USED					
31	Intentially Left Blank	NOT USED					

H20, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - COMPANY PROPOSED

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	$ 15.61	$ (5.71)	-26.79%	$ 14.35	$ (5.11)	-26.25%
33	Residential 3/4"	$ 28.76	$ (4.07)	-12.40%	$ 25.82	$ (3.75)	-12.67%
34	Residential 1"	$ 70.27	$ (14.80)	-17.40%	$ 56.39	$ (11.77)	-17.26%
35	Residential 1.5"	$ 133.16	$ (35.94)	-21.25%	$ 111.97	$ (29.23)	-20.70%
36	Residential 2"	$ 162.41	$ (45.52)	-21.89%	$ 165.21	$ (46.30)	-21.89%
37	Residential 3"	NOT USED					
38	Residential 4"	NOT USED					
39	Residential 6"	NOT USED					
40	Residential 8"	NOT USED					
43	Commerical 5/8"	$ 41.38	$ (4.97)	-10.73%	$ 13.14	$ (4.53)	-25.62%
44	Commerical 3/4"	$ 58.75	$ (1.84)	-3.03%	$ 34.51	$ (3.96)	-10.30%
45	Commerical 1"	$ 61.42	$ (12.53)	-16.95%	$ 41.97	$ (10.16)	-19.50%
46	Commerical 1.5"	$ 119.05	$ (31.47)	-20.91%	$ 111.17	$ (28.97)	-20.67%
47	Commerical 2"	$ 417.52	$ (68.96)	-14.17%	$ 165.21	$ (46.30)	-21.89%
48	Commerical 3"	NOT USED					
49	Commerical 4"	NOT USED					
50	Commerical 6"	NOT USED					
51	Commerical 8"	NOT USED					
54	Irrigation 3/4"	$ 32.01	$ (4.29)	-11.82%	$ 25.82	$ (3.75)	-12.67%
55	Irrigation 1"	$ 216.55	$ (18.94)	-8.04%	$ 105.34	$ (15.79)	-13.04%
56	Irrigation 1.5"	$ 320.88	$ (42.31)	-11.65%	$ 190.15	$ (38.61)	-16.88%
57	Irrigation 2"	$ 614.32	$ (188.66)	-23.50%	$ 504.37	$ (71.39)	-12.40%
58	Construction 2"	$ 791.33	$ (43.16)	-5.17%	$ 93.80	$ (28.88)	-23.54%
59	Construction 3"	NOT USED					
60	Intentially Left Blank	NOT USED					
61	Intentially Left Blank						
62	Intentially Left Blank						

H20, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - STAFF RECOMMENDED

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	$ 15.89	$ (5.44)	-25.49%	$ 13.98	$ (5.47)	-28.11%
64	Residential 3/4"	$ 31.37	$ (1.47)	-4.47%	$ 25.27	$ (4.30)	-14.53%
65	Residential 1"	$ 81.99	$ (3.07)	-3.61%	$ 63.53	$ (4.63)	-6.79%
66	Residential 1.5"	$ 155	$ (14.59)	-8.63%	$ 126.08	$ (15.12)	-10.71%
67	Residential 2"	$ 179	$ (28.61)	-13.76%	$ 182.98	$ (28.54)	-13.49%
68	Residential 3"	NOT USED					
69	Residential 4"	NOT USED					
70	Residential 6"	NOT USED					
71	Residential 8"	NOT USED					
74	Commerical 5/8"	$ 49.40	$ 3.04	6.56%	$ 12.55	$ (5.12)	-28.98%
75	Commerical 3/4"	$ 68.49	$ 7.91	13.05%	$ 39.25	$ 0.78	2.02%
76	Commerical 1"	$ 70.28	$ (3.67)	-4.97%	$ 44.18	$ (7.96)	-15.26%
77	Commerical 1.5"	$ 135.57	$ (14.94)	-9.93%	$ 125.00	$ (15.14)	-10.80%
78	Commerical 2"	$ 504.68	$ 18.20	3.74%	$ 182.98	$ (28.54)	-13.49%
79	Commerical 3"	NOT USED					
80	Commerical 4"	NOT USED					
81	Commerical 6"	NOT USED					
82	Commerical 8"	NOT USED					
85	Irrigation 3/4"	$ 35.56	$ (0.75)	-2.06%	$ 28.50	$ (1.07)	-3.62%
86	Irrigation 1"	$ 265.85	$ 30.36	12.89%	$ 126.07	$ 4.94	4.08%
87	Irrigation 1.5"	$ 390.76	$ 27.57	7.59%	$ 226.45	$ (2.31)	-1.01%
88	Irrigation 2"	$ 892.01	$ 89.03	11.09%	$ 613.48	$ 37.72	6.55%
89	Construction 2"	$ 881.72	$ 47.22	5.66%	$ 3.87	$ (118.80)	-96.85%
90	Construction 3"	NOT USED					
91	Intentially Left Blank						
92	Intentially Left Blank						
93	Intentially Left Blank						

EXHIBIT
S-3
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF H2O, INC. AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	)))))))	DOCKET NO. W-02234A-07-0557

SURREBUTTAL

TESTIMONY

OF

BRENDAN C. ALADI

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

APRIL 10, 2009

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Staff Data Request No. 7 – CAP Surcharge ..... A

EXECUTIVE SUMMARY
H2O, INC.
DOCKET NO. W-02234A-07-0557

The Surrebuttal Testimony of Staff witness Brendan C. Aladi addresses the following issues:

Revenue Requirement, Rate Base and Test Year Operating Income – Staff recommends a $3,218,705 revenue requirement, a $159,937 or 4.73 percent decrease from adjusted test year revenue of $3,378,642. Staff's recommended revenue provides a 10.0 percent operating margin. H2O, Inc. ("H2O" or "Company") has a negative $500,901 fair value rate base (same as original cost). The Company's rebuttal testimony proposes a $3,244,489 revenue requirement, a $134,153 or 3.97 percent decrease from adjusted test year revenue of $3,378,642 to provide an 11.46 percent rate of return on a fair value rate base (same as original cost) of $1,995,695.

Response to the Rebuttal Testimony of Mr. Thomas J. Bourassa:

1. AIAC/CIAC in Rate Base – Staff continues to advocate including unexpended AIAC and CIAC and CIAC pertaining to CWIP as components of the rate base. Including these items in the rate base calculation reduces the rate base, and is consistent with rate-making principles.

2. Net Deferred Income Tax Debit - Staff continues to advocate $1,292,799 for a Net Deferred Income Tax Debit (addition to rate base). The Company has not supported its proposal to change the basis of its estimated accumulated deferred income taxes from a 34.90 percent income tax rate in its direct testimony to 38.50 percent income tax rate in its rebuttal testimony. Staff disagrees with the Company omission of a portion of its CIAC in the estimation and the Net CIAC balance.

3. Operating Margin – Staff continues to recommend an operating margin of 10.0 percent. Due to the $500,901 negative rate base, an operating income cannot be determined based on rate of return.

4. CAP Surcharge – The Company has not responded to Staff data requests essential for evaluating the proposed CAP Surcharge, accordingly, Staff does not recommend it.

5. Off-site Capacity Reservation Charge (Hook-up) Fee – Hook-up fees contribute significantly to the Company's having a negative rate base, and Staff does not recommend any hook-up fee.

INTRODUCTION

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

A. My name is Brendan Aladi. I am a Public Utilities Analyst III employed by the Arizona Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst III.

A. I am responsible for the examination and verification of financial and statistical information included in utility rate applications, financing applications, Certificate of Convenience and Necessity ("CC&N") applications, and various other matters. In addition, I develop revenue requirements; prepare written reports, testimonies, and schedules that include Staff recommendations to the Commission. I am also responsible for testifying at formal hearings on these matters.

Q. Are you the same Brendan Aladi who previously submitted pre-filed direct testimony in this case?

A. Yes, I am.

PURPOSE OF SURREBUTTAL TESTIMONY

Q. What is the purpose of your Surrebuttal Testimony in this proceeding?

A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of Staff, to the Rebuttal Testimony of Mr. Thomas J. Bourassa, who represents H2O, Inc. ("H2O" or "Company").

Q. Did Staff attempt to address every issue raised by the Company in its Rebuttal Testimony?

A. No. This testimony is limited to certain issues as outlined below. Silence on any particular issue raised in the Company's Rebuttal Testimony does not indicate that Staff agrees with the Company's stated Rebuttal position on the issue. I rely on my Direct Testimony unless modified by this Surrebuttal Testimony. Staff's recommendations are shown in the attached Surrebuttal Schedules BCA-1 through BCA-23.[1]

Q. What issues will Staff address?

A. Staff will address the issues listed below that are discussed in the Rebuttal Testimony of Company witness Mr. Thomas J. Bourassa.

Rate Base:

1. AIAC/CIAC not expended and CIAC funding CWIP;
2. Net Deferred Income Tax Debit;

Revenue Requirement:

1. Operating Margin Vs Rate of Return

Tariffs:

1. CAP Surcharge
2. Off-site Capacity Reservation Charge (Hook-up Fee)

SUMMARY OF RECOMMENDATIONS

Q. Please provide a summary of Staff's Surrebuttal recommendations for H2O.

A. Staff recommends a revenue requirement of $3,218,705, a $159,937 or 4.73 percent decrease from test year revenues of $3,378,642. Staff's recommended revenue provides an operating income of $321,871 for a 10.0 percent operating margin. Staff's recommended rate base of negative $500,901 is a $2,445,086 decrease from the

[1] The Company's proposed amounts reflect its initial application and are not updated to reflect its rebuttal position.

Company's proposed rate base of $1,944,185. Staff's adjusted test year operating income is $418,139, a $121,785 increase from the Company's proposed $296,354.

Staff Test Year and Recommended Revenue

	Staff As Adjust Test Year	Staff Recommended	Incr/Decr in Dollars	% Increase/ Decrease
Revenue Requirement	$3,378,642	$3,218,705	($159,937)	-4.73%

Rate Base - Company Proposed and Staff Recommended

	Company Proposed	Staff Recommended	Staff Adjustment	% Increase/ Decrease
Rate Base	$1,944,185	($500,901)	($2,445,086)	-126%

RESPONSE TO REBUTTAL TESTIMONY OF THOMAS J. BOURASSA

RATE BASE

Revenue Requirement

Q. What are the return on equity and rate of return that the Company is requesting in its rebuttal testimony?

A. The Company is requesting a 12.00 percent return on equity and an overall 11.46 percent rate of return.

Q. What are the return on equity and rate of return that the Company requested in its direct testimony?

A. The Company requested a 10.75 percent return on equity and an overall 10.28 percent rate of return.

Q. What rate of return is Staff recommending?

A. Staff continues to recommend an operating margin of 10.0 percent. The concept of a rate of return is not meaningful when applied to a negative rate base. Due to the $500,901 negative rate base, an operating income cannot be determined based on a rate of return.

Q. What is the revenue requirement adjustment that the Company is proposing in its rebuttal filing?

A. The Company is requesting a $134,153, or 3.97 percent, decrease in revenue for a total revenue requirement of $3,244,489.

Q. How does this compare with the Company's direct filing?

A. In the direct filing, the Company requested a decrease in revenue of $154,861, a decrease of 4.58 percent, for total revenue of $3,224,906.

Q. What revenue requirement is Staff recommending?

A. Staff recommends a revenue requirement of $3,218,705, a $159,937 or 4.73 percent decrease from test year revenues of $3,378,642.

Unexpended AIAC/CIAC and CIAC in CWIP

Q. Please describe how CIAC and AIAC relate to plant in service and rate base.

A. CIAC and AIAC represent funds or plant provided to the Company by parties other than investors. Typically, funds received as CIAC or AIAC are used to build plant which may ultimately be in rate base. Plant that is used and useful for the provision of utility service is a component of rate base. CIAC and AIAC are also components of rate base. As components of rate base, plant differs from CIAC and AIAC in that plant increases rate base and CIAC and AIAC decrease rate base. Plant that is under construction ("CWIP")

is normally not a component of the rate base calculation. Thus, funds received as CIAC or AIAC that are funding CWIP are included in the rate base calculation while the CWIP is not included in the rate base calculation. As a result, the plant included in the rate base calculation may not equal CIAC and AIAC funds received.

