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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 ARIZONA WATER COMPANY, 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-01445A-08-0440

DIRECT

TESTIMONY

OF

ALEXANDER IBHADE IGWE, CPA

EXECUTIVE CONSULTANT III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 12, 2009

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EXECUTIVE SUMMARY
SUNRISE WATER COMPANY
DOCKET NO. W-01445A-08-0440

Arizona Water Company (the "Company" or "AWC") is certificated by the Commission to provide water service throughout Arizona. The Company currently provides water service to approximately 83,000 residential, commercial and industrial customers. The Company's water systems are grouped into the Northern, Eastern, and Western Groups. The Northern Group is comprised of Lakeside, Overgaard, Sedona, Pinewood and Rimrock water systems; the Eastern Group has Superior, Bisbee, Sierra Vista, San Manuel, Oracle, Winkelman and Miami; and the Western Group has Casa Grande, Stanfield, White Tank, Ajo and Coolidge systems. The Company's last rate increases were approved in Decision No. 64282, dated December 28, 2001, for the Northern Group; Decision No. 66849 dated March 19, 2004, for the Eastern Group; and Decision No.68302, dated November 14, 2005 for the Western Group.

On August 22, 2008, Arizona Water Company ("Company" or "AWC") filed a rate application for each of its seventeen (17) water systems in Arizona. In aggregate, the Company seeks a total rate increase of $15,441,290 over its adjusted test year revenues of $43,362,605, for a total revenue requirement of $58,803,104. The Company's requested rate increase results in an operating income of $14,500,051 or 9.81 percent rate of return on its adjusted Original Cost Rate Base ("OCRB") of $147,744,646.

Also, the Company seeks Commission approval to implement a Purchased Power Adjuster Mechanism ("PPAM"), a Purchased Water Adjuster Mechanism ("PWAM"), and a Purchased Fuel Adjuster Mechanism ("PFAM") for all its water systems. The Company states that if the Commission does not grant its requested adjuster mechanisms, the Commission should authorize it to implement an Attrition Adjuster Mechanism ("AAM"), to reflect the impact of inflation on its cost of service. Further, the Company is requesting Commission authority to continue to implement its existing Central Arizona Project ("CAP") Hook-up Fee approved in Decision No. 68302, for Casa Grande, Coolidge and White Tank water systems.

Staff recommends a total rate increase of $9,615,409 over Staff adjusted test year revenue of $43,362,606, for a total revenue requirement of $52,978,015. Staff's recommended revenue requirement results in a total operating income of $11,717,260 or a rate of return of 8.10 percent on Staff's adjusted OCRB of $144,657,521. Staff's recommended revenue requirement is $5,815,287 less than the Company's requested rate relief.

Staff has reviewed the Company's requested adjuster mechanisms, and the related AAM. Staff finds that the Company did not provide any evidence showing its cost of service has been negatively impacted by an extraordinary event or significant volatility. In this proceeding, the Company offers the same reasons that were rejected by the Commission in its prior rate filings for the Western and Eastern Groups, in Decision Nos. 68302 and 66849, respectively. Accordingly, Staff recommends that the Commission deny the Company's requested adjuster mechanisms or attrition mechanism.

Staff agrees with the Company that it is appropriate to continue to implement its existing CAP Hook-up Fee for Casa Grande, Coolidge and White Tank water systems. Staff recommends that the Company's CAP Hook-up Fee tariff be reevaluated in its next general rate case for the Western Group or by December 31, 2012, whichever comes first.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Alexander Ibhade Igwe. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. What is your current employment position?

A. I am employed with the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") as an Executive Consultant III.

Q. Briefly describe your responsibilities as an Executive Consultant.

A. In my capacity as an Executive Consultant III, I perform complex financial analysis and make recommendations to the Commission on rate base, revenue requirement and rate design for water, wastewater, electric and gas rate proceedings. I also provide recommendations on financing, merger and acquisitions, sales of assets, issuance and extensions of Certificates of Convenience and Necessity as well as other ancillary matters.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in Accounting from the University of Benin, Nigeria and a Master of Information Systems Management degree from Keller Graduate School of Management of Devry University. I am a licensed Certified Public Accountant in the States of Arizona and Illinois. I have attended various training classes and courses regarding regulatory audits, ratemaking, and other utility related matters. In addition, in my over nine years working for the Utilities Division, I have prepared Staff Reports and pre-filed testimonies and presented oral testimonies in several proceedings before the Commission.

PURPOSE OF TESTIMONY

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

A. I am presenting Staff's analysis and recommendations regarding Arizona Water Company's ("AWC" or "Company") application for a determination of the current value of its utility plant and property, and for increases in its rates and charges based thereon. In addition, my testimony addresses the Company's proposed revenue requirement and its requested adjuster mechanisms or attrition adjustment in this proceeding.

Q. What is the basis of your recommendations?

A. I reviewed the Company's filing and conducted a regulatory audit of its financial statements and records to determine whether sufficient, relevant, and reliable evidence exists to support its requested rate increase. The regulatory audit entailed examination and testing of financial information, accounting records and other supporting documentation, as well as verifying that the accounting principles applied by the Company were in accordance with National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USoA").

Q. How is your testimony organized in this proceeding?

A. First, my testimony provides an overview of Staff's recommended revenue requirements for the Company's filed seventeen water systems, the consolidated systems, and each of its water systems. Second, my testimony discusses each of Staff's operating income adjustments in general, and for water systems specifically impacted by an adjustment. Finally, my testimony addresses issues raised in the Company's request for adjuster mechanisms or attrition adjustment for its operations.

BACKGROUND

Q. Please provide a brief description of the Company.

A. Arizona Water Company is certificated by the Commission to provide water service throughout Arizona. The Company currently provides water service to approximately 83,000 residential, commercial and industrial customers. The Company's water systems are grouped into the Northern, Eastern, and Western Groups. The Northern Group is comprised of Lakeside, Overgaard, Sedona, Pinewood and Rimrock water systems; the Eastern Group has Superior, Bisbee, Sierra Vista, San Manuel, Oracle, Winkelman and Miami; and the Western Group has Casa Grande, Stanfield, White Tank, Ajo and Coolidge systems. The Company's last rate increases were approved in Decision No. 64282, dated December 28, 2001, for the Northern Group; Decision No. 66849, dated March 19, 2004, for the Eastern Division; and Decision No.68302, dated November 14, 2005, for the Western Group.

Q. Please provide an overview of the Company's reasons for requesting rate relief in this proceeding.

A. The Company's witness, Mr. William M. Garfield, testifies at pages 5 and 6 of his direct testimony, that its application for a rate relief was necessitated by significant capital investments in plant additions as well as significant increases in operating and maintenance expenses, since its prior rate filings for the Northern, Eastern and Western Groups. The Company states that rising operating costs and significant capital investments have impaired AWC's ability to generate sufficient revenues from its current rates and charges, to cover cost of service and earn a reasonable rate of return on its invested capital. Further, the Company claims that since its last rate filings, it has experienced increased risk that would justify a higher rate of return on equity than previously approved by the Commission in those proceedings. Finally, the Company

states that although it was ordered by the Commission to file this rate application, as a condition for approving its Arsenic Cost Recovery Mechanisms ("ARCM"), its significant capital investment, increasing cost of service and inability to earn a reasonable rate of return on invested capital, would still have compelled AWC to make this rate filing.

Q. Is the Company seeking Commission approval of several adjuster mechanisms or an attrition adjuster in this proceeding?

A. Yes. In addition to normal rate relief, the Company seeks Commission approval for Purchased Power Adjuster Mechanisms ("PPAMs"), a Purchased Water Adjuster Mechanisms ("PWAMs") and a Purchased Fuel Adjuster Mechanisms ("PFAMs") (not all adjustors are requested for all water systems). Absent such approvals, the Company requests that the Commission grant an Attrition Adjuster Mechanism ("AAM") that reflects the prevailing Consumer Price Index ("CPI") in cost of service. The Company contends that these mechanisms are necessary for timely recovery of its cost of service. The Company's proposed adjuster mechanisms will be fully discussed in a subsequent section of my testimony.

CONSUMER SERVICE

Q. Please summarize the Company's consumer service history.

A. Staff's search of the Commission's database indicates that between 2006 and 2008, the Company had several customer service issues regarding complaints, new service and billing. Except for one complaint, all recorded issues have been resolved and closed.

Q. Has the Company published notice of its pending rate application?

A. Yes. On May 13, 2009, the Company docketed an "Affidavit of Publication" evidencing that the prescribed *Public Notice* for this filing has been published twice in several

newspapers of general circulation, within and around its affected water systems. A listing of the newspapers and a copy of each publication were attached to the filed Affidavit as Exhibit A. Also, a copy of the *Public Notice* was mailed directly to each customer of record, as a bill insert, in the first billing cycle of March 2009.

Q. Did Staff review a sample of the Company's bill format?

A. Yes. Staff's review indicates that the Company's bill format is compliant with Arizona Administrative Code ("A.A.C.") § R14-2-409.B.2.

Q. Is the Company in good standing with the Corporations Division of the Commission?

A. Yes. Staff has confirmed that the Company is in good standing with the Corporations Division of the Commission.

Q. Has the Company filed a Curtailment Tariff with the Commission?

A. Yes. Staff's research of the Company's record indicates that its curtailment tariff became effective on July 23, 2004.

Q. Has the Commission approved a Cross-connection/Backflow Tariff for the Company?

A. Yes. The Commission approved the Company's cross-connection/backflow tariff on November 26, 1991.

REVENUE REQUIREMENT

Q. Please summarize the Company's proposed revenue requirement.

A. The Company proposes total revenue requirement of $58,803,104, which is $15,441,290 or 35.61 percent over its reported adjusted test year revenues of $43,362,605. The

Company's proposal results in a total operating income of $14,500,051 or 9.81 percent rate of return on an OCRB or FVRB of $147,744,646.

Q. What is Staff recommending for revenue requirement?

A. Staff recommends total revenue requirement of $52,978,015, an increase of $9,615,409 over Staff's adjusted test year revenues of $43,362,606. Staff's recommended revenue requirement is $5,815,287 less than the Company's proposal. Staff's recommended total operating income is $11,717,260 resulting in an 8.10 percent rate of return on Staff's adjusted OCRB of $144,657,521.

Q. Please provide an overview of Staff's recommended requirement.

A. Staff's recommended revenue requirement is illustrated by Table A depicted below:

TABLE A		
ARIZONA WATER COMPANY - REVENUE REQUIREMENT		
WATER SYSTEM	**COMPANY PROPOSED**	**STAFF RECOMMENDED**
Lakeside	$ 2,891,688	$ 2,562,819
Overgaard	$ 1,617,561	$ 1,445,386
Sedona	$ 5,709,486	$ 4,923,229
Pinewood	$ 1,177,933	$ 1,098,364
Rimrock	$ 1,004,234	$ 909,861
NORTHERN GROUP	**$ 12,400,902**	**$ 10,939,659**
Superstition	$ 15,867,189	$ 14,391,933
Miami	$ 2,841,342	$ 2,587,585
Winkleman	$ 134,083	$ 121,212
San Manuel	$ 1,215,062	$ 1,149,774
Oracle	$ 1,195,423	$ 1,089,248
Sierra Vista	$ 1,416,833	$ 1,337,482
Bisbee	$ 2,193,573	$ 2,069,259
Eastern Group	**$ 24,863,505**	**$ 22,746,691**
Ajo	$ 569,909	$ 545,108
Casa Grande	$ 16,462,148	$ 14,686,118
Coolidge	$ 2,454,634	$ 2,317,791
Stanfield	$ 314,205	$ 303,978
White Tanks	$ 1,738,590	$ 1,438,668
Western Group	**$ 21,539,486**	**$ 19,291,663**
Total Company	**$ 58,803,893**	**$ 52,978,015**

Q. Has Staff recommended consolidated revenue requirement for some of AWC's water systems?

A. Yes. Consistent with the Company's request, Staff recommends consolidated revenue requirement for Lakeside and Overgaard; and Pinewood, Rimrock, and Sedona, in the Northern Group; Superstition (previously consolidated Apache Junction and Superior water systems) and Miami; as well as, Sierra Vista and Bisbee, in the Eastern Group; and Casa Grande, Coolidge and Stanfield, in the Western Group. Staff's analysis and

recommendations regarding the Company's proposed consolidations are fully discussed in Mr. Abinah's testimony.

Q. Please provide an overview of Staff's recommended revenue requirement for the consolidated water systems.

A. The Company's proposed revenue requirement and Staff's recommendation for each consolidated water system is depicted on Table B shown below.