Q. Please describe the Company's position.

A. The Company states that it has received CIAC and AIAC for plant not yet completed and reflected in its rate base. The Company further indicates that since CWIP is not an addition to rate base, then related CIAC should not be a reduction in the rate base calculation.

Q. Is the Company's position a departure from traditional ratemaking practices?

A. Yes. The Company's position is a departure from traditional rate-making practices.

Q. Please explain.

A. The Company has use of the funds advanced or contributed by others, regardless of how the funds are used; investors commit less funds for utility purposes. Accordingly, the Company's rate base should be reduced by the CIAC and AIAC regardless of how it is used. The fact that the associated CWIP is not in rate base is irrelevant. CWIP is one example of how not recognizing CIAC and AIAC as a deduction in the calculation of rate base results in excess earnings. The Company can record an allowance for funds used during construction ("AFUDC") to CWIP balances to earn a return on construction expenditures funded by CIAC and AIAC. AFUDC is a form of earnings. Thus, the Company is earning on funds not provided by investors. Reducing rate base by CIAC and AIAC preserves the ratemaking balance and removes this excess earnings potential.

Q. What does Staff recommend?

A. Staff recommends including all AIAC and CIAC balances in the calculation of rate base, including those unexpended or funding CWIP to properly reflect a reduction to rate base. Staff's recommends a $34,405 adjustment to increase AIAC and a $2,859,339 adjustment to properly reflect CIAC.

Tariffs

CAP Surcharge

Q. Staff, in its direct testimony, reserved the right to present its recommendation regarding the Company's proposal to introduce a CAP Surcharge in supplemental testimony, what is Staff's recommendation?

A. On January 27, 2009, Staff sent its 7th data request (Attachment A) to the Company. Responses to Staff DR 7 are essential to Staff's evaluation of the Company's proposed CAP Surcharge. The Company has not provided responses to Staff DR 7. Accordingly, Staff does not recommend a CAP Surcharge at this time.

Off-site Capacity Reservation Charge (Hook-up Fee)

Q. Does the off-site capacity reservation charge (Hook-up Fee) have an impact on rate base?

A. Yes, hook-up fee collections are a deduction in the calculation of rate base and contribute significantly to the Company having a negative rate base.

Q. Does Staff have any other comment regarding the Company's off-site capacity reservation charge (Hook-up Fee)?

A. Yes. On February 11, 2009, Staff sent its 8th data request to the Company. The Company has not provided a response to Staff DR 8.

Q. What does Staff recommend?

A. Staff does not recommend approval of an off-site capacity reservation charge (hook-up fee).

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

H2O, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

SURREBUTTAL TESTIMONY OF BRENDAN C. ALADI

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BCA-20	OPERATING INCOME ADJUSTMENT #9 - PROPERTY TAX EXPENSE
BCA-21	OPERATING INCOME ADJUSTMENT #10- INCOME TAXES
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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base - Fair Value equals Original Cost	$ 1,944,185	$ 1,944,185	$ (500,901)	$ (500,901)
2	Adjusted Operating Income (Loss)	$ 296,354	$ 296,354	$ 418,139	$ 418,139
3	Current Rate of Return (L2 / L1)	15.24%	15.24%	NMF	NMF
4	Required Rate of Return	10.28%	10.28%	NMF	NMF
5	Required Operating Income: Col. A & B (L1 * L4); Col. C & D 10% Operating Margin	$ 199,823	$ 199,823	$ 321,871	$ 321,871
6	Operating Income Deficiency/(Excess) (L5 - L2)	$ (96,531)	$ (96,531)	$ (96,269)	$ (96,269)
7	Gross Revenue Conversion Factor	1.6043	1.6043	1.6614	1.6614
8	Required Revenue Increase/(Decrease) (L7 * L6)	$ (154,861)	$ (154,861)	$ (159,937)	$ (159,937)
9	Adjusted Test Year Revenue	$ 3,379,767	$ 3,379,767	$ 3,378,642	$ 3,378,642
10	Proposed Annual Revenue (L8 + L9)	$ 3,224,906	$ 3,224,906	$ 3,218,705	$ 3,218,705
11	Required Increase/(Decrease) in Revenue (%)	-4.58%	-4.58%	-4.73%	-4.73%
12	Rate of Return on Equity (%)	10.75%	10.75%	NMF	NMF

References:
Columns [A] and [B]: Company Schedules A-1, A-2, & D-1
Columns [C] and [D]: STAFF Schedules BCA-2, BCA-3 and BCA-11

NMF - Not Meaningful

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.8084%					
5	Subtotal (L3 - L4)	60.1916%					
6	**Revenue Conversion Factor (L1 / L5)**	1.661361					
	Calculation of Uncollecttible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 23)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)	0.0000%					
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 55)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor (BCA-16, L21)	1.9698%					
22	Effective Property Tax Factor (L20*L21)		1.2095%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.8084%			
24	Required Operating Income (Schedule BCA-1, Line 5)	$ 321,871					
25	AdjustedTest Year Operating Income (Loss) (Schedule BCA-11, Line 28)	418,139					
26	Required Increase in Operating Income (L24 - L25)		$ (96,269)				
27	Income Taxes on Recommended Revenue (Col. [E], L52)	$ 202,339					
28	Income Taxes on Test Year Revenue (Col. [B], L52)	262,857					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		(60,518)				
30	Recommended Revenue Requirement (Schedule BCA-1, Line 10)	$ 3,218,705					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30*L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		-				
35	Property Tax with Recommended Revenue (BCA-20, Col B, L16)	$ 196,234					
36	Property Tax on Test Year Revenue (BCA-16, Col A, L16)	199,385					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		(3,150)				
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		$ (159,937)				

		Test Year			Staff Recommended		
	Calculation of Income Tax:						
39	Revenue (Schedule BCA-10, Col. [C], Line 4 & Sch. BCA-1, Col. [D] Line 10)	$ -	$ 3,378,642	$ -	$ -	$ 3,218,705	$ -
40	Operating Expenses Excluding Income Taxes	$ -	$ 2,697,646	$ -	$ -	$ 2,694,495	$ -
41	Synchronized Interest (L56)	$ -	$ -	$ -	$ -	$ -	$ -
42	Arizona Taxable Income (L39 - L40 - L41)	$ -	$ 680,996	$ -	$ -	$ 524,210	$ -
43	Arizona State Income Tax Rate	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ -	$ 47,452	$ -	$ -	$ 36,527	$ -
45	Federal Taxable Income (L42 - L44)	$ -	$ 633,545	$ -	$ -	$ 487,683	$ -
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ -	$ 7,500	$ -	$ -	$ 7,500	$ -
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -	$ 6,250	$ -	$ -	$ 6,250	$ -
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -	$ 8,500	$ -	$ -	$ 8,500	$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -	$ 91,650	$ -	$ -	$ 91,650	$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ 101,505	$ -	$ -	$ 51,912	$ -
51	Total Federal Income Tax	$ -	$ 215,405	$ -	$ -	$ 165,812	$ -
52	Combined Federal and State Income Tax (L44 + L51)	$ -	$ 262,857	$ -	$ -	$ 202,339	$ -

53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]	34.0000%
55		
56		

	Calculation of Interest Synchronization: Not Applicable In This Docket	Water
57	Rate Base (Schedule BCA-3, Col. (C), Line 17	$ (500,901)
58	Weighted Average Cost of Debt	0.0000%
59	Synchronized Interest (L45 X L46)	NMF

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 12,987,344	$ 9,070	$ 12,996,414
2	Less: Accumulated Depreciation	1,491,666	6,283	1,497,949
3	Net Plant in Service	$ 11,495,678	$ 2,787	$ 11,498,465
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 6,449,776	$ 2,859,339	$ 9,309,115
5	Less: Accumulated Amortization	683,565	-	683,565
6	Net CIAC	5,766,211	2,859,339	8,625,550
7	Advances in Aid of Construction (AIAC)	3,031,454	34,405	3,065,859
8	Customer Deposits	1,600,755	-	1,600,755
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Unamortized Finance Charges	-	-	-
11	Deferred Income Tax Debits	846,927	445,872	1,292,799
12	Working Capital	-	-	-
13	Intentionally Left Blank	-	-	-
17	**Original Cost Rate Base**	$ 1,944,185	$ (2,445,085)	$ (500,901)

References:
Column [A], Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C]: Schedule BCA-4 Column [H].

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SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED Revised Schedule B-2	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[H] STAFF ADJUSTED
		PLANT IN SERVICE:									
1		Intangible Plant									
2	301.00	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	302.00	Franchises	131,452	-	-	-	-	-	-	-	131,452
4	303.00	Land & Land Rights	7,954	-	-	-	-	-	-	-	7,954
5		Subtotal Intangible	139,406	-	-	-	-	-	-	-	139,406
6											
7		Source of Supply									
8	304.00	Structures & Improvements	$ 538,179	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 538,179
9	305.00	Collecting and Impounding Res.	-	-	-	-	-	-	-	-	-
10	306.00	Lake River and Other Intakes	-	-	-	-	-	-	-	-	-
11	307.00	Wells and Springs	255,856	-	-	-	-	-	-	-	255,856
12	308.00	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	-
13	309.00	Supply Mains	-	-	-	-	-	-	-	-	-
14	310.00	Power Generating Equipment	-	-	-	-	-	-	-	-	-
15	311.00	Electric Pumping Equipment	4,437,582	-	-	-	-	-	-	-	4,437,582
16	312.00	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-
17	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
18		Subtotal Source of Supply	$ 5,231,617	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,231,617
19											
20		Water Treatment									
21	320.00	Water Treatment Equipment	$ 51,404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,404
22	321.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
23	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
24	325.00	Electric Pumping Equipment	-	-	-	-	-	-	-	-	-
25	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-	-	-
26	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-	-
27		Subtotal Water Treatment	51,404	-	-	-	-	-	-	-	51,404
28											
29		Transmission & Distribution									
30	330.00	Distribution Reservoirs & Standpipe	$ 2,706,417	$ 6,646	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,713,063
31	331.00	Transmission and Distribution Mains	1,647,121	-	2,424	-	-	-	-	-	1,649,545
32	332.00	Services	207,500	-	-	-	-	-	-	-	207,500
33	334.00	Meters	2,290,426	-	-	-	-	-	-	-	2,290,426
34	335.00	Hydrants	45,343	-	-	-	-	-	-	-	45,343
35	336.00	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
36	339.00	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
37		Subtotal Transmission & Distribution	6,896,807	6,646	2,424	-	-	-	-	-	6,905,877
38											
39		General Plant									
40	340.00	Office Furniture and Equipment	$ 90,771	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 90,771
41	340.10	Computer and Software	-	-	-	-	-	-	-	-	-
42	341.00	Transportation Equipment	121,240	-	-	-	-	-	-	-	121,240
43	342.00	Stores Equipment	-	-	-	-	-	-	-	-	-
44	343.00	Tools and Work Equipment	52,616	-	-	-	-	-	-	-	52,616
45	344.00	Laboratory Equipment	-	-	-	-	-	-	-	-	-
46	345.00	Power Operated Equipment	29,569	-	-	-	-	-	-	-	29,569
47	346.00	Communications Equipment	224,500	-	-	-	-	-	-	-	224,500
48	347.00	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
49	349.00	Other Tangible Plant	149,414	-	-	-	-	-	-	-	149,414
50		Plant Held for Future Use	-	-	-	-	-	-	-	-	
51		Subtotal General Plant	668,110	-	-	-	-	-	-	-	668,110
52											
53		Total	12,987,344	6,646	2,424	-	-	-	-	-	12,996,414
54	Add:										
55			-	-	-	-	-	-	-	-	-
56			-	-	-	-	-	-	-	-	-
57	Less:										
58			-	-	-	-	-	-	-	-	-
59			-	-	-	-	-	-	-	-	-
60	Total Plant in Service		$ 12,987,344	$ 6,646	$ 2,424	$ -	$ -	$ -	$ -	$ -	$ 12,996,414
61	Less: Accumulated Depreciation		1,491,666	-	-	6,283	-	-	-	-	1,497,949
62	Net Plant in Service (L59 - L 60)		$ 11,495,678	$ 6,646	$ 2,424	$ (6,283)	$ -	$ -	$ -	$ -	$ 11,498,465
63											
64	LESS:										
65	Contributions in Aid of Construction (CIAC)		$ 6,449,776	$ -	$ -	$ -	$ 2,859,339	$ -	$ -	$ -	$ 9,309,115
66	Less: Accumulated Amortization		683,565	-	-	-	-	-	-	-	683,565
67	Net CIAC (L25 - L26)		$ 5,766,211	$ -	$ -	$ -	$ 2,859,339	$ -	$ -	$ -	$ 8,625,550
68	Advances in Aid of Construction (AIAC)		3,031,454	-	-	-	-	34,405	-	-	3,065,859
71	Customer Deposits		1,600,755	-	-	-	-	-	-	-	1,600,755
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
75	ADD:										
76	Unamortized Finance Charges		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
77	Deferred Income Tax Debits		846,927	-	-	-	-	-	445,872	-	1,292,799
78	Working Capital		-	-	-	-	-	-	-	-	-
79	Intentionally Left Blank		-	-	-	-	-	-	-	-	-
80	Original Cost Rate Base		$ 1,944,185	$ 6,646	$ 2,424	$ (6,283)	$ (2,859,339)	$ (34,405)	$ 445,872	$ -	$ (500,901)