TABLE B		
REVENUE REQUIREMENT FOR CONSOLIDATED WATER SYSTEMS		
WATER SYSTEM	**COMPANY PROPOSED**	**STAFF RECOMMENDED**
LAKESIDE & OVERGAARD		
Lakeside	$ 2,891,688	$ 2,562,819
Overgaard	$ 1,617,561	$ 1,445,386
Total	**$ 4,509,249**	**$ 4,008,205**
PINEWOOD, RIMROCK & SEDONA		
Pinewood	$ 1,177,933	$ 1,098,364
Rimrock	$ 1,004,234	$ 909,861
Sedona	$ 5,709,486	$ 4,923,229
Total	**$ 7,891,653**	**$ 6,931,454**
SUPERSTITION & MIAMI		
Superstition	$ 15,867,189	$ 14,391,933
Miami	$ 2,841,342	$ 2,587,585
Total	**$ 18,708,531**	**$ 16,979,518**
SIERRA VISTA & BISBEE		
Sierra Vista	$ 1,416,833	$ 1,337,482
Bisbee	$ 2,193,573	$ 2,069,259
Total	**$ 3,610,406**	**$ 3,406,741**
CASA GRANDE, COOLIDGE & STANFIELD		
Casa Grande	$ 16,462,148	$ 14,686,118
Coolidge	$ 2,454,634	$ 2,317,791
Stanfield	$ 314,205	$ 303,978
Total	**$ 19,230,987**	**$ 17,307,888**

SUMMARY OF ADJUSTMENTS

Q. Please summarize the adjustments addressed in this testimony.

A. Staff's analysis addresses the following operating income adjustments:

Source of Supply Expenses

For the White Tank water system ("White Tank") only, this adjustment reduces source of supply expenses to eliminate purchased water expense. This adjustment is not applicable to the other 16 water systems

Pumping Expenses

This adjustment increases pumping expenses to reflect additional pumping power cost for White Tank. This is a companion adjustment to Staff's recommendation to eliminate purchased water expense for White Tank.

Water Treatment Expenses

For White Tank only, this adjustment increases water treatment-operation labor expense for White Tank. This adjustment reflects additional cost of water treatment in lieu of purchased water.

Transmission and Distribution Expenses

For each of the 17 systems, this adjustment normalizes tank maintenance expense over a three year period. In addition, this adjustment normalizes transmission and distribution expenses for the Casa Grande water system ("Casa Grande") and Superstition water systems ("Superstition").

Depreciation Expenses

For each of the 17 systems, this adjustment reflects Staff's recalculation of depreciation expense based on Staff adjusted depreciable plant in service and the Company's proposed depreciation rates.

Income Tax Expense

For each of the 17 systems, this adjustment reflects Staff's recalculation of test year income tax expense.

Property Tax Expense

For each of the 17 systems, this adjustment reflects Staff's recalculation of test year property tax expense.

OPERATING INCOME

REVENUES

Q. Please state the Company's reported test year operating income.

A. The Company reports an adjusted test year operating income of $5,018,926.

Q. What is Staff's adjusted test year operating income?

A. As shown on Schedule AII-3 (Company), Staff recommends total adjusted test year operating income of $5,921,907, $902,981 over the Company's reported total operating income of $5,018,926. The difference between Staff's adjusted test year operating income and the Company's reported operating income is due to the following adjustments.

EXPENSES

Operating Income Adjustment No. 1 – Source of Supply Expenses

Q. What is the Company's adjusted test year source of supply expenses?

A. The Company reports a total of $2,139,819 for test year source of supply expenses. This expense is comprised of $1,945,849 for purchased water expense and $193,970 for other related expense. The Company's reported test year purchased water expense includes $150,245 incurred for White Tank.

Q. Did the Company provide any explanation for incurring purchased water expense for the White Tank during the test year?

A. No. The Company did not provide any explanation for purchasing water for White Tank during the test year. However, in its response to Staff's Data Request AII-11.8(a), the Company states as follow:

> *"Although the Company did not purchase water from Arizona-American Water Company in 2008, the Company maintains an existing emergency connection with Arizona-American for the purpose of providing water for each other on an emergency basis under the terms and condition of an agreement dated December 8th, 1999."*

Further, in its response to Staff Data Request AII-11.8(c), the Company argues that if it cannot recover the test year cost of purchased water for White Tank, it should be allowed to recover additional cost of pumping and treating the same quantity of water from its own wells.

Q. Why did the Company purchase water for White Tank during the test year?

A. Staff found that the Company purchased water for White Tank due to high levels of arsenic contamination at some of its wells.

Q. Has the Company constructed arsenic remediation facilities for White Tank?

A. Yes. The Company has constructed the Monta Vista Arsenic Treatment facility ("Monta Vista") to remediate arsenic contamination in the White Tank's certificated area. As shown on the Company's Schedule B-2, page 15 of 24, rate base adjustment JMR-1, the Company proposes to include $1,926,242 of certain post test year plant in rate base. The Company's proposal includes $1,274,012 for Monta Vista.

Q. Has Staff accepted the Company's proposal to include the costs of Monta Vista in White Tank's rate base?

A. Yes.

Q. Has Staff accepted the Company's proposal to increase pumping power expense and water treatment expense in lieu of test year purchased water expense?

A. Yes. Consistent with the Company's request, Staff's operating income adjustment Nos. 2 and 3 reflect Staff's recognition of additional pumping expense and water treatment expense for White Tank.

Q. Based on the above analysis, is it necessary to allow White Tank's recovery of purchased water expense as a recurring cost of service?

A. No. It is no longer necessary for White Tank to continue to purchase water from Arizona-American Water Company in its normal course of business. This conclusion is based on the fact that the Company has installed arsenic treatment facilities for White Tank, and Staff has recognized the related cost in rate base. As a result, White Tank has the ability to produce and treat its distributed water to safe drinking water standards.

Q. What is Staff's recommendation regarding White Tank's purchased water expense?

A. As shown on Schedule AII-3 (White Tank), Staff recommends denial of $150,245 of purchased water expense for White Tank.

Q. Please summarize your recommendation for test year purchased water expense.

A. In aggregate, Staff recommends $1,795,604 of purchased water expense for the Company. As shown on Schedule AII-3 (Company), Staff's recommendation is $150,245 less than the Company's proposal of $1,945,849.

Operating Income Adjustment No. 2 – Pumping Expenses

Q. What is the purpose of this adjustment?

A. Staff's operating income adjustment No. 2 is a companion adjustment to Staff's recommendation to eliminate purchased water expense from White Tank's cost of service. This allows the Company to recover an estimated pumping power cost of an equivalent quantity of test year purchased water for White Tank. This adjustment is consistent with the Company's proposal in its response to Staff's Data Request AII-11.8(c). The Company claims that if its test year purchased water expense is disallowed for White Tank, as a non-recurring expense, AWC will be compelled to pump an equivalent quantity from its wells.

Q. How did the Company derive its proposed additional pumping expense for White Tank?

A. The Company's proposed cost was derived based on average pumping power cost per million gallons multiplied by quantity of water purchased during the test year. This calculation results in an increase of $15,250 in White Tank's pumping power cost.

Q. Has Staff accepted the Company's proposal to increase White Tank's pumping cost?

A. Yes. Staff accepts the Company's proposal to increase White Tank's pumping power cost by $15,250.

Q. Please summarize Staff's recommendation for test year pumping power expense.

A. As shown on Schedule AII-3 (Company), Staff recommends a total of $4,636,922 pumping power expense for the Company. Staff's recommendation reflects an increase of $15,250 over the Company's adjusted test year expense of $4,621,672. As shown on Schedule AII-6 (White Tank), Staff recommends $120,831 for pumping power expense, $15,250 over AWC's reported test year cost of $105,581.

Operating Income Adjustment No. 3 – Water Treatment Expenses

Q. Please state the Company's adjusted test year water treatment expenses.

A. The Company proposes a total of $1,779,451 for water treatment expenses.

Q. Is Staff recommending any adjustment to the Company's proposed water treatment expenses?

A. Yes. As previously discussed under summary of operating income adjustment, Staff is recommending an increase for White Tank, in lieu of purchased water.

Q. What is Staff recommending for water treatment expenses?

A. As shown on Schedule AII-3 (Company), Staff recommends total water treatment expenses of $1,786,313 for the Company. Staff's recommendation is $6,862 more than the Company's proposal. As shown on Schedule AII-7 (White Tank), Staff recommends $41,836 of water treatment for White Tank.

Operating Income Adjustment No. 4 – Transmission and Distribution Expenses

Q. Please state the Company's proposal for transmission and distribution expenses.

A. The Company proposes a total of $6,105,141 for transmission and distribution expenses. This account is composed of several sub-accounts, including accounts 672 for tank maintenance; and transmission and distribution accounts 663 and 673, for meters and mains, respectively.

Q. Did the Company propose a pro forma adjustment to its recorded test year tank maintenance expense?

A. Yes. The Company in operating income adjustment JMR-13, proposes to increase actual test year tank maintenance expense from $426,082 to $630,229, an increase of $204,147. The Company claims that its proposed increase reflects the projected cost of tank maintenance program, on a going forward basis. Also, the Company argues that its proposal is necessary to reflect increases in cost of tank maintenance since the last rate cases for the Eastern, Western and Northern Groups.

Q. What is the basis for the Company's projected tank maintenance cost?

A. The Company's projected tank maintenance cost was derived based on a single vendor's (Certified Coating Inspections Inc) estimate of cost per square footage, for internal and external tank maintenance. This estimate is generic, and does not represent a specific quote for any water system or the entire Company.

Q. How did the Company calculate its proposed cost of maintenance?

A. The Company, in its response to Staff's data request GTM-8.8, provided a worksheet showing its calculation of projected tank maintenance cost. Based on the total square footage of its tanks, the Company applied the unit costs provided by its vendor to derive

estimated total cost of tank maintenance for each water system, without the impact of inflation. Second, the Company multiplied the pure cost derived in the first step with an inflation factor for each year, ranging from 2.67 percent in 2008, to as high as 48.61 percent in 2022. The result of this calculation was aggregated for each system and averaged over a 15 year period, to derive the Company's proposed tank maintenance expense in this proceeding.

Q. Please comment on the Company's method for calculating its proposed tank maintenance expense.

A. The methodology employed by the Company in estimating its projected tank maintenance expense is flawed. Staff does not find that a unit cost obtained from a single vendor is competitive or representative of market rate for tank maintenance. Therefore, it should not constitute a reliable basis for deriving the Company's cost of tank maintenance. Second, the Company deliberately overstated its proposed tank maintenance expense by an inflation factor as high as 48.41 percent. The Company's assumption of rising rate of inflation is not tenable in today's economy labeled by most economists as a recession. Based on the facts available in today's economy, it is presumptive to assume any inflationary trend over the next 15 years. Finally, the Company did not reflect time value of money in its projected cost estimates. Based on these factors, the Company's methodology does not present a basis for determining an appropriate cost of tank maintenance in this proceeding.

Q. Does Staff usually recommend approval of a cost that is not known and measurable in cost of service?

A. No. The Company's projected tank maintenance expense is not based on known and measurable cost.

Q. What does Staff find to be a better measure of the Company's tank maintenance expense?

A. Staff reviewed the Company's incurred cost of tank maintenance from 2005 through 2007. Staff observed that in most instances, the Company accrued more money than incurred for tank maintenance during the referenced period. For example, the Company accrued a total of $466,060 for tank maintenance during the test year, but expended $426,082. Also, Staff found that the Company did not incur tank maintenance expense for all water systems each year. Based on these findings, Staff has recalculated the Company's tank maintenance expense based on a three year historic average of actual cost, incurred between 2005 and 2007. Staff's calculation results in an average tank maintenance expense of $448,090, $182,139 less than the Company's proposal.

Q. Please explain why Staff's recommended normalized cost of tank maintenance is more appropriate than the Company's projection cost.

A. First, it is based on the Company's most recently incurred cost of tank maintenance. Second it compares favorably to the Company's accrued cost of $466,060 and actual cost of $426,082. Finally, Staff's calculation avoids inherent risk in the Company's assumptions regarding unit cost of tank maintenance and projected rates of inflation.

Q. Please summarize Staff's recommendation for tank maintenance expense.

A. Staff recommends a total of $448,090 for tank maintenance expense. Staff's recommended tank maintenance expense for each water system is shown on Schedule AII-8 for each water system.

Q. Is Staff proposing other adjustments to transmission and distribution expenses?

A. Yes. Staff has made adjustments to transmission and distribution maintenance subaccounts 663 and 673, for meters and mains, respectively. Staff's adjustments are specific to Casa Grande and Superstition.

Q. Please explain the rationale for Staff's recommended adjustments to subaccounts 663 and 673.

A. Staff observed, in the course of its audit, that Casa Grande and Superstition recorded higher than normal transmission and distribution test year costs, in accounts 663 and 673. From 2006 to 2007, Superstition doubled its costs for account 673, from $130,608 to $259,368; while Casa Grande, increased its cost from $238,946 to $402,011. For account 663, Casa Grande recorded an increase of $110,738, from $452,164 to $562,900 during the test year. Through audit inquiries, Staff found that Casa Grande had a major repair during the test year. Based on these findings, Staff can only conclude that the Company's recorded test year costs are not representative of normal cost of repairs and maintenance for transmission and distribution facilities. In other words, absent another unusual or extraordinary damage to these facilities, it is unlikely that the Company will incur test year similar cost levels for the maintenance of Casa Grande and Superstition's transmission and distribution facilities. Therefore, Staff finds that it is appropriate to normalize the reported test year costs for Casa Grande and Superstition's subaccounts 663 and 673 over a three year period, from 2005 through 2007.

Q. Did Staff observe any fluctuation in the maintenance costs of transmission and distribution facilities for the other water systems?

A. Yes. Staff observed normal movement in transmission and distribution maintenance costs for other water systems and/or within other subaccounts. These observed shifts in costs do

not represent a significant spike, as identified for subaccounts 663 and 673. It is therefore, not necessary to normalize those accounts.

Q. What is Staff recommending for transmission and distribution expenses, subaccounts 663 and 673?

A. Staff recommends normalizing transmission and distribution expenses for subaccounts 663 and 673. For Casa Grande, Staff recommends $452,425 and $285,720 for accounts 663 and 673, respectively, a total of $738,144. For Casa Grande, Staff's recommendation is $226,766 less than the Company's proposal of $964,910. For Superstition, Staff recommends $239,397 for subaccount 663 and $161,596 for subaccount 673, a total of $400,993. Staff's recommendation for Superstition is $111,412 less than the Company's proposal of $512,405, for subaccount 673.

Q. Please summarize Staff's recommendation regarding operating income adjustment No. 4.

A. Staff's operating income adjustment No. 4 is depicted on Schedule AII-8. In general, it reflects Staff's recommendation to normalize tank maintenance expense for all systems. In addition, it reflects Staff's recommendation to normalize transmission and distribution expense -subaccounts 663 and 673, for Casa Grande and Superstition.

Operating Income Adjustment No. 5 – General and Administrative Expenses

Q. Did the Company propose a conservation adjustment for the Northern Group?

A. Yes. The Company in income statement adjustment JMR-7 proposes to increase administrative and general expense for the Northern Group by $308,701, to recover anticipated decline in revenues due to implementing its proposed "...conservation oriented, three-tiered inverted block rate design, in this proceeding." Reiker page 18, line

15. In other words, the Company claims that, because it has proposed a three tiered inverted block rate design in this proceeding, it anticipates that customers will conserve water, thus resulting in loss of revenues for the Northern Group.

Q. Did the Company provide any explanation for its proposed conservation adjustment?

A. Yes. The Company claims that subsequent to implementing an inverted tier rate design for the Western Group, per Decision No. 68302, it observed a decline in the average monthly consumption of its residential customers. Based on this observation, the Company has allegedly conducted a multiple regression analysis, controlled for temperature and precipitation, to determine if the decline in consumption resulted from implementing an inverted tier rate design for the Western Division. The Company states that its analysis, presented in Exhibit JMR-4, proves "...that residential consumption does in fact decrease when tier rates are in effect." Reiker at page 19, lines 22-24. As a result of this hypothesis, the Company has forecasted an 8.7 percent decline in residential customers' average consumption if the Commission approves its proposed tiered rates for the Northern Group. The Company projects the anticipated decline in consumption will result in a revenue loss of $308,701 for the Northern Group. However, on page 20 of Mr. Reiker's testimony, it appears that the Company admits that it did not consider all variables that could have impacted consumption patterns, such as "...the responsiveness in the quantity demanded to a change in price."

Q. Please comment on the Company's proposal regarding the effect of implementing inverted rates on residential consumption.

A. As the Company rightly states, its statistical analysis did not explore all possible variables that may have affected an average residential customer's water consumption when it

implemented an inverted rate structure for the Western Group. For example, the Company did not perform a study of price elasticity or the impact of socio-economic factors on consumption within the Western Group. There are several variables that could have contributed to what the Company alleges resulted solely from implementing an inverted rate structure for the Western Group. Worse still, the Company's analysis is based on records that may not be representative of the test year or the time when new rates will be implemented for the Northern Group. Also, AWC's analysis did not incorporate any savings, such as water treatment and pumping costs, associated with pumping and distributing less quantity of water. Based on the observations, Staff finds that the Company's analysis is not conclusive proof that tiered rates led to loss of revenues for the water utility.

Q. Is AWC the only utility implementing Commission approved inverted tier rate structure in Arizona?

A. No. The Commission has, over the years, implemented inverted tier rate structures for many water utilities in Arizona.

Q. Does the Commission grant conservation adjustments to water utilities for implementing an inverted tiered rate structure?

A. No. Staff is not aware of any instance where the Commission has granted a conservation adjustment to a water company for implementing tiered rates.

Q. What is Staff's recommendation regarding the Company's request for a conservation adjustment for the Northern Group?

A. Staff recommends denial of the Company's proposal to increase cost of service by $308,701. The Company's hypothesis is at best speculative and does not prove that

inverted tiered rate structure results in loss of revenues. As shown Schedule AII-3 (Company), Staff recommends denial of the Company's proposal to increase general and administrative expenses by $308,701 for the Northern Group. This adjustment is shown on Schedule AII-9 for each of the Northern Group's water system.

Operating Income Adjustment No. 6 - Depreciation and Amortization Expense

Q. What is the Company's proposed depreciation and amortization expense?

A. The Company proposes a total of $8,047,578 for depreciation and amortization expense.

Q. Did the Company propose new deprecation rates in this filing?

A. Yes. The Company claims that its proposed depreciation rates are consistant with rates approved by the Commission for the Eastern and Western Groups. The Company's proposal is for the Phoenix Office, Meter Shop, and the Northern Group.

Q. Did Staff review the Company's proposed depreciation rates?

A. Yes. Staff finds that the Company's proposed depreciation rates for the Northern Group, Phoenix Office and Meter Shop are consistent with recent Commission approved rates for its other Groups.

Q. Did Staff re-calculate depreciation and amortization expense based on the Company's proposed new depreciation rates?

A. Yes. Staff recalculated depreciation expense by multiplying Staff's adjusted depreciable plant in service by the Company's proposed depreciation rate for each plant class. Staff's recalculation results in a total depreciation and amortization expense of $7,576,861 for the Company. As shown on Schedule AII-3 (Company), Staff recommends a total

depreciation and amortization expense of $7,659,326. Staff's recalculated depreciation and amortization expense is depicted on Schedule AII-10 for each system.

Q. What is Staff's recommendation for depreciation and amortization expense?

A. Staff recommends a total of $7,659,326 for depreciation and amortization expense. Staff's recommendation is $388,252 less than the Company's proposal.

Operating Income Adjustment No. 7 – Income Taxes

Q. What is the Company proposing for federal income tax rate in this proceeding?

A. The Company proposes a federal income tax rate of 34 percent for all its water systems. The Company utilized the same federal income tax rate for calculating federal income tax expense for all classes of water system.

Q. Does Staff agree with the Company that its corporate federal income tax rate be used in this proceeding?

A. Yes. Staff recognizes that the Company pays income tax expense as a corporate entity. Accordingly, it is appropriate to adopt its corporate federal income tax rate for calculating income tax expense for each system.

Q. Please explain the difference between the Company's proposed and Staff recommended income tax expense in this proceeding.

A. Staff's recommended test year income tax expense is different than the Company's proposal, due to the effect of Staff's recommended operating income adjustments, and application of different synchronized interest amounts in the calculation of income taxes. For each system, Staff's calculation of income tax expense is shown on Schedules AII-2

and AII-11. Staff's total recommended income tax expense is shown on Schedule AII-3 (Company).

Operating Income Adjustment No 8 - Property Tax Expense

Q. Did the Company adopt the Arizona Department of Revenue's ("ADOR") Centrally Valued Properties methodology for calculating its reported property tax expenses?

A. Yes. The Company's proposed property taxes are based on an adaptation of ADOR Centrally Valued Properties methodology.

Q. Does the ADOR centrally valued methodology provide an acceptable basis for determination of property taxes in Arizona?

A. Yes. Staff accepts the Company's use of an adaptation of ADOR's Centrally Valued Properties methodology. However, the Company has adopted an assessment ratio of 23.00 percent for calculating property taxes. The Company's proposal does not incorporate ADOR's current practice of employing declining assessment ratio for calculating a utility company's assessment value. Staff finds that an assessment ratio of 22.50 percent, more appropriately reflects a normalized ratio for a three year period. This is the period in which the revenue requirement approved in this proceeding will be in effect. As shown on Schedule AII-12, Staff has adopted an assessment ratio of 22.50 percent for calculating the Company's property tax expense.

Q. What is Staff recommending for test year property taxes?

A. As shown on Schedule AII-3 (Company), Staff recommends a total test year property tax expense of $2,343,559 for the Company. Staff's recommendation is $335,267 less than the Company's reported test year expense of $2,678,826.

ADJUSTER MECHANISMS/ATTRITION ADJUSTMENT

Q. What adjuster mechanisms is the Company seeking in this proceeding?

A. The Company proposes retention of the PPAM for its Northern Group; and reinstatement of a PPAM for its Eastern and Western Groups. In addition, the Company proposes institution of a PFAM for all its water systems; and a PWAM for White Tank, Ajo, San Manuel, and Superstition. The Company states that if the Commission does not approve its requested PPAM, PFAM and PWAM, the Commission should grant it an AAM to mitigate rising cost of service.

Q. Did the Commission reject the Company's recent requests for a PPAM and a PWAM for the Eastern and Western Groups?

A. Yes. The Commission in Decision No. 66849 denied the Company's request for a PPAM and PWAM for the Eastern Group. In Decision No 68302, the Commission rejected a similar request for the Western Group.

Q. Why the did Commission deny the Company's request for continuance of a PPAM and PWAM for the Eastern and Western Groups?

A. As stated by Mr. Garfield, on page 15 of his direct testimony, the Commission rejected the Company's requested adjuster mechanisms for several reasons. The Commission found that: (a) purchased power and purchased water do not result in a significant impact on the cost of service for water utility companies, as they do not represent the largest costs; (b) cost of purchased power and purchased water are not volatile, (c) adjuster mechanisms do not provide utilities the incentive to seek cost reducing alternatives or practices, (d) adjuster mechanisms do not provide sufficient safeguards to limit volatility to ratepayers, (e) adjuster mechanisms could result in piecemeal ratemaking without consideration of all other components of a full rate proceeding, and (f) adjuster mechanisms are burdensome

and not administratively efficient, and the related cost of administration could exceed potential benefits.

Q. What was the Commission's conclusion regarding the Company's request for adjuster mechanisms for the Western Group?

A. The Commission in Decision No. 68302, page 45 - 46, stated as follows:

> *"There is a danger of piecemeal regulation inherent in adjustment mechanisms. Because they allow automatic increases in rates without a simultaneous review of the utility's unrelated costs, adjustment mechanisms have a built-in potential of allowing a utility to increase rates based on certain isolated costs when its other costs are declining, or when overall revenues are increasing faster than costs due to customer growth. Adjustment mechanisms should therefore be used only in extraordinary circumstances to mitigate the effect of uncontrollable price volatility or uncertainty in the market place."*

Also, the Commission found in Decision No. 68302, page 52, finding of facts No. 43, that:

> *"Based on the evidence presented, circumstances do not exist in this case to justify the risks of piecemeal regulation inherent in other adjuster mechanisms, and Arizona Water's Western Group purchased power and purchased water adjuster mechanisms should be discontinued."*

Q. Has the Company provided any justification to deviate from the Commission's findings in its most recent rate cases?

A. No. Again, the Company argues the same factors widely rejected in its most recent cases. It has failed to demonstrate any extraordinary cause, including volatility and magnitude of cost of purchased water, purchased power or fuel, in justifying its requested adjuster mechanisms or attrition mechanism.

Q. Has the Commission approved an adjuster mechanism for a water utility company in recent proceedings?

A. No. As exemplified by the Company's prior filings for the Eastern and Western Groups, the Commission has not approved any PWAM, PPAM or PFAM for a water utility company in recent proceedings. Further Staff is not aware of any other water utility currently implementing a PWAM, PPAM or PFAM in Arizona.

Q. Did Staff witness, Mr. David C. Parcell, examine the Company's assertions regarding potential financial consequences of rejecting its proposed adjuster mechanisms or an attrition mechanism?

A. Yes. Mr. Parcell concluded at pages 31 and 32 of his direct testimony, that Commission approval of the Company's proposed AAM is not necessary for AWC to attract capital on reasonable terms. Further, Mr. Parcell correctly observes that "...this Commission has recently declined to continue the approval of certain automatic adjuster mechanisms for several AWC operating divisions in recent cases."

Q. What is Staff recommending regarding the Company's proposed adjuster mechanisms or an attrition mechanism?

A. Staff recommends rejecting the Company's proposed PPAM, PWAM and PFAM for the Eastern, Western and Northern Groups. Further, Staff recommends denial of the Company's proposed AAM.

CAP HOOK-UP FEES

Q. Is the Company requesting continuance of its Central Arizona Project ("CAP") Hook-up Fee tariff in this proceeding?

A. Yes. The Company is seeking retention of its current CAP Hook-up Fee tariff, approved in Decision No. 68302, for Casa Grande, Coolidge and White Tank.

Q. Did the Company provide any reason why its CAP Hook-up Fee should be retained?

A. Yes. Mr. Reiker at page 5, line 27 of his direct testimony, states that the current "...slow down in the housing market, uncertainty related to customer growth projections utilized in the development of the current fees, and the fact that the fees have only been in place since December 2005, lead the Company to believe that a more meaningful evaluation of the CAP Hook-up Fees can be undertaken in the Company's next general rate case for the Western Group."

Q. Did the Commission order a review of the Company's CAP Hook-up Fee tariff in this proceeding?

A. Yes. The Commission in Decision No. 68302, page 54, adopted Staff's recommendations, including a reevaluation of whether the CAP Hook-up Fee should be continued, eliminated or modified in this proceeding.

Q. Has Staff evaluated the Company's request to retain its current CAP Hook-up Fee tariff for the Casa Grande, Coolidge and White Tank systems?

A. Yes. Staff has evaluated the Company's argument for continuation of its CAP Hook-up Fee, and the supporting data. Staff observed that while the Company may have over-collected in Casa Grande and Coolidge during the test year, the decline in real estate construction could result in under-collection in the immediate future. Staff notes that

although the CAP Municipal & Industrial capital charge has been declining over the years, the CAP capital cost has not been fully paid. Based on these factors, Staff believes that it is necessary to retain the Company's CAP Hook-up Fee in this proceeding.

Q. What is Staff's recommendation regarding the Company's CAP Hook-up Fee tariff?

A. Staff recommends that the Commission authorize the Company to continue its existing CAP Hook-up Fee tariff for Casa Grande, Coolidge and White Tank. Further, Staff recommends that the Company's CAP Hook-up Fee tariff be reevaluated in its next general rate case for the Western Group or by December 31, 2012, whichever comes first.