ADJ #	References:
1	Schedule BCA-5
2	Schedule BCA-6
3	Schedule BCA-7
4	Schedule BCA-8
5	Schedule BCA-9
6	Schedule BCA-9.1

RATE BASE ADJUSTMENT #1 - RECLASSIFICATION OF MISCELLANEOUS EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	330	Distribution Reservoirs and Standpipes	$ 2,706,417	$ 6,646	$ 2,713,063

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

RATE BASE ADJUSTMENT #2 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	331	Transmission and Distribution Mains	$ 1,647,121	$ 2,424	$ 1,649,545

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

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RATE BASE ADJUSTMENT #3 - ACCUMULATED DEPRECIATION

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Accumulated Depreciation	$ 1,491,666	$ 6,283	$ 1,497,949

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

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RATE BASE ADJUSTMENT #4 - CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Beginning Balance Contribution in aid of Construction	$ 6,449,776	$ 2,859,339	$ 9,309,115

CIAC Adjustment Schedules

Add:	
CIAC - Cash in various bank accounts	$ 2,360,596
Expended CIAC included in CWIP	498,743
	$ 2,859,339

References:
Col [A]: Company *Schedeule* C-1
Col [B]: Col [C] - Col [A]
[C] = BCA Testimony

RATE BASE ADJUSTMENT #5 - ADVANCES-IN-AID-OF-CONSTRUCTION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Advance in Aid of Construction	$ 3,031,454	$ 34,405	$ 3,065,859

References
[A]: Assets per the Company's rate application
[B]: Col [C] - Col [A] Assets that were validated during audit.
[C]: BCA Testimony

RATE BASE ADJUSTMENT #6 - DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
	Accumulated Deferred Income tax	$ 846,927	$ 445,872	$ 1,292,799

1	AIAC End of Year (Tax Basis)	$ 4,666,614	
2	AIAC End of Year (Accounting Basis)	-	
3	Timing Difference	4,666,614	
4	Tax rate	34.90%	
5	Accumulated Defered Income Tax Debit		$1,628,648

6	Accounting basis at end of year (Note 1)	$ 2,872,915	
7	Tax basis of capital assets at end of year (Note 1)	3,835,234	
8	Timing Difference	$ 962,319	
9	Tax rate	34.90%	
10	Accumulated Defered Income Tax Credit		$ 335,849
11	Net Deferred Income Tax (L5 - L10)		$1,292,799

Note 1 - Calculation of Plant Book and Tax Basis

	Tax	Book
Plant in Service (from BCA-3)		$ 12,996,414
CIAC (from BCA-3)		(9,309,115)
Amort. on CIAC (From BCA-3)		683,565
Asset Cost	$ 4,933,687	$ 4,370,864
Accum. Depr. (from BCA-3)	(1,098,453)	(1,497,949)
Net Book Value	$ 3,835,234	$ 2,872,915

References
[A]: Accumulated DIT per the Company's rate application
[B]: Col [C] - Col [A]
[C]: BCA Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:					
1	Metered Water Sales	$ 3,171,070	$ -	$ 3,171,070	$ (159,937)	$ 3,011,133
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	208,697	(1,125)	207,572	-	207,572
4	**Total Operating Revenues**	$ 3,379,767	$ (1,125)	$ 3,378,642	**$ (159,937)**	**$ 3,218,705**
5						
6	*OPERATING EXPENSES:*					
7	Salaries and Wages	$ 790,693	-	$ 790,693	$ -	$ 790,693
8	Purchased Water	77,793	-	77,793	-	77,793
9	Purchased Power	253,894	7,455	261,349	-	261,349
10	Chemicals	4,229	-	4,229	-	4,229
11	Repairs and Maintenance	169,792	(2,424)	167,368	-	167,368
12	Office Supplies and Expense	75,119	(3,948)	71,171	-	71,171
13	Outside Services	66,331	-	66,331	-	66,331
14	Water Testing	12,289	11,687	23,976	-	23,976
15	Rents	175,063	-	175,063	-	175,063
16	Transportation Expenses	214,459	-	214,459	-	214,459
17	Insurance - General Liability	52,245	-	52,245	-	52,245
18	Insurance - Health and Life	61,213	-	61,213	-	61,213
19	Reg. Comm. Exp.- Rate Case	40,000	-	40,000	-	40,000
20	Miscellaneous Expenses	187,311	(19,124)	168,187	-	168,187
21	Depreciation Expense	471,243	(210,061)	261,182	-	261,182
22	Taxes Other than Income	63,002	-	63,002	-	63,002
23	Property Taxes	197,405	1,980	199,385	(3,150)	196,234
24	Income Taxes	171,332	91,525	262,857	(60,518)	202,339
25	Intentionally Left blank(Rounding)	-	-	-	-	-
27	**Total Operating Expenses**	3,083,413	(122,910)	2,960,503	(63,668)	2,896,834
28	**Operating Income (Loss)**	$ 296,354	$ 121,785	**$ 418,139**	$ (96,269)	**$ 321,871**

References:
Column (A): Company Schedule C-1
Column (B): Schedule BCA-11
Column (C): Column (A) + Column (B)
Column (D): Schedules BCA-1 and BCA-2
Column (E): Column (C) + Column (D)

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SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] ADJ #9	[K] ADJ #10	[L] ADJ #11	[M] STAFF ADJUSTED
	REVENUES:													
1	Metered Water Sales	$ 3,171,070	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,171,070
2	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Operating Revenue	208,697	(1,125)	-	-	-	-	-	-	-	-	-	-	207,572
4	Total Operating Revenues	$ 3,379,767	$ (1,125)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,378,642
5														
6	*OPERATING EXPENSES:*													
7	Salaries and Wages	$ 790,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 790,693
8	Purchased Water	77,793	-	-	-	-	-	-	-	-	-	-	-	77,793
9	Purchased Power	253,894	-	-	-	7,455	-	-	-	-	-	-	-	261,349
10	Chemicals	4,229	-	-	-	-	-	-	-	-	-	-	-	4,229
11	Repairs and Maintenance	169,792	-	-	(2,424)	-	-	-	-	-	-	-	-	167,368
12	Office Supplies and Expense	75,119	-	-	-	-	-	(3,948)	-	-	-	-	-	71,171
13	Outside Services	66,331	-	-	-	-	-	-	-	-	-	-	-	66,331
14	Water Testing	12,289	-	-	-	-	-	-	-	11,687	-	-	-	23,976
15	Rents	175,063	-	-	-	-	-	-	-	-	-	-	-	175,063
16	Transportation Expenses	214,459	-	-	-	-	-	-	-	-	-	-	-	214,459
17	Insurance - General Liability	52,245	-	-	-	-	-	-	-	-	-	-	-	52,245
18	Insurance - Health and Life	61,213	-	-	-	-	-	-	-	-	-	-	-	61,213
19	Reg. Comm. Exp.- Rate Case	40,000	-	-	-	-	-	-	-	-	-	-	-	40,000
20	Miscellaneous Expenses	187,311	-	(6,646)	-	(7,455)	(5,023)	-	(210,061)	-	-	-	-	168,187
21	Depreciation Expense	471,243	-	-	-	-	-	-	-	-	-	-	-	261,182
22	Taxes Other than Income	63,002	-	-	-	-	-	-	-	-	-	-	-	63,002
23	Property Taxes	197,405	-	-	-	-	-	-	-	-	1,980	-	-	199,385
24	Income Taxes	171,332	-	-	-	-	-	-	-	-	-	91,525	-	262,857
25	Intentionally Left blank(Rounding)	-	-	-	-	-	-	-	-	-	-	-	-	-
27	Total Operating Expenses	$ 3,083,413	$ -	$ (6,646)	$ (2,424)	$ -	$ (5,023)	$ (3,948)	$ (210,061)	$ 11,687	$ 1,980	$ 91,525	$ -	$ 2,960,503
28	Operating Income (Loss)	$ 296,354	$ (1,125)	$ 6,646	$ 2,424	$ -	$ 5,023	$ 3,948	$ 210,061	$ (11,687)	$ (1,980)	$ (91,525)	$ -	$ 418,139

ADJ #	References:
1	Schedule BCA-12
2	Schedule BCA-13
3	Schedule BCA-14
4	Schedule BCA-15
5	Schedule BCA-16
6	Schedule BCA-17
7	Schedule BCA-18
8	Schedule BCA-19
9	Schedule BCA-20
10	Schedule BCA-21

OPERATING INCOME ADJUSTMENT #1 - REMOVAL OF SALES TAX FROM OTHER WATER REVENUES

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Other Water Revenue	$ 208,697	$ (1,125)	$ 207,572

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

Remove sales tax from other water revenues to treat it as a pass-through item.

OPERATING INCOME ADJUSTMENT #2 - RECLASSIFICATION OF MISC. EXPENSES TO PLANT ACCOUNT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	675	Miscellaneous Expense	$ 174,833	$ (6,646)	$ 168,187

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Testimony BCA

Reclassify $6,646 from miscellaneous expenses to
Distribution Reservoirs and Standpipes

OPERATING INCOME ADJUSTMENT #3 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT ACCOUNT

Line No.	Acct. #	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	
1	620	Repairs and Maintenance Expense	$ 169,792	$ (2,424)	$ 167,368	$ (2,424)

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #4 - RECLASSIFICATION OF MISC. EXPENSE TO PURCHASED POWER EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Miscellaneous Expense	$ 187,311	$ (7,455)	$ 179,856
2		Purchased Power	$ 253,894	7,455	$ 261,349
3		Total	$ 441,205	$ -	441,205

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

The Company erroneously posted purchased power expense to miscellaneous expense.

OPERATING INCOME ADJUSTMENT #5 - REMOVAL OF LATE TAX FILING PENALTY FROM MISC. EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Miscellaneous Expense	$ 179,856	$ (5,023)	$ 174,833

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

Remove late tax filing penalty from miscellaneous expense.

OPERATING INCOME ADJUSTMENT #6 - REMOVAL OF UNNECESSARY EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Office Supplies Expense	$ 75,119	$ (3,948)	$ 71,171

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #7 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] AMOUNT	[B] PROJECTED RATE	[C] DEPRECIATION EXPENSE
	Plant In Service				
1	301	Organization	$ -	0.00%	$ -
2	302	Franchises	131,452	0.00%	$ -
3	303	Land and Land Rights	7,954	0.00%	$ -
4	304	Structures & Improvements	538,179	3.33%	$ 17,921
5	305	Collecting & Impounding Reservoirs	-	2.50%	$ -
6	306	Lakes, Rivers, Other Intakes	-	2.50%	$ -
7	307	Wells and Springs	255,856	3.33%	$ 8,520
8	308	Infiltration Galleries and Tunnels	-	6.67%	$ -
9	309	Supply Mains	-	2.00%	$ -
10	310	Power Generation Equipment	-	5.00%	$ -
11	311	Electric Pumping Equipment	4,437,582	12.50%	$ 554,698
12	320	Water Treatment Equipment	51,404	3.33%	$ 1,712
13	330	Distribution Reservoirs & Standpipes	2,713,063	2.22%	$ 60,230
14	331	Transmission & Distribution Mains	1,649,545	2.00%	$ 32,991
15	333	Services	207,500	3.33%	$ 6,910
16	334	Meters & Meter Installation	2,290,426	8.33%	$ 190,792
17	335	Hydrants	45,343	2.00%	$ 907
18	336	Backflow Prevention Devices	-	6.67%	$ -
19	339	Other Plant & Misc. Equipment	-	6.67%	$ -
20	340	Office Furniture & Equipment	90,771	6.67%	$ 6,054
21	341	Transportation Equipment	121,240	20.00%	$ 24,248
22	342	Stores Equipment	-	4.00%	$ -
23	343	Tools, Ship & Garage Equipment	52,616	5.00%	$ 2,631
24	344	Laboratory Equipment	-	10.00%	$ -
25	345	Power Operated Equipment	29,569	5.00%	$ 1,478
26	346	Communication Equipment	224,500	10.00%	$ 22,450
27	347	Miscellaneous Equipment	-	10.00%	$ -
28	348	Other Tangible Plant	149,414	10.00%	$ 14,941
29					
30		Subtotal General	$ 12,996,414		$ 946,484
31		Less: Non- depreciable Account(s) (L2 + L3)	139,406		
32		Depreciable Plant (L29-L30)	$ 12,857,008		
33					
34		Contributions-in-Aid-of-Construction (CIAC)	$ 9,309,115		
35		Composite Depreciation/Amortization Rate	7.36%		
36		Less: Amortization of CIAC (L34 x L35)			$ 685,302
37		**Depreciation Expense - STAFF [Col. (C), L30 - L36]**			$ 261,182

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
38	Depreciation Expense	$ 471,243	$ (210,061)	$ 261,182

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OPERATING INCOME ADJUSTMENT #8 - WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	$ 12,289	$ 11,687	$ 23,976

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #9 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2006	$ 3,378,642	$ 3,378,642
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 6,757,284	$ 6,757,284
4	Staff Recommended Revenue	3,378,642	$ 3,218,705
5	Subtotal (Line 4 + Line 5)	$ 10,135,926	$ 9,975,989
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 3,378,642	$ 3,325,330
8	*Department of Revenue* Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 6,757,284	$ 6,650,659
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	9,321	9,321
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 6,747,963	$ 6,641,338
13	Assessment Ratio	23.00%	23.00%
14	Assessment Value (Line 12 * Line 13)	$ 1,552,031	$ 1,527,508
15	Composite Property Tax Rate - Obtained from ADOR	12.8467%	12.8467%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 199,385	
17	Company Proposed Property Tax	197,405	
18	Staff Test Year Adjustment (Line 16 - Line 17)	**$ 1,980**	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 196,234
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 199,385
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		**$ (3,150)**
22	*Increase* (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)		$ (3,150)
23	Increase (Decrease) in Revenue Requirement		$ (159,937)
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.96983%

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20
Line 23: Schedule BCA-1

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OPERATING INCOME ADJUSTMENT #10- INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ 171,332	$ 91,525	$ 262,857

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Schedule BCA-2, Line 52

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed	Staff Recommended
Residential, Commercial			
Irrigation and Construction			
Gallons in the minimum	1,000	-	-
5/8" x 3/4" Meter	$ 15.00	$ 11.70	$ 10.40
3/4" Meter	18.00	17.55	15.60
1" Meter	37.00	29.25	25.90
1.5" Meter	75.00	58.50	51.90
2" Meter	120.00	93.60	83.00
3" Meter	N/T	187.20	166.10
4" Meter	N/T	292.50	259.50
6" Meter	N/T	585.00	519.00
Irrigation 3/4"	18.00	17.55	15.60
Irrigation 1"	37.00	29.25	25.90
Irrigation 1.5"	75.00	58.50	51.90
Irrigation 2"	120.00	93.60	83.00
Construction 2"	120.00	93.60	-
Construction 3"	N/T	187.20	-

Commodity Charges	Present		Company Proposed			Staff Recommended		
	1st Tier	2nd Tier	1st Tier	2nd Tier	3rd Tier	1st Tier	2nd Tier	3rd Tier
No Gallons included in any Minimum								
Excess of Minimum - per 1,000 Gallons	$ 1.78	$ 2.11	$ 1.20	$ 1.60	$ 2.05	$ 1.43	$ 2.15	$ 2.58
5/8" x 3/4" Meter	20,000	Infinite	4,000	10,000	Infinite	3,000	10,000	Infinite
3/4" Meter	20,000	Infinite	4,000	10,000	Infinite	3,000	10,000	Infinite
1" Meter	20,000	Infinite		25,000	Infinite		25,000	Infinite
1.5" Meter	20,000	Infinite		50,000	Infinite		50,000	Infinite
2" Meter	20,000	Infinite		80,000	Infinite		80,000	Infinite
3" Meter	N/T	N/T		160,000	Infinite		160,000	Infinite
4" Meter	N/T	N/T		250,000	Infinite		250,000	Infinite
6" Meter	N/T	N/T		500,000	Infinite		500,000	Infinite
Irrigation 3/4"	20,000	Infinite	4000	10,000	Infinite	3,000	10,000	Infinite
Irrigation 1"	20,000	Infinite		25,000	Infinite		25,000	Infinite
Irrigation 1.5"	20,000	Infinite		50,000	Infinite		50,000	Infinite
Irrigation 2"	20,000	Infinite		80,000	Infinite		80,000	Infinite
Construction 2"	20,000	Infinite			Infinite			Infinite
Construction 3"	N/T	N/T			Infinite			Infinite

Service Line and Meter Installation Charges	Present Rates	Company Proposed			Staff Recommended		
	Total	Service Line	Meter Install.	Total	Service Line	Meter Install.	Total
5/8" x 3/4" Meter	285.00	385.00	135.00	520.00	415.00	105.00	520.00
3/4" Meter	320.00	385.00	215.00	600.00	415.00	205.00	620.00
1" Meter	360.00	435.00	255.00	690.00	465.00	265.00	730.00
1.5" Meter	545.00	470.00	465.00	935.00	520.00	475.00	995.00
2" Meter	915.00	N/T	N/T	N/T	N/T	N/T	N/T
2" Turbine Meter	N/T	630.00	965.00	1,595.00	800.00	995.00	1,795.00
2" Compound Meter	N/T	630.00	1,690.00	2,320.00	800.00	1,840.00	2,640.00
3" Meter	1,150.00						
3" Turbine Meter	N/T	805.00	1,470.00	2,275.00	1,015.00	1,620.00	2,635.00
3" Compound Meter	N/T	845.00	2,265.00	3,110.00	1,135.00	2,495.00	3,630.00
4" Meter	1,885.00						
4" Turbine Meter	N/T	1,170.00	2,350.00	3,520.00	1,430.00	2,570.00	4,000.00
4" Compound Meter	N/T	1,230.00	3,245.00	4,475.00	1,610.00	3,545.00	5,155.00
6" Meter	3,780.00						
6" Turbine Meter	N/T	1,730.00	4,545.00	6,275.00	2,150.00	4,925.00	7,075.00
6" Compound Meter	N/T	1,770.00	6,280.00	8,050.00	2,270.00	6,820.00	9,090.00
8" Meter and Larger	N/T	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Service Charges	Present	Company Proposed	Staff Recommended
Establishment	15.00	15.00	15.00
Establishment (After Hours)	25.00	25.00	25.00
Reconnection (Delinquent)	15.00	15.00	15.00
Reconnection (Delinquent)- After Hours	N/A	15.00	15.00
Meter Test (If Correct)	25.00	25.00	25.00
Deposit - Residential Note 1	(1)	(1)	(1)
Deposit - Non - Residential Note 2	(2)	(2)	(2)
Deposit Interest - Note 3	(3)	(3)	(3)
Re-Establishment (Within 12 Months)- Note 4	(4)	(4)	(4)
Re-Establishment (After Hours)- Note 4	(4)	(4)	(4)
NSF Check	15.00	25.00	25.00
Deferred Payment, per Month	12%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	10.00	10.00
Late Charge per Month	N/T	1.50%	1.50%
Company Locks Damaged by Customer- Note 5	N/T	(5)	(5)
Mains Damaged by Customer- Note 5	N/T	(5)	(5)
Charge of Moving Customer Meters -			
Per Customer Request	N/T	Cost	Cost
After hours service charge	N/T	Refer to above charges	Cost

Note 1 Per Commission Rules (R14-2-403.B) Two times the average bill.
Note 2 Per Commission Rules (R14-2-403.B) Two and one-half times the average bill
Note 3 Per Commission Rules (R14-2-403.B)
Note 4 Months off system times the minimum (R14-2-403.D)
Note 5 Per Commission Rules (R14-2-407.B)

CAP Surcharge

Currently there is no authorized CAP surcharge. The Company proposes the following CAP surcharge in addition to all other commodity charges and will be adjusted annually to recover the acquisition and purchased water costs of the Company associated with the right to receive 147 acre feet of Central Arizona Project water each year for delivery to customers. The surcharge will include a 10 year amortization of the acquisition cost plus the projected annual fixed costs of the contract and the delivery costs. Surcharge will be computed annually based on gallons sold and trued-up at the end of each year with any over and under recovery of actual costs during the year included in the next years surcharge computation. Staff recommends denial of the CAP surcharge.

Off-Site Capacity Reservation Charge (Hook-up Fee)	Present Rates	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	875.00	875.00	-
3/4" Meter	1,050.00	1,050.00	-
1" Meter	1,750.00	1,750.00	-
1½" Meter	3,500.00	3,500.00	-
2" Meter	5,600.00	5,600.00	-
3" Meter	10,500.00	10,500.00	-
4" Meter	17,500.00	17,500.00	-
6" Meter	35,000.00	35,000.00	-

NT = No Tariff

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TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - CURRENT RATES

LINE NO.	CUSTOMER CLASS	CURRENT					
		AVERAGE			MEDIAN		
		USAGE	DOLLARS		USAGE	DOLLARS	
1	Residential 5/8"	3,553	$	21.32	2,500	$	19.45
2	Residential 3/4"	8,333	$	32.83	6,500	$	29.57
3	Residential 1"	25,908	$	85.07	17,500	$	68.15
4	Residential 1.5"	47,726	$	169.10	34,500	$	141.20
5	Residential 2"	44,800	$	207.93	46,500	$	211.52
6	Residential 3"	NOT USED					
7	Residential 4"	NOT USED					
8	Residential 6"	NOT USED					
9	Residential 8"	NOT USED					
12	Commerical 5/8"	17,617	$	46.36	1,500	$	17.67
13	Commerical 3/4"	23,309	$	60.58	11,500	$	38.47
14	Commerical 1"	20,642	$	73.95	8,500	$	52.13
15	Commerical 1.5"	38,917	$	150.51	34,000	$	140.14
16	Commerical 2"	176,813	$	486.48	46,500	$	211.52
17	Commerical 3"	NOT USED					
18	Commerical 4"	NOT USED					
19	Commerical 6"	NOT USED					
20	Commerical 8"	NOT USED					
23	Irrigation 3/4"	10,282	$	36.30	6,500	$	29.57
24	Irrigation 1"	97,197	$	235.48	43,000	$	121.13
25	Irrigation 1.5"	139,711	$	363.19	76,000	$	228.76
26	Irrigation 2"	326,818	$	802.99	219,128	$	575.76
27	Construction 2"	341,750	$	834.49	1,500	$	122.67
28	Construction 3"	NOT USED					
29	Intentially Left Blank	NOT USED					
30	Intentially Left Blank	NOT USED					
31	Intentially Left Blank	NOT USED					

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TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - COMPANY PROPOSED