Q. Does this conclude your testimony?

A. Yes.

ARIZONA WATER COMPANY

NORTHERN, EASTERN
AND WESTERN GROUPS

Arizona Water Company - Full Consolidation of Filed (17) Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Company

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 147,744,646	$ 147,744,646	$ 147,744,646	$ 144,657,521	$ 144,657,521	$ 144,657,521
2	Adjusted Operating Income (Loss)	$ 5,018,926	$ 5,018,927	$ 5,018,927	$ 5,921,907	$ 5,921,907	$ 5,921,907
3	Current Rate of Return (L2 / L1)	3.40%	3.40%	3.40%	4.09%	4.09%	4.09%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 14,500,051	$ 14,493,750	$ 14,493,750	$ 11,717,260	$ 11,717,260	$ 11,717,260
6	Operating Income Deficiency (L5 - L2)	$ 9,481,125	$ 9,474,823	$ 9,474,823	$ 5,795,353	$ 5,795,353	$ 5,795,353
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6592	1.6592	1.6592
8	Required Revenue Increase (L7 * L6)	$ 15,441,290	$ 15,430,697	$ 15,430,697	$ 9,615,409	$ 9,615,409	$ 9,615,409
9	Adjusted Test Year Revenue	$ 43,362,605	$ 43,362,605	$ 43,362,605	$ 43,362,606	$ 43,362,606	$ 43,362,606
10	Proposed Annual Revenue (L8 + L9)	$ 58,803,104	$ 58,793,302	$ 58,793,302	$ 52,978,015	$ 52,978,015	$ 52,978,015
11	Required Increase in Revenue (%)	35.61%	35.61%	35.61%	22.17%	22.17%	22.17%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1 & AII-3
Column (E): Staff Schedule BKB-1, DCP-1 & AII-3
Column (F): Staff Schedules BKB-1, DCP-1 & AII-3

Arizona Water Company - Full Consolidation of Filed (17) Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-3
Company

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 41,811,305	$ -	41,811,306	$ 9,615,409	51,426,715
3	Miscellaneous	1,551,299	-	1,551,300	-	1,551,300
4	**Total Operating Revenues**	$ 43,362,605	-	$ 43,362,606	$ 9,615,409	$ 52,978,015
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 1,945,849	$ (150,245)	1,795,604	$ -	$ 1,795,604
9	Other	193,970	(1)	193,969	-	193,969
10	Pumping Expenses					
11	Purchased Power	4,621,672	15,250	4,636,922	-	4,636,922
12	Purchased Gas	5,326	-	5,326	-	5,326
13	Other	1,559,075	-	1,559,076	-	1,559,076
14	Water Treatment Expenses	1,779,451	6,862	1,786,313	-	1,786,313
15	Transmission and Distribution Expenses	6,105,141	(518,014)	5,587,127	-	5,587,127
16	Customer Accounting Expenses	3,990,242	-	3,990,240	-	3,990,240
17	Sales Expense	21,318	-	21,318	-	21,318
18	Administrative and General Expenses	6,989,478	(308,701)	6,680,777	-	6,680,777
19	**Total Operation and Maintenance Expense**	$ 27,211,522	(954,849)	$ 26,256,671	-	$ 26,256,671
20						
21	Depreciation and Amortization Expenses	8,047,578	(388,252)	7,659,326	-	7,659,326
22						
23	Taxes					
24	Federal Income Taxes	(237,376)	635,411	398,035	2,985,484	3,383,519
25	State Income Taxes	(52,292)	139,976	87,684	657,676	745,359
26	Property Taxes	2,678,826	(335,267)	2,343,559	176,896	2,520,455
27	Other	695,420	-	695,423	-	695,423
28	Total Taxes	$ 3,084,578	$ 440,120	$ 3,524,701	$ 3,820,056	$ 7,344,757
29	**Total Operating Expenses**	$ 38,343,678	$ (902,981)	$ 37,440,699	$ 3,820,056	$ 41,260,754
30	**Operating Income (Loss)**	$ 5,018,927	$ 902,981	$ 5,921,907	$ 5,795,354	$ 11,717,260

References:
Column [A]: Company Schedule C-1 Pg. 1 of 11
Column [B]: Schedule AII-4, page 1 of 23
Column [C]: Column [A] + Column [B], Testimony of AII
Column [D]: Schedules AII-1 and AII-2 (Page 1 of 23)
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

NORTHERN GROUP

Arizona Water Company - Consolidated Systems for Northern Group
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Northern Group

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 32,747,173	$ 32,747,173	$ 32,747,173	$ 31,506,449	$ 31,506,449	$ 31,506,449
2	Adjusted Operating Income (Loss)	$ 1,341,742	$ 1,341,742	$ 1,341,742	$ 1,586,885	$ 1,586,885	$ 1,586,885
3	Current Rate of Return (L2 / L1)	4.10%	4.10%	4.10%	5.04%	5.04%	5.04%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 3,212,498	$ 3,212,498	$ 3,212,498	$ 2,552,022	$ 2,552,022	$ 2,552,022
6	Operating Income Deficiency (L5 - L2)	$ 1,870,755	$ 1,870,755	$ 1,870,755	$ 965,137	$ 965,137	$ 965,137
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6452	1.6452	1.6452
8	Required Revenue Increase (L7 * L6)	$ 3,046,712	$ 3,046,712	$ 3,046,712	$ 1,587,805	$ 1,587,805	$ 1,587,805
9	Adjusted Test Year Revenue	$ 9,351,854	$ 9,351,854	$ 9,351,854	$ 9,351,854	$ 9,351,854	$ 9,351,854
10	Proposed Annual Revenue (L8 + L9)	$ 12,398,566	$ 12,398,566	$ 12,398,566	$ 10,939,659	$ 10,939,659	$ 10,939,659
11	Required Increase in Revenue (%)	32.58%	32.58%	32.58%	16.98%	16.98%	16.98%
12	Rate of Return on Common Equity (%)	12.40%	12.40%	12.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consolidated Systems for Northern Group
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-3
Northern Group

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$ 9,257,965	$ -	9,257,965	$ 1,587,805	10,845,770
3	Miscellaneous	93,889	-	93,889	-	93,889
4	**Total Operating Revenues**	$ 9,351,854	$ -	$ 9,351,854	$ 1,587,805	$ 10,939,659
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	1,291	-	1,291	-	1,291
9	Other	21,473	-	21,473	-	21,473
10	Pumping Expenses					
11	Purchased Power	900,192	-	900,192	-	900,192
12	Purchased Gas	2,626	-	2,626	-	2,626
13	Other	307,471	-	307,471	-	307,471
14	Water Treatment Expenses	598,532	-	598,532		598,532
15	Transmission and Distribution Expenses	1,174,679	(36,426)	1,138,253	-	1,138,253
16	Customer Accounting Expenses	1,000,938	-	1,000,938	-	1,000,938
17	Sales Expense	5,695	-	5,695	-	5,695
18	Administrative and General Expenses	1,789,727	(308,702)	1,481,025	-	1,481,025
19	**Total Operation and Maintenance Expense**	$ 5,802,623	$ (345,128)	$ 5,457,495	$ -	$ 5,457,495
20						
21	Depreciation and Amortization Expenses	1,619,823	(73,225)	1,546,598	-	1,546,598
22						
23	Taxes					
24	Federal Income Taxes	65,518	174,159	239,677	497,192	736,869
25	State Income Taxes	14,432	38,367	52,799	109,527	162,326
26	Property Taxes	376,221	(39,316)	336,905	15,949	352,854
27	Other	131,495	-	131,495	-	131,495
28	Total Taxes	$ 587,666	$ 173,211	$ 760,876	$ 622,668	$ 1,383,544
29	**Total Operating Expenses**	$ 8,010,112	$ (245,142)	$ 7,764,969	$ 622,668	$ 8,387,637
30	**Operating Income (Loss)**	$ 1,341,742	$ 245,142	$ 1,586,885	$ 965,137	$ 2,552,022

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

NORTHERN GROUP:

SEDONA
RIMROCK
PINEWOOD

Arizona Water Company - Sedona, Rimrock & Pinewood Water Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Consolidated Sedona
Rimrock
Pinewood

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 22,239,370	$ 22,239,370	$ 22,239,370	$ 21,172,286	$ 21,172,286	$ 21,172,286
2	Adjusted Operating Income (Loss)	$ 454,135	$ 454,135	$ 454,135	$ 583,793	$ 583,793	$ 583,793
3	Current Rate of Return (L2 / L1)	2.04%	2.04%	2.04%	2.76%	2.76%	2.76%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 2,181,682	$ 2,181,682	$ 2,181,682	$ 1,714,955	$ 1,714,955	$ 1,714,955
6	Operating Income Deficiency (L5 - L2)	$ 1,727,547	$ 1,727,547	$ 1,727,547	$ 1,131,162	$ 1,131,162	$ 1,131,162
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6398	1.6398	1.6398
8	Required Revenue Increase (L7 * L6)	$ 2,813,483	$ 2,813,483	$ 2,813,483	$ 1,854,886	$ 1,854,886	$ 1,854,886
9	Adjusted Test Year Revenue	$ 5,076,568	$ 5,076,568	$ 5,076,568	$ 5,076,568	$ 5,076,568	$ 5,076,568
10	Proposed Annual Revenue (L8 + L9)	$ 7,890,051	$ 7,890,051	$ 7,890,051	$ 6,931,454	$ 6,931,454	$ 6,931,454
11	Required Increase in Revenue (%)	55.42%	55.42%	55.42%	36.54%	36.54%	36.54%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Sedona, Rimrock & Pinewood Water Systems
Docket No. W-01445A-08-0440
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Schedule AII-3
Consolidated Sedona
Rimrock
Pinewood

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$ 5,032,680	$ -	$ 5,032,680	$ 1,854,886	$ 6,887,566
3	Miscellaneous	43,888	-	43,888	-	43,888
4	**Total Operating Revenues**	$ 5,076,568	$ -	$ 5,076,568	$ 1,854,886	$ 6,931,454
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	11,911	-	11,911	-	11,911
10	Pumping Expenses	-	-	-		
11	Purchased Power	647,081	-	647,081	-	647,081
12	Purchased Gas	2,626	-	2,626	-	2,626
13	Other	209,853	-	209,853	-	209,853
14	Water Treatment Expenses	555,336	-	555,336		
15	Transmission and Distribution Expenses	646,759	264	647,023	-	647,023
16	Customer Accounting Expenses	517,847	-	517,847	-	517,847
17	Sales Expense	4,563	-	4,563	-	4,563
18	Administrative and General Expenses	1,003,395	(159,805)	843,590	-	843,590
19	**Total Operation and Maintenance Expense**	$ 3,599,369	(159,541)	$ 3,439,829	-	$ 3,439,829
20						
21	Depreciation and Amortization Expenses	988,100	(69,728)	918,372	-	918,372
22						
23	Taxes					
24	Federal Income Taxes	(190,967)	109,776	(81,191)	576,366	495,175
25	State Income Taxes	(42,069)	23,260	(18,809)	127,892	109,083
26	Property Taxes	194,378	(33,426)	160,952	19,466	180,419
27	Other	73,622	-	73,622	-	73,622
28	Total Taxes	$ 34,964	$ 99,610	$ 134,574	$ 723,724	$ 858,298
29	**Total Operating Expenses**	$ 4,622,433	$ (129,658)	$ 4,492,775	$ 723,724	$ 5,216,499
30	**Operating Income (Loss)**	$ 454,135	$ 129,658	$ 583,793	$ 1,131,162	$ 1,714,955

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

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ARIZONA WATER COMPANY

NORTHERN GROUP:

SEDONA

Arizona Water Company - Sedona Water System
Docket No. W-01445A-08-0440
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Schedule-All-1
Sedona

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 18,018,530	$ 18,018,530	$ 18,018,530	$ 17,027,937	$ 17,027,937	$ 17,027,937
2	Adjusted Operating Income (Loss)	$ 424,708	$ 424,708	$ 424,708	$ 526,671	$ 526,671	$ 526,671
3	Current Rate of Return (L2 / L1)	2.36%	2.36%	2.36%	3.09%	3.09%	3.09%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 1,767,618	$ 1,767,618	$ 1,767,618	$ 1,379,263	$ 1,379,263	$ 1,379,263
6	Operating Income Deficiency (L5 - L2)	$ 1,342,910	$ 1,342,910	$ 1,342,910	$ 852,592	$ 852,592	$ 852,592
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6445	1.6445	1.6445
8	Required Revenue Increase (L7 * L6)	$ 2,187,064	$ 2,187,064	$ 2,187,064	$ 1,402,105	$ 1,402,105	$ 1,402,105
9	Adjusted Test Year Revenue	$ 3,521,124	$ 3,521,124	$ 3,521,124	$ 3,521,124	$ 3,521,124	$ 3,521,124
10	Proposed Annual Revenue (L8 + L9)	$ 5,708,188	$ 5,708,188	$ 5,708,188	$ 4,923,229	$ 4,923,229	$ 4,923,229
11	Required Increase in Revenue (%)	62.11%	62.11%	62.11%	39.82%	39.82%	39.82%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, All-2, & All-3
Column (E): Staff Schedules BKB-1, DCP-1, All-2, & All-3
Column (F): Staff Schedules BKB-1, DCP-1, All-2, & All-3

Arizona Water Company - Sedona Water System
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Schedule AII-2
Sedona