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	$ 15.61	$ (5.71)	-26.79%	$ 14.35	$ (5.11)	-26.25%
33	Residential 3/4"	$ 28.76	$ (4.07)	-12.40%	$ 25.82	$ (3.75)	-12.67%
34	Residential 1"	$ 70.27	$ (14.80)	-17.40%	$ 56.39	$ (11.77)	-17.26%
35	Residential 1.5"	$ 133.16	$ (35.94)	-21.25%	$ 111.97	$ (29.23)	-20.70%
36	Residential 2"	$ 162.41	$ (45.52)	-21.89%	$ 165.21	$ (46.30)	-21.89%
37	Residential 3"	NOT USED					
38	Residential 4"	NOT USED					
39	Residential 6"	NOT USED					
40	Residential 8"	NOT USED					
43	Commerical 5/8"	$ 41.38	$ (4.97)	-10.73%	$ 13.14	$ (4.53)	-25.62%
44	Commerical 3/4"	$ 58.75	$ (1.84)	-3.03%	$ 34.51	$ (3.96)	-10.30%
45	Commerical 1"	$ 61.42	$ (12.53)	-16.95%	$ 41.97	$ (10.16)	-19.50%
46	Commerical 1.5"	$ 119.05	$ (31.47)	-20.91%	$ 111.17	$ (28.97)	-20.67%
47	Commerical 2"	$ 417.52	$ (68.96)	-14.17%	$ 165.21	$ (46.30)	-21.89%
48	Commerical 3"	NOT USED					
49	Commerical 4"	NOT USED					
50	Commerical 6"	NOT USED					
51	Commerical 8"	NOT USED					
54	Irrigation 3/4"	$ 32.01	$ (4.29)	-11.82%	$ 25.82	$ (3.75)	-12.67%
55	Irrigation 1"	$ 216.55	$ (18.94)	-8.04%	$ 105.34	$ (15.79)	-13.04%
56	Irrigation 1.5"	$ 320.88	$ (42.31)	-11.65%	$ 190.15	$ (38.61)	-16.88%
57	Irrigation 2"	$ 614.32	$ (188.66)	-23.50%	$ 504.37	$ (71.39)	-12.40%
58	Construction 2"	$ 791.33	$ (43.16)	-5.17%	$ 93.80	$ (28.88)	-23.54%
59	Construction 3"	NOT USED					
60	Intentially Left Blank	NOT USED					
61	Intentially Left Blank						
62	Intentially Left Blank						

H20, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - STAFF RECOMMENDED

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	$ 15.89	$ (5.44)	-25.49%	$ 13.98	$ (5.47)	-28.11%
64	Residential 3/4"	$ 31.37	$ (1.47)	-4.47%	$ 25.27	$ (4.30)	-14.53%
65	Residential 1"	$ 81.99	$ (3.07)	-3.61%	$ 63.53	$ (4.63)	-6.79%
66	Residential 1.5"	$ 155	$ (14.59)	-8.63%	$ 126.08	$ (15.12)	-10.71%
67	Residential 2"	$ 179	$ (28.61)	-13.76%	$ 182.98	$ (28.54)	-13.49%
68	Residential 3"	NOT USED					
69	Residential 4"	NOT USED					
70	Residential 6"	NOT USED					
71	Residential 8"	NOT USED					
74	Commerical 5/8"	$ 49.40	$ 3.04	6.56%	$ 12.55	$ (5.12)	-28.98%
75	Commerical 3/4"	$ 68.49	$ 7.91	13.05%	$ 39.25	$ 0.78	2.02%
76	Commerical 1"	$ 70.28	$ (3.67)	-4.97%	$ 44.18	$ (7.96)	-15.26%
77	Commerical 1.5"	$ 135.57	$ (14.94)	-9.93%	$ 125.00	$ (15.14)	-10.80%
78	Commerical 2"	$ 504.68	$ 18.20	3.74%	$ 182.98	$ (28.54)	-13.49%
79	Commerical 3"	NOT USED					
80	Commerical 4"	NOT USED					
81	Commerical 6"	NOT USED					
82	Commerical 8"	NOT USED					
85	Irrigation 3/4"	$ 35.56	$ (0.75)	-2.06%	$ 28.50	$ (1.07)	-3.62%
86	Irrigation 1"	$ 265.85	$ 30.36	12.89%	$ 126.07	$ 4.94	4.08%
87	Irrigation 1.5"	$ 390.76	$ 27.57	7.59%	$ 226.45	$ (2.31)	-1.01%
88	Irrigation 2"	$ 892.01	$ 89.03	11.09%	$ 613.48	$ 37.72	6.55%
89	Construction 2"	$ 881.72	$ 47.22	5.66%	$ 3.87	$ (118.80)	-96.85%
90	Construction 3"	NOT USED					
91	Intentially Left Blank						
92	Intentially Left Blank						
93	Intentially Left Blank						

ATTACHMENT A

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

ARIZONA CORPORATION COMMISSION

MICHAEL P. KEARNS
Interim Executive Director

RECEIVED
JAN 28 2009
AZ CORP COMM
Director Utilities

January 27, 2009

Richard L. Sallquist, Esq.
Sallquist, Drummond & O' Connor, P.C.
4500 South Lakeshore Drive, Suite 339
Tempe, Arizona 85282

Sent via U.S. Mail & E-mail to:
dick@sd-law.com

Re: Staff's **Seventh** Set of Data Requests to H2O, Inc.
Docket No. W-02234A-07-0557

Dear Mr. Sallquist:

Please treat this as Staff's **Seventh** Set of Data Requests to H2O, Inc. in the above matter.

For purposes of this data request set, the words "Company," "you," and "your" refer to H2O, Inc. and any representative, including every person and/or entity acting with, under the control of, or on behalf of H2O, Inc. For each answer, please identify by name, title, and address each person providing information that forms the basis for the response provided.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses.

Please respond within **ten** calendar days of your receipt of the copy of this letter. However, if you require additional time, please let us know.

Please provide one hard copy as well as **searchable PDF, DOC *or* EXCEL** ***files (via email or electronic media) of the requested data directly to each of the following addressees via overnight delivery services to*:**

(1) Brendan Aladi, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007.

(2) Charles H. Hains, Attorney, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007.

Sincerely,

Charles H. Hains
Attorney, Legal Division
(602) 542-3402

CHH:sab
Enclosure
cc: Brendan C. Aladi

ARIZONA CORPORATION COMMISSION
STAFF'S SEVENTH SET OF DATA REQUESTS TO
H2O, INC.
DOCKET NO. W-02234A-07-0557
JANUARY 27, 2009

Subject: **All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.**

BCA 7.1 Please provide a copy of H20 current contract with the Central Arizona Project (CAP) for the water allocation, and explain why the Company needs CAP water.

BCA 7.2 Please provide an analysis of the current ratio of CAP versus groundwater used to supply H20 customers for the test year.

BCA 7.3 Please provide a narrative (and schedule if necessary) explaining how many acre feet of CAP water H20 purchased and sold during the test year and provide a copy of supporting documentation.

BCA 7.4 Please provide a narrative explaining how the Company proposes to breakout CAP water costs. Fixed or/and Variable cost?

BCA 7.5 Please provide a narrative explaining specifically if CAP water costs are included in cost of service in the current rate case.

BCA 7.6 Please, explain if H20 anticipates replacing or supplementing the current source with CAP water.

BCA 7.7 Please explain and quantify what costs, if any, will be avoided by using CAP water.

BCA 7.8 Please explain what period (January through December) the Company will use for true up.

BCA 7.9 Please explain the process used to determine the amortization period and why is ten years the appropriate amortization period.

BCA 7.10 Please explain how the Company proposes to breakout the surcharge, between the monthly minimum charge and the commodity charge.

EXHIBIT
S-4
ADMITTED

H2O, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

SURREBUTTAL TESTIMONY OF BRENDAN C. ALADI

TABLE OF CONTENTS TO SCHEDULES

SCH #	TITLE
BCA-1	REVENUE REQUIREMENT
BCA-2	GROSS REVEINUE CONVERSION FACTOR
BCA-3	RATE BASE - ORIGINAL COST
BCA-4	SUMMARY OF RATE BASE ADJUSTMENTS
BCA-5	RATE BASE ADJUSTMENT #1 - RECLASSIFICATION OF MISCELLANEOUS EXPENSE TO PLANT
BCA-6	RATE BASE ADJUSTMENT #2 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT
BCA-7	RATE BASE ADJUSTMENT #3 - ACCUMULATED DEPRECIATION
BCA-8	RATE BASE ADJUSTMENT #4 - CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION
BCA-9	RATE BASE ADJUSTMENT #5 - ADVANCES-IN-AID-OF-CONSTRUCTION
BCA-9.1	RATE BASE ADJUSTMENT #6 - DEFERRED INCOME TAXES
BCA-10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
BCA-11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
BCA-12	OPERATING INCOME ADJUSTMENT #1 - REMOVAL OF SALES TAX FROM OTHER WATER REVENUES
BCA-13	OPERATING INCOME ADJUSTMENT #2 - RECLASSIFICATION OF MISC. EXPENSES TO PLANT ACCOUNT
BCA-14	OPERATING INCOME ADJUSTMENT #3 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT ACCOUNT
BCA-15	OPERATING INCOME ADJUSTMENT #4 - RECLASSIFICATION OF MISC. EXPENSE TO PURCHASED POWER EXPENSE
BCA-16	OPERATING INCOME ADJUSTMENT #5 - REMOVAL OF LATE TAX FILING PENALTY FROM MISC. EXPENSE
BCA-17	OPERATING INCOME ADJUSTMENT #6 - REMOVAL OF UNNECESSARY EXPENSE
BCA-18	OPERATING INCOME ADJUSTMENT #7 - DEPRECIATION EXPENSE
BCA-19	OPERATING INCOME ADJUSTMENT #8 - WATER TESTING
BCA-20	OPERATING INCOME ADJUSTMENT #9 - PROPERTY TAX EXPENSE
BCA-21	OPERATING INCOME ADJUSTMENT #10- INCOME TAXES
BCA-22	RATE DESIGN
BCA-23	TYPICAL BILL ANALYSIS

H2O, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base - Fair Value equals Original Cost	$ 1,944,185	$ 1,944,185	$ (363,842)	$ (363,842)
2	Adjusted Operating Income (Loss)	$ 296,354	$ 296,354	$ 418,139	$ 418,139
3	Current Rate of Return (L2 / L1)	15.24%	15.24%	NMF	NMF
4	Required Rate of Return	10.28%	10.28%	NMF	NMF
5	Required Operating Income: Col. A & B (L1 * L4); Col. C & D 10% Operating Margin	$ 199,823	$ 199,823	$ 321,871	$ 321,871
6	Operating Income Deficiency/(Excess) (L5 - L2)	$ (96,531)	$ (96,531)	$ (96,269)	$ (96,269)
7	Gross Revenue Conversion Factor	1.6043	1.6043	1.6614	1.6614
8	Required Revenue Increase/(Decrease) (L7 * L6)	$ (154,861)	$ (154,861)	$ (159,937)	$ (159,937)
9	Adjusted Test Year Revenue	$ 3,379,767	$ 3,379,767	$ 3,378,642	$ 3,378,642
10	Proposed Annual Revenue (L8 + L9)	$ 3,224,906	$ 3,224,906	$ 3,218,705	$ 3,218,705
11	Required Increase/(Decrease) in Revenue (%)	-4.58%	-4.58%	-4.73%	-4.73%
12	Rate of Return on Equity (%)	10.75%	10.75%	NMF	NMF

References:
Columns [A] and [B]: Company Schedules A-1, A-2, & D-1
Columns [C] and [D]: STAFF Schedules BCA-2, BCA-3 and BCA-11

NMF - Not Meaningful

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.8084%					
5	Subtotal (L3 - L4)	60.1916%					
6	**Revenue Conversion Factor (L1 / L5)**	1.661361					
	Calculation of Uncollecttible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 23)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)	0.0000%					
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 55)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor (BCA-16, L21)	1.9698%					
22	Effective Property Tax Factor (L20*L21)		1.2095%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.8084%			
24	Required Operating Income (Schedule BCA-1, Line 5)	$ 321,871					
25	AdjustedTest Year Operating Income (Loss) (Schedule BCA-11, Line 28)	418,139					
26	Required Increase in Operating Income (L24 - L25)		$ (96,269)				
27	Income Taxes on Recommended Revenue (Col. [E], L52)	$ 202,339					
28	Income Taxes on Test Year Revenue (Col. [B], L52)	262,857					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		(60,518)				
30	Recommended Revenue Requirement (Schedule BCA-1, Line 10)	$ 3,218,705					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30*L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		-				
35	Property Tax with Recommended Revenue (BCA-20, Col B, L16)	$ 196,234					
36	Property Tax on Test Year Revenue (BCA-16, Col A, L16)	199,385					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		(3,150)				
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		$ (159,937)				

		Test Year			Staff Recommended		
	Calculation of Income Tax:						
39	Revenue (Schedule BCA-10, Col. [C], Line 4 & Sch. BCA-1, Col. [D] Line 10)	$ -	$ 3,378,642	$ -	$ -	$ 3,218,705	$ -
40	Operating Expenses Excluding Income Taxes	$ -	$ 2,697,646	$ -	$ -	$ 2,694,495	$ -
41	Synchronized Interest (L56)	$ -	$ -	$ -	$ -	$ -	$ -
42	Arizona Taxable Income (L39 - L40 - L41)	$ -	$ 680,996	$ -	$ -	$ 524,210	$ -
43	Arizona State Income Tax Rate	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ -	$ 47,452	$ -	$ -	$ 36,527	$ -
45	Federal Taxable Income (L42 - L44)	$ -	$ 633,545	$ -	$ -	$ 487,683	$ -
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ -	$ 7,500	$ -	$ -	$ 7,500	$ -
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -	$ 6,250	$ -	$ -	$ 6,250	$ -
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -	$ 8,500	$ -	$ -	$ 8,500	$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -	$ 91,650	$ -	$ -	$ 91,650	$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ 101,505	$ -	$ -	$ 51,912	$ -
51	Total Federal Income Tax	$ -	$ 215,405	$ -	$ -	$ 165,812	$ -
52	Combined Federal and State Income Tax (L44 + L51)	$ -	$ 262,857	$ -	$ -	$ 202,339	$ -

53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]	34.0000%
55		
56		

	Calculation of Interest Synchronization: Not Applicable In This Docket	Water
57	Rate Base (Schedule BCA-3, Col. (C), Line 17	$ (363,842)
58	Weighted Average Cost of Debt	0.0000%
59	Synchronized Interest (L45 X L46)	NMF

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 12,987,344	$ 9,070	$ 12,996,414
2	Less: Accumulated Depreciation	1,491,666	6,283	1,497,949
3	Net Plant in Service	$ 11,495,678	$ 2,787	$ 11,498,465
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 6,449,776	$ 2,859,339	$ 9,309,115
5	Less: Accumulated Amortization	683,565	-	683,565
6	Net CIAC	5,766,211	2,859,339	8,625,550
7	Advances in Aid of Construction (AIAC)	3,031,454	34,405	3,065,859
8	Customer Deposits	1,600,755	-	1,600,755
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Unamortized Finance Charges	-	-	-
11	Deferred Income Tax Debits	846,927	582,931	1,429,858
12	Working Capital	-	-	-
13	Intentionally Left Blank	-	-	-
17	**Original Cost Rate Base**	$ 1,944,185	$ (2,308,026)	$ (363,842)

References:
Column [A], Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C]: Schedule BCA-4 Column [H].

H2O, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED Revised Schedule B-2	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[H] STAFF ADJUSTED
		PLANT IN SERVICE:									
1		**Intangible Plant**									
2	301.00	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	302.00	Franchises	131,452	-	-	-	-	-	-	-	131,452
4	303.00	Land & Land Rights	7,954	-	-	-	-	-	-	-	7,954
5		**Subtotal Intangible**	139,406	-	-	-	-	-	-	-	139,406
6											
7		**Source of Supply**									
8	304.00	Structures & Improvements	$ 538,179	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 538,179
9	305.00	Collecting and Impounding Res.	-	-	-	-	-	-	-	-	-
10	306.00	Lake River and Other Intakes	-	-	-	-	-	-	-	-	-
11	307.00	Wells and Springs	255,856	-	-	-	-	-	-	-	255,856
12	308.00	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	-
13	309.00	Supply Mains	-	-	-	-	-	-	-	-	-
14	310.00	Power Generating Equipment	-	-	-	-	-	-	-	-	-
15	311.00	Electric Pumping Equipment	4,437,582	-	-	-	-	-	-	-	4,437,582
16	312.00	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-
17	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
18		**Subtotal Source of Supply**	$ 5,231,617	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,231,617
19											
20		**Water Treatment**									
21	320.00	Water Treatment Equipment	$ 51,404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,404
22	321.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
23	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
24	325.00	Electric Pumping Equipment	-	-	-	-	-	-	-	-	-
25	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-	-	-
26	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-	-
27		**Subtotal Water Treatment**	51,404	-	-	-	-	-	-	-	51,404
28											
29		**Transmission & Distribution**									
30	330.00	Distribution Reservoirs & Standpipe	$ 2,706,417	$ 6,646	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,713,063
31	331.00	Transmission and Distribution Mains	1,647,121	-	2,424	-	-	-	-	-	1,649,545
32	332.00	Services	207,500	-	-	-	-	-	-	-	207,500
33	334.00	Meters	2,290,426	-	-	-	-	-	-	-	2,290,426
34	335.00	Hydrants	45,343	-	-	-	-	-	-	-	45,343
35	336.00	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
36	339.00	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
37		**Subtotal Transmission & Distribution**	6,896,807	6,646	2,424	-	-	-	-	-	6,905,877
38											
39		**General Plant**									
40	340.00	Office Furniture and Equipment	$ 90,771	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 90,771
41	340.10	**Computer and Software**	-	-	-	-	-	-	-	-	-
42	341.00	Transportation Equipment	121,240	-	-	-	-	-	-	-	121,240
43	342.00	Stores Equipment	-	-	-	-	-	-	-	-	-
44	343.00	Tools and Work Equipment	52,616	-	-	-	-	-	-	-	52,616
45	344.00	Laboratory Equipment	-	-	-	-	-	-	-	-	-
46	345.00	Power Operated Equipment	29,569	-	-	-	-	-	-	-	29,569
47	346.00	Communications Equipment	224,500	-	-	-	-	-	-	-	224,500
48	347.00	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
49	349.00	Other Tangible Plant	149,414	-	-	-	-	-	-	-	149,414
50		Plant Held for Future Use	-	-	-	-	-	-	-	-	-
51		**Subtotal General Plant**	668,110	-	-	-	-	-	-	-	668,110
52											
53		**Total**	12,987,344	6,646	2,424	-	-	-	-	-	12,996,414
54	Add:										
55			-	-	-	-	-	-	-	-	-
56			-	-	-	-	-	-	-	-	-
57	Less:										
58			-	-	-	-	-	-	-	-	-
59			-	-	-	-	-	-	-	-	-
60	Total Plant in Service		$ 12,987,344	$ 6,646	$ 2,424	$ -	$ -	$ -	$ -	$ -	$ 12,996,414
61	Less: Accumulated Depreciation		1,491,666	-	-	6,283	-	-	-	-	1,497,949
62	Net Plant in Service (L59 - L 60)		$ 11,495,678	$ 6,646	$ 2,424	$ (6,283)	$ -	$ -	$ -	$ -	$ 11,498,465
63											
64	*LESS:*										
65	Contributions in Aid of Construction (CIAC)		$ 6,449,776	$ -	$ -	$ -	$ 2,859,339	$ -	$ -	$ -	$ 9,309,115
66	Less: Accumulated Amortization		683,565	-	-	-	-	-	-	-	683,565
67	Net CIAC (L25 - L26)		$ 5,766,211	$ -	$ -	$ -	$ 2,859,339	$ -	$ -	$ -	$ 8,625,550
68	Advances in Aid of Construction (AIAC)		3,031,454	-	-	-	-	34,405	-	-	3,065,859
71	Customer Deposits		1,600,755	-	-	-	-	-	-	-	1,600,755
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
75	*ADD:*										
76	Unamortized Finance Charges		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
77	Deferred Income Tax Debits		846,927	-	-	-	-	-	582,931	-	1,429,858
78	Working Capital		-	-	-	-	-	-	-	-	-
79	Intentionally Left Blank		-	-	-	-	-	-	-	-	-
80	**Original Cost Rate Base**		$ 1,944,185	$ 6,646	$ 2,424	$ (6,283)	$ (2,859,339)	$ (34,405)	$ 582,931	$ -	$ (363,842)

ADJ #	References:
1	Schedule BCA-5
2	Schedule BCA-6
3	Schedule BCA-7
4	Schedule BCA-8
5	Schedule BCA-9
6	Schedule BCA-9.1

H2O, Inc.
Docket No. W-02234A-07-0557
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RATE BASE ADJUSTMENT #1 - RECLASSIFICATION OF MISCELLANEOUS EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	330	Distribution Reservoirs and Standpipes	$ 2,706,417	$ 6,646	$ 2,713,063

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

H2O, Inc.
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RATE BASE ADJUSTMENT #2 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	331	Transmission and Distribution Mains	$ 1,647,121	$ 2,424	$ 1,649,545

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

RATE BASE ADJUSTMENT #3 - ACCUMULATED DEPRECIATION

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Accumulated Depreciation	$ 1,491,666	$ 6,283	$ 1,497,949

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

RATE BASE ADJUSTMENT #4 - CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Beginning Balance Contribution in aid of Construction	$ 6,449,776	$ 2,859,339	$ 9,309,115

CIAC Adjustment Schedules

Add:	
CIAC - Cash in various bank accounts	$ 2,360,596
Expended CIAC included in CWIP	498,743
	$ 2,859,339

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
[C] = BCA Testimony

RATE BASE ADJUSTMENT #5 - ADVANCES-IN-AID-OF-CONSTRUCTION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Advance in Aid of Construction	$ 3,031,454	$ 34,405	$ 3,065,859

References
[A]: Assets per the Company's rate application
[B]: Col [C] - Col [A] Assets that were validated during audit.
[C]: BCA Testimony

H2O, Inc.
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RATE BASE ADJUSTMENT #6 - DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
	Accumulated Deferred Income tax	$ 846,927	$ 582,931	$ 1,429,858

1	AIAC End of Year (Tax Basis)	$ 4,666,614	
2	AIAC End of Year (Accounting Basis)	-	
3	Timing Difference	4,666,614	
4	Tax rate	38.60%	
5	Accumulated Defered Income Tax Debit		$1,801,313

6	Accounting basis at end of year (Note 1)	$ 2,872,915	
7	Tax basis of capital assets at end of year (Note 1)	3,835,234	
8	Timing Difference	$ 962,319	
9	Tax rate	38.60%	
10	Accumulated Defered Income Tax Credit		$ 371,455
11	Net Deferred Income Tax (L5 - L10)		$1,429,858

Note 1 - Calculation of Plant Book and Tax Basis

	Tax	Book
Plant in Service (from BCA-3)		$ 12,996,414
CIAC (from BCA-3)		(9,309,115)
Amort. on CIAC (From BCA-3)		683,565
Asset Cost	$ 4,933,687	$ 4,370,864
Accum. Depr. (from BCA-3)	(1,098,453)	(1,497,949)
Net Book Value	$ 3,835,234	$ 2,872,915

References
[A]: Accumulated DIT per the Company's rate application
[B]: Col [C] - Col [A]
[C]: BCA Testimony

H2O, Inc.
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OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:					
1	Metered Water Sales	$ 3,171,070	$ -	$ 3,171,070	$ (159,937)	$ 3,011,133
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	208,697	(1,125)	207,572	-	207,572
4	**Total Operating Revenues**	$ 3,379,767	$ (1,125)	$ 3,378,642	**$ (159,937)**	**$ 3,218,705**
5						
6	*OPERATING EXPENSES:*					
7	Salaries and Wages	$ 790,693	-	$ 790,693	$ -	$ 790,693
8	Purchased Water	77,793	-	77,793	-	77,793
9	Purchased Power	253,894	7,455	261,349	-	261,349
10	Chemicals	4,229	-	4,229	-	4,229
11	Repairs and Maintenance	169,792	(2,424)	167,368	-	167,368
12	Office Supplies and Expense	75,119	(3,948)	71,171	-	71,171
13	Outside Services	66,331	-	66,331	-	66,331
14	Water Testing	12,289	11,687	23,976	-	23,976
15	Rents	175,063	-	175,063	-	175,063
16	Transportation Expenses	214,459	-	214,459	-	214,459
17	Insurance - General Liability	52,245	-	52,245	-	52,245
18	Insurance - Health and Life	61,213	-	61,213	-	61,213
19	Reg. Comm. Exp.- Rate Case	40,000	-	40,000	-	40,000
20	Miscellaneous Expenses	187,311	(19,124)	168,187	-	168,187
21	Depreciation Expense	471,243	(210,061)	261,182	-	261,182
22	Taxes Other than Income	63,002	-	63,002	-	63,002
23	Property Taxes	197,405	1,980	199,385	(3,150)	196,234
24	Income Taxes	171,332	91,525	262,857	(60,518)	202,339
25	Intentionally Left blank(Rounding)	-	-	-	-	-
27	**Total Operating Expenses**	3,083,413	(122,910)	2,960,503	(63,668)	2,896,834
28	**Operating Income (Loss)**	$ 296,354	$ 121,785	**$ 418,139**	$ (96,269)	**$ 321,871**