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.1920%			
5	Subtotal (L3 - L4)	60.8080%			
6	**Revenue Conversion Factor (L1 / L5)**	1.644520859			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	0.9660%			
22	Effective Property Tax Factor (L 21 * L 22)	0.005931348			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.1920%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 1,379,263			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 526,671			
26	Required Increase in Operating Income (L24 - L25)		$ 852,592		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 485,978			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ (49,991)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 535,969		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 4,923,229			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 115,587			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 102,042			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 13,544		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 1,402,105		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 3,521,124	$ 1,402,105	$ 4,923,229	
40	Operating Expenses Excluding Income Taxes	$ 3,044,444		$ 3,057,988	
41	Synchronized Interest (L47)	$ 606,195		$ 606,195	
42	Arizona Taxable Income (L36 - L37- L38)	$ (129,515)		$ 1,259,046	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ (9,025)		$ 87,730
45	Federal Taxable Income (L33 - L35)	$ (120,490)		$ 1,171,316	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ (40,967)		$ 398,247	
51	Total Federal Income Tax		$ (40,967)		$ 398,247
52	Combined Federal and State Income Tax (L35 + L42)		$ (49,991)		$ 485,978
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [C], Line (17))	$ 17,027,937			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 606,195			

Arizona Water Company - Sedona Water System
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Schedule AII-3
Sedona

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 3,492,557	$ -	$ 3,492,557	$ 1,402,105	$ 4,894,662
3	Miscellaneous	28,567	-	28,567	-	28,567
4	**Total Operating Revenues**	$ 3,521,124	$ -	$ 3,521,124	$ 1,402,105	$ 4,923,229
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	7,247	-	7,247	-	7,247
10	Pumping Expenses		-			
11	Purchased Power	518,834	-	518,834	-	518,834
12	Purchased Gas	2,626	-	2,626	-	2,626
13	Other	129,182	-	129,182	-	129,182
14	Water Treatment Expenses	319,722	-	319,722		319,722
15	Transmission and Distribution Expenses	400,194	2,397	402,590	-	402,590
16	Customer Accounting Expenses	323,108	-	323,108	-	323,108
17	Sales Expense	2,838	-	2,838	-	2,838
18	Administrative and General Expenses	641,077	(111,634)	529,443	-	529,443
19	**Total Operation and Maintenance Expense**	$ 2,344,827	(109,237)	$ 2,235,589	-	$ 2,235,589
20						
21	Depreciation and Amortization Expenses	731,033	(72,066)	658,967	-	658,967
22						
23	Taxes					
24	Federal Income Taxes	(125,482)	84,516	(40,967)	439,214	398,247
25	State Income Taxes	(27,643)	18,619	(9,025)	96,755	87,730
26	Property Taxes	125,837	(23,795)	102,042	13,544	115,587
27	Other	47,845	-	47,845	-	47,845
28	Total Taxes	$ 20,557	$ 79,340	$ 99,896	$ 549,513	$ 649,409
29	**Total Operating Expenses**	$ 3,096,417	$ (101,964)	$ 2,994,453	$ 549,513	$ 3,543,966
30	**Operating Income (Loss)**	$ 424,708	$ 101,964	$ 526,671	$ 852,592	$ 1,379,263

References:
Column [A]: Company Schedule C-1 Pg. 10 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Sedona Water System
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Schedule AII-4
Sedona

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 2,500,263	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500,263
3	Commercial	957,571	-	-	-	-	-	-	-	-	957,571
4	Industrial	315	-	-	-	-	-	-	-	-	315
5	Private Fire Service	7,692	-	-	-	-	-	-	-	-	7,692
6	Other Water Revenues	26,716	-	-	-	-	-	-	-	-	26,716
7	Total Water Revenues	$ 3,492,557	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,492,557
8											
9	Miscellaneous	28,567	-	-	-	-	-	-	-	-	28,567
10	Total Operating Revenues	$ 3,521,124	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,521,124
11											
12	*OPERATING EXPENSES*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	7,247	-	-	-	-	-	-	-	-	7,247
16	Pumping Expenses										
17	Purchased Power	518,834	-	-	-	-	-	-	-	-	518,834
18	Purchased Gas	2,626	-	-	-	-	-	-	-	-	2,626
19	Other	129,182	-	-	-	-	-	-	-	-	129,182
20	Water Treatment Expenses	319,722	-	-	-	-	-	-	-	-	319,722
21	Transmission and Distribution Expenses	400,194	-	-	-	2,397	-	-	-	-	402,590
22	Customer Accounting Expenses	323,108	-	-	-	-	-	-	-	-	323,108
23	Sales Expense	2,838	-	-	-	-	-	-	-	-	2,838
24	Administrative and General Expenses	641,077	-	-	-	-	(111,634)	-	-	-	529,443
25	Total Operation and Maintenance Expense	$ 2,344,827	$ -	$ -	$ -	$ 2,397	$ (111,634)	$ -	$ -	$ -	$ 2,235,589
26											
27	Depreciation and Amortization Expenses	731,033	-	-	-	-	-	(72,066)	-	-	658,967
28											
29	Taxes										
30	Federal Income Taxes	(125,482)	-	-	-	-	-	-	84,516	-	(40,967)
31	State Income Taxes	(27,643)	-	-	-	-	-	-	18,619	-	(9,025)
32	Property Taxes	125,837	-	-	-	-	-	-	-	(23,795)	102,042
33	Other	47,845	-	-	-	-	-	-	-	-	47,845
34	Total Taxes	$ 20,557	$ -	$ -	$ -	$ -	$ -	$ -	$ 103,134	$ (23,795)	$ 99,896
35											
36	Total Operating Expenses	$ 3,096,417	$ -	$ -	$ -	$ 4,793	$ (223,268)	$ (72,066)	$ 103,134	$ (23,795)	$ 2,994,453
37	**Operating Income (Income)**	$ 424,708	$ -	$ -	$ -	$ (4,793)	$ 223,268	$ 72,066	$ (103,134)	$ 23,795	$ 526,671

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Sedona

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	7,247	-	7,247
3	Total Source of Supply Expenses	$ 7,247	$ -	$ 7,247

References:
Col [A]: Company Schedeule C-1 Page 10
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Sedona

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 518,834	$ -	$ 518,834
2	Purchased Gas	2,626	-	2,626
3	Other	129,182	-	129,182
4	Total Pumping Expenses	$ 650,641	$ -	$ 650,641

References:
Col [A]: Company Schedeule C-1 Page 10
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Sedona Water System
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Schedule AII-7
Sedona

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 319,722	$ -	$ 319,722
2				
3	Calculation of Water Treatment Expense Adjustment			
4	Acct.	Company	Staff	Staff
5	No. Operations Ledger	Recorded	Adjustment	Recommended
6	640 Water Treatment - Operations & Supervision	2,889	$ -	$ 2,889
7	641 Water Treatment - Operations Chemicals	8,650	-	8,650
8	642 Water Treatment - Operations Labor & Expense	195,840	-	195,840
9				
10	Maintenance Ledger			
11	650 Water Treatment - Maintenance & Supervision	1,444	-	1,444
12	651 Water Treatment - Maint Struct & Improvemt	-	-	-
13	652 Water Treatment - Maintenance & Equipment	43,209	-	43,209
14	Company Adjustment JMR-3, JMR-7 & JMR-14	67,690	-	67,690
15	Total	319,722	$ -	$ 319,722

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Sedona Water System
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Schedule AII-8
Sedona

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 400,194	$ 2,397	$ 402,590
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		26,689
7	Tank Maintenance expense	2006		100,044
8	Tank Maintenance expense	2007		6,184
9	Total			$ 132,917
10				
11	Normalized Three Year Average			$ 44,306
12	Company Proposed			$ 41,909
13	Staff Adjustment			$ 2,397
14				
15				

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Sedona Water System
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Schedule All-9
Sedona

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 641,077	$ (111,634)	$ 529,443

References:
Col [A]: Company Schedule C-1 Page 10
Col [B]: All Testimony Reverses JMR-7 "Conservation Revenue Recovery Expense".
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Sedona Water System
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Schedule All-10
Sedona

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expense	$ 731,033	$ (72,066)	$ 658,967

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 55	$ 55	0.00%	$ -
2	302	Franchise Cost		935	935	0.00%	-
3	303	Other Intangibles		2,297	2,297	0.00%	-
4	310	Water Rights		86,669	86,669	0.00%	-
5	310	Other Source of Supply Land		495,853	495,853	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		3,522,752	3,522,752	3.13%	110,262
8	320	Pumping Plant Land		3,805	3,805	0.00%	-
9	321	Pumping Plant Structures & Improvements		70,727	70,727	2.86%	2,023
10	325	Electric Pumping Equipment		2,184,914	2,184,914	5.88%	128,473
11	328	Gas Engine Equipment		223	223	4.00%	9
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		175,915	175,915	2.50%	4,398
14	332	Water Treatment Equipment		1,121,209	1,121,209	2.86%	32,067
15	340	Transmission and Distribution - Land		112,947	112,947	0.00%	-
16	342	Storage Tanks		1,272,723	1,272,723	2.00%	25,454
17	343	Transmission and Distribution Mains		16,783,001	16,783,001	1.79%	300,416
18	344	Fire Sprinkler Taps		620,948	620,948	2.00%	12,419
19	345	Services		2,864,133	2,864,133	2.38%	68,166
20	346	Meters		563,966	563,966	4.55%	25,660
21	348	Hydrants		1,456,462	1,456,462	1.82%	26,508
22	389	General Plant Land		-	-	0.00%	-
23	390	General Plant Structures		140,328	140,328	2.50%	3,508
24	390	Leasehold Improvements	A	161,155	161,155	20.00%	32,231
25	391	Office Furniture & Equipment		513,006	513,006	6.67%	34,218
26	393	Warehouse Equipment		26,271	26,271	5.00%	1,314
27	394	Tools, Shops, and Garage Equipment		102,399	102,399	4.00%	4,096
28	395	Laboratory Equipment		11,864	11,864	5.00%	593
29	396	Power Operated Equipment		19,970	19,970	6.67%	1,332
30	397	Communications Equipment		160,471	160,471	6.67%	10,703
31	398	Miscellaneous Equipment		30,738	30,738	3.33%	1,024
32	-	Intentionally Left Blank		-	-		-
33		Subtotal General		$ 32,505,736	$ 32,505,736		$ 824,873
34		Less: Non- depreciable Account(s)		702,561	702,561		
35		Depreciable Plant (L29-L30)		$ 31,803,175	$ 31,803,175		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 6,396,542			
37		Composite Depreciation/Amortization Rate		2.5937%			
38		Less: Amortization of CIAC (L32 x L33)					$ 165,906
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 658,967

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (125,482)	$ 84,516	$ (40,967)
2	State Income Taxes	(27,643)	18,619	(9,025)
3	Federal and State Income Taxes	$ (153,126)	$ 103,134	$ (49,991)

References:
Col [A]: Company Schedule C-1 Page 10
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Sedona Water System
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Schedule AII-12
Sedona

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 3,521,124	$ 3,521,124
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	7,042,248	$ 7,042,248
4	Staff Recommended Revenue, Per Schedule AII-1	3,521,124	$ 4,923,229
5	Subtotal (Line 4 + Line 5)	10,563,372	11,965,477
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,521,124	$ 3,988,492
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	7,042,248	$ 7,976,985
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	7,042,248	$ 7,976,984.67
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	1,584,506	$ 1,794,822
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	6.4400%	6.4400%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 102,042	
17	Company Proposed Property Tax	125,837	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (23,795)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 115,587
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 102,042
21	Increase/(Decrease) to Property Tax Expense		$ 13,544
22	Decrease to Property Tax Expense		$ 13,544
23	Increase in Revenue Requirement		$ 1,402,105
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.9660%

ARIZONA WATER COMPANY

NORTHERN GROUP:

RIMROCK

Arizona Water Company - Rimrock Water System
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Schedule AII-1
Rimrock

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 2,338,005	$ 2,338,005	$ 2,338,005	$ 2,316,986	$ 2,316,986	$ 2,316,986
2	Adjusted Operating Income (Loss)	$ (75,247)	$ (75,247)	$ (75,247)	$ (55,833)	$ (55,833)	$ (55,833)
3	Current Rate of Return (L2 / L1)	-3.22%	-3.22%	-3.22%	-2.41%	-2.41%	-2.41%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 229,358	$ 229,358	$ 229,358	$ 187,676	$ 187,676	$ 187,676
6	Operating Income Deficiency (L5 - L2)	$ 304,606	$ 304,606	$ 304,606	$ 243,509	$ 243,509	$ 243,509
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6504	1.6504	1.6504
8	Required Revenue Increase (L7 * L6)	$ 496,081	$ 496,081	$ 496,081	$ 401,880	$ 401,880	$ 401,880
9	Adjusted Test Year Revenue	$ 507,981	$ 507,981	$ 507,981	$ 507,981	$ 507,981	$ 507,981
10	Proposed Annual Revenue (L8 + L9)	$ 1,004,062	$ 1,004,062	$ 1,004,062	$ 909,861	$ 909,861	$ 909,861
11	Required Increase in Revenue (%)	97.66%	97.66%	97.66%	79.11%	79.11%	79.11%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Rimrock Water System
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Schedule AII-2
Rimrock