References:
Column (A): Company Schedule C-1
Column (B): Schedule BCA-11
Column (C): Column (A) + Column (B)
Column (D): Schedules BCA-1 and BCA-2
Column (E): Column (C) + Column (D)

H2O, Inc.
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SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] ADJ #9	[K] ADJ #10	[L] ADJ #11	[M] STAFF ADJUSTED
	REVENUES:													
1	Metered Water Sales	$ 3,171,070	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,171,070
2	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Operating Revenue	208,697	(1,125)	-	-	-	-	-	-	-	-	-	-	207,572
4	**Total Operating Revenues**	$ 3,379,767	$ (1,125)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,378,642
5														
6	*OPERATING EXPENSES:*													
7	Salaries and Wages	$ 790,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 790,693
8	Purchased Water	77,793	-	-	-	-	-	-	-	-	-	-	-	77,793
9	Purchased Power	253,894	-	-	-	7,455	-	-	-	-	-	-	-	261,349
10	Chemicals	4,229	-	-	-	-	-	-	-	-	-	-	-	4,229
11	Repairs and Maintenance	169,792	-	-	(2,424)	-	-	-	-	-	-	-	-	167,368
12	Office Supplies and Expense	75,119	-	-	-	-	-	(3,948)		-	-	-	-	71,171
13	Outside Services	66,331	-	-	-	-	-	-	-	-	-	-	-	66,331
14	Water Testing	12,289	-	-	-	-	-	-	-	11,687	-	-	-	23,976
15	Rents	175,063	-	-	-	-	-	-	-	-	-	-	-	175,063
16	Transportation Expenses	214,459	-	-	-	-	-	-	-	-	-	-	-	214,459
17	Insurance - General Liability	52,245	-	-	-	-	-	-	-	-	-	-	-	52,245
18	Insurance - Health and Life	61,213	-	-	-	-	-	-	-	-	-	-	-	61,213
19	Reg. Comm. Exp.- Rate Case	40,000	-	-	-	-	-	-	-	-	-	-	-	40,000
20	Miscellaneous Expenses	187,311	-	(6,646)	-	(7,455)	(5,023)	-	-	-	-	-	-	168,187
21	Depreciation Expense	471,243	-	-	-	-	-	-	(210,061)	-	-	-	-	261,182
22	Taxes Other than Income	63,002	-	-	-	-	-	-	-	-	-	-	-	63,002
23	Property Taxes	197,405	-	-	-	-	-	-	-	-	1,980	-	-	199,385
24	Income Taxes	171,332	-	-	-	-	-	-	-	-	-	91,525	-	262,857
25	Intentionally Left blank(Rounding)	-	-	-	-	-	-	-	-	-	-	-	-	-
27	**Total Operating Expenses**	$ 3,083,413	$ -	$ (6,646)	$ (2,424)	$ -	$ (5,023)	$ (3,948)	$ (210,061)	$ 11,687	$ 1,980	$ 91,525	$ -	$ 2,960,503
28	**Operating Income (Loss)**	$ 296,354	$ (1,125)	$ 6,646	$ 2,424	$ -	$ 5,023	$ 3,948	$ 210,061	$ (11,687)	$ (1,980)	$ (91,525)	$ -	$ 418,139

ADJ #	References:
1	Schedule BCA-12
2	Schedule BCA-13
3	Schedule BCA-14
4	Schedule BCA-15
5	Schedule BCA-16
6	Schedule BCA-17
7	Schedule BCA-18
8	Schedule BCA-19
9	Schedule BCA-20
10	Schedule BCA-21

OPERATING INCOME ADJUSTMENT #1 - REMOVAL OF SALES TAX FROM OTHER WATER REVENUES

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Other Water Revenue	$ 208,697	$ (1,125)	$ 207,572

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

Remove sales tax from other water revenues to treat it as a pass-through item.

OPERATING INCOME ADJUSTMENT #2 - RECLASSIFICATION OF MISC. EXPENSES TO PLANT ACCOUNT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	675	Miscellaneous Expense	$ 174,833	$ (6,646)	$ 168,187

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Testimony BCA

Reclassify $6,646 from miscellaneous expenses to
Distribution Reservoirs and Standpipes

OPERATING INCOME ADJUSTMENT #3 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT ACCOUNT

Line No.	Acct. #	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	
1	620	Repairs and Maintenance Expense	$ 169,792	$ (2,424)	$ 167,368	$ (2,424)

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #4 - RECLASSIFICATION OF MISC. EXPENSE TO PURCHASED POWER EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Miscellaneous Expense	$ 187,311	$ (7,455)	$ 179,856
2		Purchased Power	$ 253,894	7,455	$ 261,349
3		Total	$ 441,205	$ -	441,205

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

The Company erroneously posted purchased power expense to miscellaneous expense.

OPERATING INCOME ADJUSTMENT #5 - REMOVAL OF LATE TAX FILING PENALTY FROM MISC. EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Miscellaneous Expense	$ 179,856	$ (5,023)	$ 174,833

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

Remove late tax filing penalty from miscellaneous expense.

OPERATING INCOME ADJUSTMENT #6 - REMOVAL OF UNNECESSARY EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Office Supplies Expense	$ 75,119	$ (3,948)	$ 71,171

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #7 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] AMOUNT	[B] PROJECTED RATE	[C] DEPRECIATION EXPENSE
	Plant In Service				
1	301	Organization	$ -	0.00%	$ -
2	302	Franchises	131,452	0.00%	$ -
3	303	Land and Land Rights	7,954	0.00%	$ -
4	304	Structures & Improvements	538,179	3.33%	$ 17,921
5	305	Collecting & Impounding Reservoirs	-	2.50%	$ -
6	306	Lakes, Rivers, Other Intakes	-	2.50%	$ -
7	307	Wells and Springs	255,856	3.33%	$ 8,520
8	308	Infiltration Galleries and Tunnels	-	6.67%	$ -
9	309	Supply Mains	-	2.00%	$ -
10	310	Power Generation Equipment	-	5.00%	$ -
11	311	Electric Pumping Equipment	4,437,582	12.50%	$ 554,698
12	320	Water Treatment Equipment	51,404	3.33%	$ 1,712
13	330	Distribution Reservoirs & Standpipes	2,713,063	2.22%	$ 60,230
14	331	Transmission & Distribution Mains	1,649,545	2.00%	$ 32,991
15	333	Services	207,500	3.33%	$ 6,910
16	334	Meters & Meter Installation	2,290,426	8.33%	$ 190,792
17	335	Hydrants	45,343	2.00%	$ 907
18	336	Backflow Prevention Devices	-	6.67%	$ -
19	339	Other Plant & Misc. Equipment	-	6.67%	$ -
20	340	Office Furniture & Equipment	90,771	6.67%	$ 6,054
21	341	Transportation Equipment	121,240	20.00%	$ 24,248
22	342	Stores Equipment	-	4.00%	$ -
23	343	Tools, Ship & Garage Equipment	52,616	5.00%	$ 2,631
24	344	Laboratory Equipment	-	10.00%	$ -
25	345	Power Operated Equipment	29,569	5.00%	$ 1,478
26	346	Communication Equipment	224,500	10.00%	$ 22,450
27	347	Miscellaneous Equipment	-	10.00%	$ -
28	348	Other Tangible Plant	149,414	10.00%	$ 14,941
29					
30		Subtotal General	$ 12,996,414		$ 946,484
31		Less: Non- depreciable Account(s) (L2 + L3)	139,406		
32		*Depreciable Plant* (L29-L30)	$ 12,857,008		
33					
34		Contributions-in-Aid-of-Construction (CIAC)	$ 9,309,115		
35		Composite Depreciation/Amortization Rate	7.36%		
36		Less: Amortization of CIAC (L34 x L35)			$ 685,302
37		**Depreciation Expense - STAFF [Col. (C), L30 - L36]**			$ 261,182

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
38	Depreciation Expense	$ 471,243	$ (210,061)	$ 261,182

OPERATING INCOME ADJUSTMENT #8 - WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	$ 12,289	$ 11,687	$ 23,976

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: BCA Testimony

OPERATING INCOME ADJUSTMENT #9 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2006	$ 3,378,642	$ 3,378,642
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 6,757,284	$ 6,757,284
4	Staff Recommended Revenue	3,378,642	$ 3,218,705
5	Subtotal (Line 4 + Line 5)	$ 10,135,926	$ 9,975,989
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 3,378,642	$ 3,325,330
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 6,757,284	$ 6,650,659
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	9,321	9,321
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 6,747,963	$ 6,641,338
13	Assessment Ratio	23.00%	23.00%
14	Assessment Value (Line 12 * Line 13)	$ 1,552,031	$ 1,527,508
15	Composite Property Tax Rate - Obtained from ADOR	12.8467%	12.8467%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 199,385	
17	Company Proposed Property Tax	197,405	
18	Staff Test Year Adjustment (Line 16 - Line 17)	**$ 1,980**	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 196,234
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 199,385
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		**$ (3,150)**
22	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)		$ (3,150)
23	Increase (Decrease) in Revenue Requirement		$ (159,937)
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.96983%

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20
Line 23: Schedule BCA-1

OPERATING INCOME ADJUSTMENT #10- INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ 171,332	$ 91,525	$ 262,857

References:
Col [A]: Company Schedeule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Schedule BCA-2, Line 52

RATE DESIGN

Monthly Usage Charge

Residential, Commercial Irrigation and Construction	Present Rates	Company Proposed	Staff Recommended
Gallons in the minimum	1,000	-	-
5/8" x 3/4" Meter	$ 15.00	$ 11.70	$ 10.40
3/4" Meter	18.00	17.55	15.60
1" Meter	37.00	29.25	25.90
1.5" Meter	75.00	58.50	51.90
2" Meter	120.00	93.60	83.00
3" Meter	N/T	187.20	166.10
4" Meter	N/T	292.50	259.50
6" Meter	N/T	585.00	519.00
Irrigation 3/4"	18.00	17.55	15.60
Irrigation 1"	37.00	29.25	25.90
Irrigation 1.5"	75.00	58.50	51.90
Irrigation 2"	120.00	93.60	83.00
Construction 2"	120.00	93.60	-
Construction 3"	N/T	187.20	-

Commodity Charges

	Present		Company Proposed			Staff Recommended		
No Gallons included in any Minimum	1st Tier	2nd Tier	1st Tier	2nd Tier	3rd Tier	1st Tier	2nd Tier	3rd Tier
Excess of Minimum - per 1,000 Gallons	$ 1.78	$ 2.11	$ 1.20	$ 1.60	$ 2.05	$ 1.43	$ 2.15	$ 2.58
5/8" x 3/4" Meter	20,000	Infinite	4,000	10,000	Infinite	3,000	10,000	Infinite
3/4" Meter	20,000	Infinite	4,000	10,000	Infinite	3,000	10,000	Infinite
1" Meter	20,000	Infinite		25,000	Infinite		25,000	Infinite
1.5" Meter	20,000	Infinite		50,000	Infinite		50,000	Infinite
2" Meter	20,000	Infinite		80,000	Infinite		80,000	Infinite
3" Meter	N/T	N/T		160,000	Infinite		160,000	Infinite
4" Meter	N/T	N/T		250,000	Infinite		250,000	Infinite
6" Meter	N/T	N/T		500,000	Infinite		500,000	Infinite
Irrigation 3/4"	20,000	Infinite	4000	10,000	Infinite	3,000	10,000	Infinite
Irrigation 1"	20,000	Infinite		25,000	Infinite		25,000	Infinite
Irrigation 1.5"	20,000	Infinite		50,000	Infinite		50,000	Infinite
Irrigation 2"	20,000	Infinite		80,000	Infinite		80,000	Infinite
Construction 2"	20,000	Infinite			Infinite			Infinite
Construction 3"	N/T	N/T			Infinite			Infinite