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.4075%			
5	Subtotal (L3 - L4)	60.5925%			
6	**Revenue Conversion Factor (L1 / L5)**	1.650370162			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.3170%			
22	Effective Property Tax Factor (L 21 * L 22)	0.008086528			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.4075%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 187,676			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ (55,833)			
26	Required Increase in Operating Income (L24 - L25)		$ 243,509		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 66,127			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ (86,952)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 153,078		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 909,861			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 25,363			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 20,070			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 5,293		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 401,880		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 507,981	$ 401,880	$ 909,861	
40	Operating Expenses Excluding Income Taxes	$ 650,766		$ 656,059	
41	Synchronized Interest (L47)	$ 82,485		$ 82,485	
42	Arizona Taxable Income (L36 - L37- L38)	$ (225,270)		$ 171,318	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ (15,697)		$ 11,937
45	Federal Taxable Income (L33 - L35)	$ (209,573)		$ 159,381	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ (71,255)		$ 54,189	
51	Total Federal Income Tax		$ (71,255)		$ 54,189
52	Combined Federal and State Income Tax (L35 + L42)		$ (86,952)		$ 66,127
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [C], Line (17))	$ 2,316,986			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 82,485			

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Schedule All-3
Rimrock

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 499,520	$ -	$ 499,520	$ 401,880	$ 901,400
3	Miscellaneous	8,461	-	8,461	-	8,461
4	**Total Operating Revenues**	$ 507,981	$ -	$ 507,981	$ 401,880	$ 909,861
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	1,425	-	1,425	-	1,425
10	Pumping Expenses					-
11	Purchased Power	43,401	-	43,401	-	43,401
12	Purchased Gas	-	-	-	-	-
13	Other	24,368	-	24,368	-	24,368
14	Water Treatment Expenses	201,774	-	201,774	-	201,774
15	Transmission and Distribution Expenses	73,189	(3,719)	69,470	-	69,470
16	Customer Accounting Expenses	61,306	-	61,306	-	61,306
17	Sales Expense	537	-	537	-	537
18	Administrative and General Expenses	118,572	(19,820)	98,752	-	98,752
19	**Total Operation and Maintenance Expense**	$ 524,571	$ (23,539)	$ 501,032	-	$ 501,032
20						
21	Depreciation and Amortization Expenses	124,861	$ (3,618)	121,243	-	121,243
22						
23	Taxes					
24	Federal Income Taxes	(83,435)	$ 12,180	(71,255)	125,444	54,189
25	State Income Taxes	(18,380)	$ 2,683	(15,697)	27,634	11,937
26	Property Taxes	27,191	$ (7,121)	20,070	5,293	25,363
27	Other	8,420	$ -	8,420	-	8,420
28	Total Taxes	$ (66,204)	$ 7,743	$ (58,461)	$ 158,371	$ 99,910
29	**Total Operating Expenses**	$ 583,228	$ (19,414)	$ 563,814	$ 158,371	$ 722,185
30	**Operating Income (Loss)**	$ (75,247)	$ 19,414	$ (55,833)	$ 243,509	$ 187,676

References:
Column [A]: Company Schedule C-1 Pg. 11 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Rimrock Water System
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Schedule AII-4
Rimrock

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 471,523	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 471,523
3	Commercial	17,845	-	-	-	-	-	-	-	-	17,845
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	51	-	-	-	-	-	-	-	-	51
6	Other Water Revenues	10,101	-	-	-	-	-	-	-	-	10,101
7	Total Water Revenues	$ 499,520	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 499,520
8											
9	Miscellaneous	8,461	-	-	-	-	-	-	-	-	8,461
10	Total Operating Revenues	$ 507,981	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 507,981
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	1,425	-	-	-	-	-	-	-	-	1,425
16	Pumping Expenses										
17	Purchased Power	43,401	-	-	-	-	-	-	-	-	43,401
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	24,368	-	-	-	-	-	-	-	-	24,368
20	Water Treatment Expenses	201,774	-	-	-	-	-	-	-	-	201,774
21	Transmission and Distribution Expenses	73,189	-	-	-	(3,719)	-	-	-	-	69,470
22	Customer Accounting Expenses	61,306	-	-	-	-	-	-	-	-	61,306
23	Sales Expense	537	-	-	-	-	-	-	-	-	537
24	Administrative and General Expenses	118,572	-	-	-	-	(19,820)	-	-	-	98,752
25	Total Operation and Maintenance Expense	$ 524,571	$ -	$ -	$ -	$ (3,719)	$ (19,820)	$ -	$ -	$ -	$ 501,032
26											
27	Depreciation and Amortization Expenses	124,861	-	-	-	-	-	(3,618)	-	-	121,243
28											
29	Taxes										
30	Federal Income Taxes	(83,435)	-	-	-	-	-	-	12,180	-	(71,255)
31	State Income Taxes	(18,380)	-	-	-	-	-	-	2,683	-	(15,697)
32	Property Taxes	27,191	-	-	-	-	-	-	-	(7,121)	20,070
33	Other	8,420	-	-	-	-	-	-	-	-	8,420
34	Total Taxes	$ (66,204)	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,863	$ (7,121)	$ (58,461)
35											
36	Total Operating Expenses	$ 583,228	$ -	$ -	$ -	$ (7,438)	$ (39,640)	$ (3,618)	$ 14,863	$ (7,121)	$ 563,814
37	**Operating Income (Income)**	$ (75,247)	$ -	$ -	$ -	$ 7,438	$ 39,640	$ 3,618	$ (14,863)	$ 7,121	$ (55,833)

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Rimrock

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	1,425	-	1,425
3	Total Source of Supply Expenses	$ 1,425	$ -	$ 1,425

References:
Col [A]: Company Schedeule C-1 Page 11
Col [B]:
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 43,401	$ -	$ 43,401
2	Purchased Gas	-	-	-
3	Other	24,368	-	24,368
4	Total Pumping Expenses	$ 67,769	$ -	$ 67,769

References:
Col [A]: Company Schedeule C-1 Page 11
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Rimrock

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 201,774	$ -	$ 201,774
2				
3				
4	Calculation of Water Treatment Expense Adjustment			
5	Acct.	Company	Staff	Staff
6	No. Operations Ledger	Recorded	Adjustment	Recommended
7	640 Water Treatment - Operations & Supervision	566	$ -	$ 566
8	641 Water Treatment - Operations Chemicals	2,079	-	2,079
9	642 Water Treatment - Operations Labor & Expense	167,256	-	167,256
10				
11	Maintenance Ledger			
12	650 Water Treatment - Maintenance & Supervision	284	-	284
13	651 Water Treatment - Maint Struct & Improvemt	-	-	-
14	652 Water Treatment - Maintenance & Equipment	8,473	-	8,473
15	Company Adjustment JMR-3, JMR-4, JMR-7 & JMR-14	23,116	-	23,116
16	Total	$ 201,774	$ -	$ 201,774

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Rimrock

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 73,189	$ (3,719)	$ 69,470
2				
3				
4				
5	Normalization of Three Year Actual Tank Maintananace Expense			
6		Year		Expense
7	Tank Maintenance expense	2005		-
8	Tank Maintenance expense	2006		-
9	Tank Maintenance expense	2007		-
10	Total			$ -
11				
12	Normalized Three Year Average (2003 cost adopted. No cost from (2004-2007)			$ 92
13	Company Proposed			$ 3,811
14	Staff Adjustment			$ (3,719)

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-9
Rimrock

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative & General Expenses	$ 118,572	$ (19,820)	$ 98,752

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: AII Testimony, Reversal of JMR-7 "Conservation Revenue Recovery Expense".
Col [C]: Col. [A] + Col. [B]

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Schedule All-10
Rimrock

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 124,861	$ (3,618)	$ 121,243

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service					
1	301	Organization Cost	$ 10	$ 10	0.00%	$ -
2	302	Franchise Cost	-	-	0.00%	-
3	303	Other Intangibles	392	392	0.00%	-
4	310	Water Rights	14,202	14,202	0.00%	-
5	310	Other Source of Supply Land	13,011	13,011	0.00%	-
6	310	Wells - Other	-	-		-
7	314	Wells	508,148	508,148	3.13%	15,905
8	320	Pumping Plant Land	1,644	1,644	0.00%	-
9	321	Pumping Plant Structures & Improvements	4,633	4,633	2.86%	133
10	325	Electric Pumping Equipment	413,467	413,467	5.88%	24,312
11	328	Gas Engine Equipment	-	-	4.00%	-
12	330	Water Treatment Plant - Land	-	-	0.00%	-
13	331	Water Treatment Structures and Improvements	36,630	36,630	2.50%	916
14	332	Water Treatment Equipment	336,138	336,138	2.86%	9,614
15	340	Transmission and Distribution - Land	3,431	3,431	0.00%	-
16	342	Storage Tanks	206,750	206,750	2.00%	4,135
17	343	Transmission and Distribution Mains	2,296,620	2,296,620	1.79%	41,109
18	344	Fire Sprinkler Taps	31,516	31,516	2.00%	630
19	345	Services	694,652	694,652	2.38%	16,533
20	346	Meters	71,768	71,768	4.55%	3,265
21	348	Hydrants	51,223	51,223	1.82%	932
22	389	General Plant Land	-	-	0.00%	-
23	390	General Plant Structures	48,697	48,697	2.50%	1,217
24	390	Leasehold Improvements	19,476	19,476	6.59%	1,283
25	391	Office Furniture & Equipment	66,254	66,254	6.67%	4,419
26	393	Warehouse Equipment	835	835	5.00%	42
27	394	Tools, Shops, and Garage Equipment	14,785	14,785	4.00%	591
28	395	Laboratory Equipment	296	296	5.00%	15
29	396	Power Operated Equipment	8,902	8,902	6.67%	594
30	397	Communications Equipment	36,519	36,519	6.67%	2,436
31	398	Miscellaneous Equipment	729	729	3.33%	24
32	-	Intentionally Left Blank	-	-		-
33		Subtotal General	$ 4,880,730	$ 4,880,730		$ 128,106
34		Less: Non- depreciable Account(s)	19,679	19,679		
35		Depreciable Plant (L29-L30)	$ 4,861,050	$ 4,861,050		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 260,411			
37		Composite Depreciation/Amortization Rate	2.6354%			
38		Less: Amortization of CIAC (L32 x L33)				$ 6,863
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 121,243

Arizona Water Company - Rimrock Water System
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Schedule AII-11
Rimrock

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (83,435)	$ 12,180	$ (71,255)
2	State Income Taxes	(18,380)	2,683	(15,697)
3	Federal and State Income Taxes	$ (101,815)	$ 14,863	$ (86,952)

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Rimrock Water System
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Schedule AII-12
Rimrock

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 507,981	$ 507,981
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	1,015,962	$ 1,015,962
4	Staff Recommended Revenue, Per Schedule AII-1	507,981	$ 909,861
5	Subtotal (Line 4 + Line 5)	1,523,943	1,925,823
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	507,981	$ 641,941
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,015,962	$ 1,283,882
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,015,962	$ 1,283,882.23
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	228,591	$ 288,874
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1(	8.7800%	8.7800%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 20,070	
17	Company Proposed Property Tax	27,191	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (7,121)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 25,363
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 20,070
21	Increase/(Decrease) to Property Tax Expense		$ 5,293
22	Decrease to Property Tax Expense		$ 5,293
23	Increase in Revenue Requirement		$ 401,880
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.3170%

ARIZONA WATER COMPANY

NORTHERN GROUP:

PINEWOOD

Arizona Water Company - Pinewood Water System
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Schedule AII-1
Pinewood

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base		$ 1,882,836	$ 1,882,836	$ 1,882,836	$ 1,827,362	$ 1,827,362	$ 1,827,362
2	Adjusted Operating Income (Loss)	A	$ 104,675	$ 104,675	$ 104,675	$ 117,149	$ 117,149	$ 117,149
3	Current Rate of Return (L2 / L1)		5.56%	5.56%	5.56%	6.41%	6.41%	6.41%
4	Required Rate of Return		9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)		$ 184,706	$ 184,706	$ 184,706	$ 148,016	$ 148,016	$ 148,016
6	Operating Income Deficiency (L5 - L2)		$ 80,031	$ 80,031	$ 80,031	$ 30,867	$ 30,867	$ 30,867
7	Gross Revenue Conversion Factor		1.6286	1.6286	1.6286	1.6490	1.6490	1.6490
8	Required Revenue Increase (L7 * L6)		$ 130,339	$ 130,339	$ 130,339	$ 50,901	$ 50,901	$ 50,901
9	Adjusted Test Year Revenue		$ 1,047,463	$ 1,047,463	$ 1,047,463	$ 1,047,463	$ 1,047,463	$ 1,047,463
10	Proposed Annual Revenue (L8 + L9)		$ 1,177,802	$ 1,177,802	$ 1,177,802	$ 1,098,364	$ 1,098,364	$ 1,098,364
11	Required Increase in Revenue (%)		12.44%	12.44%	12.44%	4.86%	4.86%	4.86%
12	Rate of Return on Common Equity (%)		10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3

Arizona Water Company - Pinewood Water System
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Schedule AII-2
Pinewood

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.3578%			
5	Subtotal (L3 - L4)	60.6422%			
6	**Revenue Conversion Factor (L1 / L5)**	1.649016633			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.2360%			
22	Effective Property Tax Factor (L 21 * L 22)	0.007589178			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.3578%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 148,016			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 40)	$ 117,149			
26	Required Increase in Operating Income (L24 - L25)		$ 30,867		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 52,153			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 32,749			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 19,404		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 1,098,364			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 39,469			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 38,840			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 629		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 50,901		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 1,047,463	$ 50,901	$ 1,098,364	
40	Operating Expenses Excluding Income Taxes	$ 897,565		$ 898,194	
41	Synchronized Interest (L47)	$ 65,054		$ 65,054	
42	Arizona Taxable Income (L36 - L37- L38)	$ 84,844		$ 135,115	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 5,912		$ 9,415
45	Federal Taxable Income (L33 - L35)	$ 78,932		$ 125,700	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 26,837		$ 42,738	
51	Total Federal Income Tax		$ 26,837		$ 42,738
52	Combined Federal and State Income Tax (L35 + L42)		$ 32,749		$ 52,153
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 1,827,362			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 65,054			

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Schedule AII-3
Pinewood

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 1,040,603	$ -	$ 1,040,603	$ 50,901	$ 1,091,504
3	Miscellaneous	6,860	-	6,860	-	6,860
4	**Total Operating Revenues**	$ 1,047,463	$ -	$ 1,047,463	$ 50,901	$ 1,098,364
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	3,239	-	3,239	-	3,239
10	Pumping Expenses					
11	Purchased Power	84,846	-	84,846	-	84,846
12	Purchased Gas	-	-	-	-	-
13	Other	56,303	-	56,303	-	56,303
14	Water Treatment Expenses	33,840	-	33,840	-	33,840
15	Transmission and Distribution Expenses	173,376	1,587	174,963	-	174,963
16	Customer Accounting Expenses	133,433	-	133,433	-	133,433
17	Sales Expense	1,188	-	1,188	-	1,188
18	Administrative and General Expenses	243,746	(28,351)	215,395	-	215,395
19	**Total Operation and Maintenance Expense**	$ 729,971	(26,764)	$ 703,207	-	$ 703,207
20						
21	Depreciation and Amortization Expenses	132,206	5,956	138,162	-	138,162
22						
23	Taxes					
24	Federal Income Taxes	17,950	8,887	26,837	15,901	42,738
25	State Income Taxes	3,954	1,958	5,912	3,503	9,415
26	Property Taxes	41,350	(2,510)	38,840	-	39,469
27	Other	17,357	-	17,357	-	17,357
28	Total Taxes	$ 80,611	$ 8,335	$ 88,946	$ 19,404	$ 108,979
29	**Total Operating Expenses**	$ 942,788	$ (12,474)	$ 930,314	$ 19,404	$ 950,347
30	**Operating Income (Loss)**	$ 104,675	$ 12,474	$ 117,149	$ 31,496	$ 148,016

References:
Column [A]: Company Schedule C-1 Pg. 11 of 11
Column [B]: ScheduleAII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

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Schedule AII-4
Pinewood

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,015,253	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,015,253
3	Commercial	22,880	-	-	-	-	-	-	-	-	22,880
4	Industrial	507	-	-	-	-	-	-	-	-	507
5	Private Fire Service	179	-	-	-	-	-	-	-	-	179
6	Other Water Revenues	1,784	-	-	-	-	-	-	-	-	1,784
7	Total Water Revenues	$ 1,040,603	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,040,603
8											
9	Miscellaneous	6,860	-	-	-	-	-	-	-	-	6,860
10	Total Operating Revenues	$ 1,047,463	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,047,463
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	3,239	-	-	-	-	-	-	-	-	3,239
16	Pumping Expenses										-
17	Purchased Power	84,846	-	-	-	-	-	-	-	-	84,846
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	56,303	-	-	-	-	-	-	-	-	56,303
20	Water Treatment Expenses	33,840	-	-	-	-	-	-	-	-	33,840
21	Transmission and Distribution Expenses	173,376	-	-	-	1,587	-	-	-	-	174,963
22	Customer Accounting Expenses	133,433	-	-	-	-	-	-	-	-	133,433
23	Sales Expense	1,188	-	-	-	-	-	-	-	-	1,188
24	Administrative and General Expenses	243,746	-	-	-	-	(28,351)	-	-	-	215,395
25	Total Operation and Maintenance Expense	$ 729,971	$ -	$ -	$ -	$ 1,587	$ (28,351)	$ -	$ -	$ -	$ 703,207
26											
27	Depreciation and Amortization Expenses	132,206	-	-	-	-	-	5,956		-	138,162
28											
29	Taxes										
30	Federal Income Taxes	17950	-	-	-	-	-	-	8,887	-	26,837
31	State Income Taxes	3954	-	-	-	-	-	-	1,958	-	5,912
32	Property Taxes	41,350	-	-	-	-	-	-		(2,510)	38,840
33	Other	17,357	-	-	-	-	-	-	-	-	17,357
34	Total Taxes	$ 80,611	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,845	$ (2,510)	$ 88,946
35											
36	Total Operating Expenses	$ 942,788	$ -	$ -	$ -	$ 3,174	$ (56,702)	$ 5,956	$ 10,845	$ (2,510)	$ 930,314
37	**Operating Income (Income)**	$ 104,675	$ -	$ -	$ -	$ (3,174)	$ 56,702	$ (5,956)	$ (10,845)	$ 2,510	$ 117,149

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	3,239	-	3,239
3	Total Source of Supply Expenses	$ 3,239	$ -	$ 3,239

References:
Col [A]: Company Schedeule C-1 Page 11
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Pinewood

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 84,846	$ -	$ 84,846
2	Purchased Gas	-	-	-
3	Other	56,303	-	56,303
4	Total Pumping Expenses	$ 141,149	$ -	$ 141,149

References:
Col [A]: Company Schedeule C-1 Page 11
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Pinewood

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 33,840	$ -	$ 33,840
2				
3	Calculation of Water Treatment Expense Adjustment			
4	Acct.	Company	Staff	Staff
5	No. Operations Ledger	Recorded	Adjustment	Recommended
6	640 Water Treatment - Operations & Supervision	1,300	$ -	$ 1,300
7	641 Water Treatment - Operations Chemicals	345	-	345
8	642 Water Treatment - Operations Labor & Expense	20,041	-	20,041
9				
10	Maintenance Ledger			
11	650 Water Treatment - Maintenance & Supervision	651	-	651
12	651 Water Treatment - Maint Struct & Improvemt	-	-	-
13	652 Water Treatment - Maintenance & Equipment	19,440	-	19,440
14	Company Adjustment JMR-3, JMR-4 & JMR-7	(7,937)	-	(7,937)
15	Total	$ 33,840	$ -	$ 33,840

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Pinewood

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 173,376	$ 1,587	$ 174,963
2				
3	Normalization of Three Year Actual Tank Maintananace Expense			
4		Year		Expense
5	Tank Maintenance expense	2005		1,794
6	Tank Maintenance expense	2006		-
7	Tank Maintenance expense	2007		48,572
8	Total			$ 50,366
9				
10	Normalized Three Year Average			$ 16,789
11	Company Proposed			$ 15,202
12	Staff Adjustment			$ 1,587
13				
14				

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-9
Pinewood

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 243,746	$ (28,351)	$ 215,395

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: AII Testimony Reversal of JMR-7 "Conservation Revenue Recovery Expense".
Col [C]: Col. [A] + Col. [B]

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Schedule AII-10
Pinewood

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 132,206	$ 5,956	$ 138,162

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service					
1	301	Organization Cost	$ 19	$ 19	0.00%	$ -
2	302	Franchise Cost	-	-	0.00%	-
3	303	Other Intangibles	844	844	0.00%	-
4	310	Water Rights	30,517	30,517	0.00%	-
5	310	Other Source of Supply Land	69,342	69,342	0.00%	-
6	310	Wells - Other	-	-		-
7	314	Wells	1,033,216	1,033,216	3.13%	32,340
8	320	Pumping Plant Land	95	95	0.00%	-
9	321	Pumping Plant Structures & Improvements	39,970	39,970	2.86%	1,143
10	325	Electric Pumping Equipment	390,985	390,985	5.88%	22,990
11	328	Gas Engine Equipment	-	-	4.00%	-
12	330	Water Treatment Plant - Land	-	-	0.00%	-
13	331	Water Treatment Structures and Improvements	7,676	7,676	2.50%	192
14	332	Water Treatment Equipment	25,238	25,238	2.86%	722
15	340	Transmission and Distribution - Land	18,146	18,146	0.00%	-
16	342	Storage Tanks	333,128	333,128	2.00%	6,663
17	343	Transmission and Distribution Mains	2,112,563	2,112,563	1.79%	37,815
18	344	Fire Sprinkler Taps	16,323	16,323	2.00%	326
19	345	Services	802,504	802,504	2.38%	19,100
20	346	Meters	152,356	152,356	4.55%	6,932
21	348	Hydrants	128,531	128,531	1.82%	2,339
22	389	General Plant Land	2,858	2,858	0.00%	-
23	390	General Plant Structures	16,396	16,396	2.50%	410
24	390	Leasehold Improvements	38,821	38,821	50.00%	19,411
25	391	Office Furniture & Equipment	132,073	132,073	6.67%	8,809
26	393	Warehouse Equipment	1,165	1,165	5.00%	58
27	394	Tools, Shops, and Garage Equipment	21,238	21,238	4.00%	850
28	395	Laboratory Equipment	117	117	5.00%	6
29	396	Power Operated Equipment	4,516	4,516	6.67%	301
30	397	Communications Equipment	22,053	22,053	6.67%	1,471
31	398	Miscellaneous Equipment	213	213	3.33%	7
32	-	Intentionally Left Blank	-	-		-
33		Subtotal General	$ 5,400,903	$ 5,400,903		
34		Less: Non- depreciable Account(s)	52,479	52,479		$ 161,884
35		Depreciable Plant (L29-L30)	$ 5,348,424	$ 5,348,424		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 783,751			
37		Composite Depreciation/Amortization Rate	3.0268%			
38		Less: Amortization of CIAC (L32 x L33)				
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 23,722
						$ 138,162

Arizona Water Company - Pinewood Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-11
Pinewood

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 17,950	$ 8,887	$ 26,837
2	State Income Taxes	3,954	1,958	5,912
3	Federal and State Income Taxes	$ 21,904	$ 10,845	$ 32,749

References:
Col [A]: Company Schedule C-1 Page 11
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Pinewood Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-12
Pinewood

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,047,463	$ 1,047,463
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,094,926	$ 2,094,926
4	Staff Recommended Revenue, Per Schedule AII-1	1,047,463	$ 1,098,364
5	Subtotal (Line 4 + Line 5)	3,142,389	3,193,290
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,047,463	$ 1,064,430
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,094,926	$ 2,128,860
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,094,926	$ 2,128,859.86
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	471,358	$ 478,993
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	8.2400%	8.2400%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 38,840	
17	Company Proposed Property Tax	41,350	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (2,510)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 39,469
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 38,840
21	Increase/(Decrease) to Property Tax Expense		$ 629
22	Decrease to Property Tax Expense		$ 629
23	Increase in Revenue Requirement		$ 50,901
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.2360%

ARIZONA WATER COMPANY

NORTHERN GROUP:

OVERGAARD
LAKESIDE

Arizona Water Company - Consolidated Overgaard & Lakeside Water Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Consolidated Overgaard
Lakeside

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 10,507,802	$ 10,507,802	$ 10,507,802	$ 10,334,163	$ 10,334,163	$ 10,334,163
2	Adjusted Operating Income (Loss)	$ 887,607	$ 887,607	$ 887,607	$ 998,898	$ 998,898	$ 998,898
3	Current Rate of Return (L2 / L1)	8.45%	8.45%	8.45%	9.67%	9.67%	9.67%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 1,030,815	$ 1,030,815	$ 1,030,815	$ 837,067	$ 837,067	$ 837,067
6	Operating Income Deficiency (L5 - L2)	$ 143,208	$ 143,208	$ 143,208	$ (161,831)	$ (161,831)	$ (161,831)
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6504	1.6504	1.6504
8	Required Revenue Increase (L7 * L6)	$ 233,228	$ 233,228	$ 233,228	$ (267,081)	$ (267,081)	$ (267,081)
9	Adjusted Test Year Revenue	$ 4,275,286	$ 4,275,286	$ 4,275,286	$ 4,275,286	$ 4,275,286	$ 4,275,286
10	Proposed Annual Revenue (L8 + L9)	$ 4,508,514	$ 4,508,514	$ 4,508,514	$ 4,008,205	$ 4,008,205	$ 4,008,205
11	Required Increase in Revenue (%)	5.46%	5.46%	5.46%	-6.25%	-6.25%	-6.25%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consolidated Overgaard & Lakeside Water Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-3
Consolidated Overgaard
Lakeside

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 4,225,285	$ -	$ 4,225,285	$ (267,081)	$ 3,958,204
3	Miscellaneous	50,001	-	50,001	-	50,001
4	**Total Operating Revenues**	$ 4,275,286	$ -	$ 4,275,286	$ (267,081)	$ 4,008,205
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	1,291	$ -	1,291	$ -	$ 1,291
9	Other	9,562	-	9,562	-	9,562
10	Pumping Expenses		-	-		
11	Purchased Power	253,111	-	253,111	-	253,111
12	Purchased Gas	-	-	-	-	-
13	Other	97,618	-	97,618	-	97,618
14	Water Treatment Expenses	43,196	-	43,196		43,196
15	Transmission and Distribution Expenses	527,920	(36,690)	491,230	-	491,230
16	Customer Accounting Expenses	483,091	-	483,091	-	483,091
17	Sales Expense	1,132	-	1,132	-	1,132
18	Administrative and General Expenses	786,332	(148,897)	637,435	-	637,435
19	**Total Operation and Maintenance Expense**	$ 2,203,254	$ (185,587)	$ 2,017,667	$ -	$ 2,017,667
20						
21	Depreciation and Amortization Expenses	631,723	(3,497)	628,226	-	628,226
22						
23	Taxes					
24	Federal Income Taxes	256,485	68,577	325,062	(83,367)	241,694
25	State Income Taxes	56,501	15,107	71,608	(18,365)	53,243
26	Property Taxes	181,843	(5,890)	175,953	(3,517)	172,436
27	Other	57,873	-	57,873	-	57,873
28	Total Taxes	$ 552,702	$ 77,794	$ 630,496	$ (105,250)	$ 525,246
29	**Total Operating Expenses**	$ 3,387,679	$ (111,291)	$ 3,276,388	$ (105,250)	$ 3,171,138
30	**Operating Income (Loss)**	$ 887,607	$ 111,291	$ 998,898	$ (161,831)	$ 837,067