Service Line and Meter Installation Charges

	Present Rates	Company Proposed			Staff Recommended		
	Total	Service Line	Meter Install.	Total	Service Line	Meter Install.	Total
5/8" x 3/4" Meter	285.00	385.00	135.00	520.00	415.00	105.00	520.00
3/4" Meter	320.00	385.00	215.00	600.00	415.00	205.00	620.00
1" Meter	360.00	435.00	255.00	690.00	465.00	265.00	730.00
1.5" Meter	545.00	470.00	465.00	935.00	520.00	475.00	995.00
2" Meter	915.00	N/T	N/T	N/T	N/T	N/T	N/T
2" Turbine Meter	N/T	630.00	965.00	1,595.00	800.00	995.00	1,795.00
2" Compound Meter	N/T	630.00	1,690.00	2,320.00	800.00	1,840.00	2,640.00
3" Meter	1,150.00						
3" Turbine Meter	N/T	805.00	1,470.00	2,275.00	1,015.00	1,620.00	2,635.00
3" Compound Meter	N/T	845.00	2,265.00	3,110.00	1,135.00	2,495.00	3,630.00
4" Meter	1,885.00						
4" Turbine Meter	N/T	1,170.00	2,350.00	3,520.00	1,430.00	2,570.00	4,000.00
4" Compound Meter	N/T	1,230.00	3,245.00	4,475.00	1,610.00	3,545.00	5,155.00
6" Meter	3,780.00						
6" Turbine Meter	N/T	1,730.00	4,545.00	6,275.00	2,150.00	4,925.00	7,075.00
6" Compound Meter	N/T	1,770.00	6,280.00	8,050.00	2,270.00	6,820.00	9,090.00
8" Meter and Larger	N/T	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Service Charges

	Present	Company Proposed	Staff Recommended
Establishment	15.00	15.00	15.00
Establishment (After Hours)	25.00	25.00	25.00
Reconnection (Delinquent)	15.00	15.00	15.00
Reconnection (Delinquent)- After Hours	N/A	15.00	15.00
Meter Test (If Correct)	25.00	25.00	25.00
Deposit - Residential Note 1	(1)	(1)	(1)
Deposit - Non - Residential Note 2	(2)	(2)	(2)
Deposit Interest - Note 3	(3)	(3)	(3)
Re-Establishment (Within 12 Months)- Note 4	(4)	(4)	(4)
Re-Establishment (After Hours)- Note 4	(4)	(4)	(4)
NSF Check	15.00	25.00	25.00
Deferred Payment, per Month	12%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	10.00	10.00
Late Charge per Month	N/T	1.50%	1.50%
Company Locks Damaged by Customer- Note 5	N/T	(5)	(5)
Mains Damaged by Customer- Note 5	N/T	(5)	(5)
Charge of Moving Customer Meters -			
Per Customer Request	N/T	Cost	Cost
After hours service charge	N/T	Refer to above charges	Cost

Note 1 Per Commission Rules (R14-2-403.B) Two times the average bill.
Note 2 Per Commission Rules (R14-2-403.B) Two and one-half times the average bill
Note 3 Per Commission Rules (R14-2-403.B)
Note 4 Months off system times the minimum (R14-2-403.D)
Note 5 Per Commission Rules (R14-2-407.B)

CAP Surcharge

Currently there is no authorized CAP surcharge. The Company proposes the following CAP surcharge in addition to all other commodity charges and will be adjusted annually to recover the acquisition and purchased water costs of the Company associated with the right to receive 147 acre feet of Central Arizona Project water each year for delivery to customers. The surcharge will include a 10 year amortization of the acquisition cost plus the projected annual fixed costs of the contract and the delivery costs. Surcharge will be computed annually based on gallons sold and trued-up at the end of each year with any over and under recovery of actual costs during the year included in the next years surcharge computation. Staff recommends denial of the CAP surcharge.

Off-Site Capacity Reservation Charge (Hook-up Fee)

	Present Rates	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	875.00	875.00	-
3/4" Meter	1,050.00	1,050.00	-
1" Meter	1,750.00	1,750.00	-
1½" Meter	3,500.00	3,500.00	-
2" Meter	5,600.00	5,600.00	-
3" Meter	10,500.00	10,500.00	-
4" Meter	17,500.00	17,500.00	-
6" Meter	35,000.00	35,000.00	-

NT = No Tariff

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - CURRENT RATES

LINE NO.	CUSTOMER CLASS	CURRENT					
		AVERAGE			MEDIAN		
		USAGE	DOLLARS		USAGE	DOLLARS	
1	Residential 5/8"	3,553	$	21.32	2,500	$	19.45
2	Residential 3/4"	8,333	$	32.83	6,500	$	29.57
3	Residential 1"	25,908	$	85.07	17,500	$	68.15
4	Residential 1.5"	47,726	$	169.10	34,500	$	141.20
5	Residential 2"	44,800	$	207.93	46,500	$	211.52
6	Residential 3"	NOT USED					
7	Residential 4"	NOT USED					
8	Residential 6"	NOT USED					
9	Residential 8"	NOT USED					
12	Commerical 5/8"	17,617	$	46.36	1,500	$	17.67
13	Commerical 3/4"	23,309	$	60.58	11,500	$	38.47
14	Commerical 1"	20,642	$	73.95	8,500	$	52.13
15	Commerical 1.5"	38,917	$	150.51	34,000	$	140.14
16	Commerical 2"	176,813	$	486.48	46,500	$	211.52
17	Commerical 3"	NOT USED					
18	Commerical 4"	NOT USED					
19	Commerical 6"	NOT USED					
20	Commerical 8"	NOT USED					
23	Irrigation 3/4"	10,282	$	36.30	6,500	$	29.57
24	Irrigation 1"	97,197	$	235.48	43,000	$	121.13
25	Irrigation 1.5"	139,711	$	363.19	76,000	$	228.76
26	Irrigation 2"	326,818	$	802.99	219,128	$	575.76
27	Construction 2"	341,750	$	834.49	1,500	$	122.67
28	Construction 3"	NOT USED					
29	Intentially Left Blank	NOT USED					
30	Intentially Left Blank	NOT USED					
31	Intentially Left Blank	NOT USED					

H20, Inc.
Docket No. W-02234A-07-0557
Test Year December 31, 2006

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - COMPANY PROPOSED

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	$ 15.61	$ (5.71)	-26.79%	$ 14.35	$ (5.11)	-26.25%
33	Residential 3/4"	$ 28.76	$ (4.07)	-12.40%	$ 25.82	$ (3.75)	-12.67%
34	Residential 1"	$ 70.27	$ (14.80)	-17.40%	$ 56.39	$ (11.77)	-17.26%
35	Residential 1.5"	$ 133.16	$ (35.94)	-21.25%	$ 111.97	$ (29.23)	-20.70%
36	Residential 2"	$ 162.41	$ (45.52)	-21.89%	$ 165.21	$ (46.30)	-21.89%
37	Residential 3"	NOT USED					
38	Residential 4"	NOT USED					
39	Residential 6"	NOT USED					
40	Residential 8"	NOT USED					
43	Commerical 5/8"	$ 41.38	$ (4.97)	-10.73%	$ 13.14	$ (4.53)	-25.62%
44	Commerical 3/4"	$ 58.75	$ (1.84)	-3.03%	$ 34.51	$ (3.96)	-10.30%
45	Commerical 1"	$ 61.42	$ (12.53)	-16.95%	$ 41.97	$ (10.16)	-19.50%
46	Commerical 1.5"	$ 119.05	$ (31.47)	-20.91%	$ 111.17	$ (28.97)	-20.67%
47	Commerical 2"	$ 417.52	$ (68.96)	-14.17%	$ 165.21	$ (46.30)	-21.89%
48	Commerical 3"	NOT USED					
49	Commerical 4"	NOT USED					
50	Commerical 6"	NOT USED					
51	Commerical 8"	NOT USED					
54	Irrigation 3/4"	$ 32.01	$ (4.29)	-11.82%	$ 25.82	$ (3.75)	-12.67%
55	Irrigation 1"	$ 216.55	$ (18.94)	-8.04%	$ 105.34	$ (15.79)	-13.04%
56	Irrigation 1.5"	$ 320.88	$ (42.31)	-11.65%	$ 190.15	$ (38.61)	-16.88%
57	Irrigation 2"	$ 614.32	$ (188.66)	-23.50%	$ 504.37	$ (71.39)	-12.40%
58	Construction 2"	$ 791.33	$ (43.16)	-5.17%	$ 93.80	$ (28.88)	-23.54%
59	Construction 3"	NOT USED					
60	Intentially Left Blank	NOT USED					
61	Intentially Left Blank						
62	Intentially Left Blank						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE - STAFF RECOMMENDED

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	$ 15.89	$ (5.44)	-25.49%	$ 13.98	$ (5.47)	-28.11%
64	Residential 3/4"	$ 31.37	$ (1.47)	-4.47%	$ 25.27	$ (4.30)	-14.53%
65	Residential 1"	$ 81.99	$ (3.07)	-3.61%	$ 63.53	$ (4.63)	-6.79%
66	Residential 1.5"	$ 155	$ (14.59)	-8.63%	$ 126.08	$ (15.12)	-10.71%
67	Residential 2"	$ 179	$ (28.61)	-13.76%	$ 182.98	$ (28.54)	-13.49%
68	Residential 3"	NOT USED					
69	Residential 4"	NOT USED					
70	Residential 6"	NOT USED					
71	Residential 8"	NOT USED					
74	Commerical 5/8"	$ 49.40	$ 3.04	6.56%	$ 12.55	$ (5.12)	-28.98%
75	Commerical 3/4"	$ 68.49	$ 7.91	13.05%	$ 39.25	$ 0.78	2.02%
76	Commerical 1"	$ 70.28	$ (3.67)	-4.97%	$ 44.18	$ (7.96)	-15.26%
77	Commerical 1.5"	$ 135.57	$ (14.94)	-9.93%	$ 125.00	$ (15.14)	-10.80%
78	Commerical 2"	$ 504.68	$ 18.20	3.74%	$ 182.98	$ (28.54)	-13.49%
79	Commerical 3"	NOT USED					
80	Commerical 4"	NOT USED					
81	Commerical 6"	NOT USED					
82	Commerical 8"	NOT USED					
85	Irrigation 3/4"	$ 35.56	$ (0.75)	-2.06%	$ 28.50	$ (1.07)	-3.62%
86	Irrigation 1"	$ 265.85	$ 30.36	12.89%	$ 126.07	$ 4.94	4.08%
87	Irrigation 1.5"	$ 390.76	$ 27.57	7.59%	$ 226.45	$ (2.31)	-1.01%
88	Irrigation 2"	$ 892.01	$ 89.03	11.09%	$ 613.48	$ 37.72	6.55%
89	Construction 2"	$ 881.72	$ 47.22	5.66%	$ 3.87	$ (118.80)	-96.85%
90	Construction 3"	NOT USED					
91	Intentially Left Blank						
92	Intentially Left Blank						
93	Intentially Left Blank						

EXHIBIT S-5 ADMITTED

ARIZONA CORPORATION COMMISSION
REGULATION R14-2-103

APPENDIX B
RATE BASE SCHEDULES

ARIZONA CORPORATION COMMISSION REGULATION R14-2-103 APPENDIX ILLUSTRATIVE SCHEDULE FORMAT	Schedule: B-1 Title: Summary of Original Cost and RCND Base Elements
Explanation: Schedule showing elements of adjusted original cost and RCND rate bases.	Required For: All Utilities [x] Special Reqmt. [ ] Class A [ ] Class B [ ] Class C [ ] Class D [ ]

	Original Cost Rate Base*		RCND Rate Base*
1. Gross Utility Plant in Service	$		
2. Less: Accumulated Depreciation			
3. Net Utility Plant in Service	$ (a)	$	(b)
Less:			
4. Customers' Advances for Construction	(c)		(c)
5. Contributions in Aid of Construction	(c)		(c)
Add:			
6. Allowance for Working Capital	(d)		(d)
7. Total Rate Base	$ (e)		$ (e)

* Including pro forma adjustments

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:			Recap Schedules:
(a) B-2	(d) B-5	(e)	A-1
(b) B-3			
(c) E-1			