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

NORTHERN GROUP:

OVERGAARD

Arizona Water Company - Overgaard Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Overgaard

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 3,338,584	$ 3,338,584	$ 3,338,584	$ 3,315,094	$ 3,315,094	$ 3,315,094
2	Adjusted Operating Income (Loss)	$ 369,890	$ 369,890	$ 369,890	$ 414,540	$ 414,540	$ 414,540
3	Current Rate of Return (L2 / L1)	11.08%	11.08%	11.08%	12.50%	12.50%	12.50%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 327,515	$ 327,515	$ 327,515	$ 268,523	$ 268,523	$ 268,523
6	Operating Income Deficiency (L5 - L2)	$ (42,375)	$ (42,375)	$ (42,375)	$ (146,017)	$ (146,017)	$ (146,017)
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6502	1.6502	1.6502
8	Required Revenue Increase (L7 * L6)	$ (69,012)	$ (69,012)	$ (69,012)	$ (240,956)	$ (240,956)	$ (240,956)
9	Adjusted Test Year Revenue	$ 1,686,342	$ 1,686,342	$ 1,686,342	$ 1,686,342	$ 1,686,342	$ 1,686,342
10	Proposed Annual Revenue (L8 + L9)	$ 1,617,330	$ 1,617,330	$ 1,617,330	$ 1,445,386	$ 1,445,386	$ 1,445,386
11	Required Increase in Revenue (%)	-4.09%	-4.09%	-4.09%	-14.29%	-14.29%	-14.29%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3

Arizona Water Company - Overgaard Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-2
Overgaard

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.4010%			
5	Subtotal (L3 - L4)	60.5990%			
6	**Revenue Conversion Factor (L1 / L5)**	1.650192907			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.3064%			
22	Effective Property Tax Factor (L 21 * L 22)	0.008021442			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.4010%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 268,523			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 40)	$ 414,540			
26	Required Increase in Operating Income (L24 - L25)		$ (146,017)		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 94,613			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 186,404			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ (91,791)		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 1,445,386			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 62,943			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 66,091			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ (3,148)		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ (240,956)		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 1,686,342	$ (240,956)	$ 1,445,386	
40	Operating Expenses Excluding Income Taxes	$ 1,085,398		$ 1,082,250	
41	Synchronized Interest (L47)	$ 118,017		$ 118,017	
42	Arizona Taxable Income (L36 - L37- L38)	$ 482,927		$ 245,118	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 33,650		$ 17,080
45	Federal Taxable Income (L33 - L35)	$ 449,276		$ 228,038	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 152,754		$ 77,533	
51	Total Federal Income Tax		$ 152,754		$ 77,533
52	Combined Federal and State Income Tax (L35 + L42)		$ 186,404		$ 94,613
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]		$ 152,753.91		34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [C], Line (17))	$ 3,315,094			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 118,017			

Arizona Water Company - Overgaard Water System
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Schedule AII-3
Overgaard

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 1,661,920	$ -	$ 1,661,920	$ (240,956)	$ 1,420,964
3	Miscellaneous	24,422	-	24,422	-	24,422
4	**Total Operating Revenues**	$ 1,686,342	$ -	$ 1,686,342	$ (240,956)	$ 1,445,386
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 58	$ -	$ 58	$ -	$ 58
9	Other	4,378	-	4,378	-	4,378
10	Pumping Expenses		-	-		
11	Purchased Power	71,171	-	71,171	-	71,171
12	Purchased Gas	-	-	-	-	-
13	Other	43,941	-	43,941	-	43,941
14	Water Treatment Expenses	14,733	-	14,733		14,733
15	Transmission and Distribution Expenses	237,473	(13,251)	224,222	-	224,222
16	Customer Accounting Expenses	207,198	-	207,198	-	207,198
17	Sales Expense	446	-	446	-	446
18	Administrative and General Expenses	279,673	(51,977)	227,696	-	227,696
19	**Total Operation and Maintenance Expense**	$ 859,072	$ (65,228)	$ 793,844	$ -	$ 793,844
20						
21	Depreciation and Amortization Expenses	214,780	(12,073)	202,707	-	202,707
22						
23	Taxes					
24	Federal Income Taxes	126,761	25,993	152,754	(75,221)	77,533
25	State Income Taxes	27,924	5,726	33,650	(16,570)	17,080
26	Property Taxes	65,159	932	66,091	(3,148)	62,943
27	Other	22,756	-	22,756	-	22,756
28	Total Taxes	$ 242,600	$ 32,651	$ 275,251	$ (94,939)	$ 180,312
29	**Total Operating Expenses**	$ 1,316,452	$ (44,649)	$ 1,271,802	$ (94,939)	$ 1,176,863
30	**Operating Income (Loss)**	$ 369,890	$ 44,649	$ 414,540	$ (146,017)	$ 268,523

References:
Column [A]: Company Schedule C-1 Pg. 10 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Overgaard Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-4
Overgaard

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,521,187	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,521,187
3	Commercial	129,575	-	-	-	-	-	-	-	-	129,575
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	1,195	-	-	-	-	-	-	-	-	1,195
6	Other Water Revenues	9,963	-	-	-	-	-	-	-	-	9,963
7	Total Water Revenues	$ 1,661,920	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,661,920
8											
9	Miscellaneous	24,422	-	-	-	-	-	-	-	-	24,422
10	Total Operating Revenues	$ 1,686,342	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,686,342
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 58	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 58
15	Other	4,378	-	-	-	-	-	-	-	-	4,378
16	Pumping Expenses										-
17	Purchased Power	71,171	-	-	-	-	-	-	-	-	71,171
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	43,941	-	-	-	-	-	-	-	-	43,941
20	Water Treatment Expenses	14,733	-	-	-	-	-	-	-	-	14,733
21	Transmission and Distribution Expenses	237,473	-	-	-	(13,251)	-	-	-	-	224,222
22	Customer Accounting Expenses	207,198	-	-	-	-	-	-	-	-	207,198
23	Sales Expense	446	-	-	-	-	-	-	-	-	446
24	Administrative and General Expenses	279,673	-	-	-	-	(51,977)	-	-	-	227,696
25	Total Operation and Maintenance Expense	$ 859,072	$ -	$ -	$ -	$ (13,251)	$ (51,977)	$ -	$ -	$ -	$ 793,844
26											
27	Depreciation and Amortization Expenses	214,780	-	-	-	-	-	(12,073)		-	202,707
28											
29	Taxes										
30	Federal Income Taxes	126,761	-	-	-	-	-	-	25,993	-	152,754
31	State Income Taxes	27,924	-	-	-	-	-	-	5,726	-	33,650
32	Property Taxes	65,159	-	-	-	-	-	-		932	66,091
33	Other	22,756	-	-	-	-	-	-	-	-	22,756
34	Total Taxes	$ 242,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 31,719	$ 932	$ 275,251
35											
36	Total Operating Expenses	$ 1,316,452	$ -	$ -	$ -	$ (26,502)	$ (103,954)	$ (12,073)	$ 31,719	$ 932	$ 1,271,802
37	**Operating Income (Income)**	$ 369,890	$ -	$ -	$ -	$ 26,502	$ 103,954	$ 12,073	$ (31,719)	$ (932)	$ 414,540

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

Arizona Water Company - Overgaard Water System
Docket No. W-01445A-08-0440
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Schedule AII-5
Overgaard

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ 58	$ -	$ 58
2	Other	4,378	-	4,378
3	Total Source of Supply Expenses	$ 4,436	$ -	$ 4,436

References:
Col [A]: Company Schedeule C-1 Page 10
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Overgaard Water System
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Schedule AII-6
Overgaard

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 71,171	$ -	$ 71,171
2	Purchased Gas	-	-	-
3	Other	43,941	-	43,941
4	Total Pumping Expenses	$ 115,112	$ -	$ 115,112

References:
Col [A]: Company Schedeule C-1 Page 10
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Overgaard Water System
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Test Year December 31, 2007

Schedule AII-7
Overgaard

OPERATING INCOME ADJUSTMENT NO 3. - WATER TREATMENT EXPENSE

LINE NO.		DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Water Treatment Expenses	$ 14,733	$ -	$ 14,733
2					
3					
4	Acct.		Company	Staff	Staff
5	No.	Operations Ledger	Recorded	Adjustment	Recommended
6	640	Water Treatment - Operations & Supervision	1,069	$ -	$ 1,069
7	641	Water Treatment - Operations Chemicals	6,009	-	6,009
8	642	Water Treatment - Operations Labor & Expense	8,181	-	8,181
9					
10		Maintenance Ledger			
11	650	Water Treatment - Maintenance & Supervision	5,340	-	5,340
12	651	Water Treatment - Maint Struct & Improvemt	-	-	-
13	652	Water Treatment - Maintenance & Equipment	4,364	-	4,364
14		Company Adjustments JMR-3. JMR-4 & JMR-7	(10,230)	-	(10,230)
15		Total	$ 14,733	$ -	$ 14,733

References:
Col [A]: Company Schedule C-1 Page 10
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Overgaard

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 237,473	$ (13,251)	$ 224,222
2				
3				
4				
5	Normalization of Three Year Actual Tank Maintananace Expense			
6		Year		Expense
7	Tank Maintenance expense	2005		3,057
8	Tank Maintenance expense	2006		413
9	Tank Maintenance expense	2007		9,778
10	Total			$ 13,248
11				
12	Normalized Three Year Average			$ 4,416
13	Company Proposed			$ 17,667
14	Staff Adjustment			$ (13,251)

References:
Col [A]: Company Schedule C-1 Page 10
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 279,673	$ (51,977)	$ 227,696

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony Reversal of JMR-7 "Conservation Revenue Recovery Expense".
Col [C]: Col. [A] + Col. [B]

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Schedule All-10
Overgaard

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 214,780	$ (12,073)	$ 202,707

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 26	$ 26	0.00%	$ -
2	302	Franchise Cost		-	-	0.00%	-
3	303	Other Intangibles		1,085	1,085	0.00%	-
4	310	Water Rights		116,245	116,245	0.00%	-
5	310	Other Source of Supply Land		15,826	15,826	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		577,081	577,081	3.13%	18,063
8	320	Pumping Plant Land		600	600	0.00%	-
9	321	Pumping Plant Structures & Improvements		36,187	36,187	2.86%	1,035
10	325	Electric Pumping Equipment		551,633	551,633	5.88%	32,436
11	328	Gas Engine Equipment		-	-	4.00%	-
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		166	166	2.50%	4
14	332	Water Treatment Equipment		58,825	58,825	2.86%	1,682
15	340	Transmission and Distribution - Land		29,568	29,568	0.00%	-
16	342	Storage Tanks		665,214	665,214	2.00%	13,304
17	343	Transmission and Distribution Mains		5,538,714	5,538,714	1.79%	99,143
18	344	Fire Sprinkler Taps		38,262	38,262	2.00%	765
19	345	Services		1,691,014	1,691,014	2.38%	40,246
20	346	Meters		225,602	225,602	4.55%	10,265
21	348	Hydrants		630,571	630,571	1.82%	11,476
22	389	General Plant Land		-	-	0.00%	-
23	390	General Plant Structures		225,338	225,338	2.50%	5,633
24	390	Leasehold Improvements	A	52,508	52,508	6.59%	3,460
25	391	Office Furniture & Equipment		261,748	261,748	6.67%	17,459
26	393	Warehouse Equipment		235	235	5.00%	12
27	394	Tools, Shops, and Garage Equipment		58,727	58,727	4.00%	2,349
28	395	Laboratory Equipment		547	547	5.00%	27
29	396	Power Operated Equipment		3,810	3,810	6.67%	254
30	397	Communications Equipment		113,536	113,536	6.67%	7,573
31	398	Miscellaneous Equipment		12,340	12,340	3.33%	411
32		Intentionally Left Blank		-	-		
33		Subtotal General		$ 10,905,405	$ 10,905,405		$ 265,598
34		Less: Non- depreciable Account(s)		163,350	163,350		
35		Depreciable Plant (L29-L30)		$ 10,742,056	$ 10,742,056		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 2,543,592			
37		Composite Depreciation/Amortization Rate		2.4725%			
38		Less: Amortization of CIAC (L32 x L33)					$ 62,890
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 202,707

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Schedule AII-11
Overgaard

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 126,761	$ 25,993	$ 152,754
2	State Income Taxes	27,924	5,726	33,650
3	Federal and State Income Tax Adjustments	$ 154,685	$ 31,719	$ 186,404

References:
Col [A]: Company Schedule C-1 Page 10
Col [B]: All Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Overgaard

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,686,342	$ 1,686,342
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,372,684	$ 3,372,684
4	Staff Recommended Revenue, Per Schedule AII-1	1,686,342	$ 1,445,386
5	Subtotal (Line 4 + Line 5)	5,059,026	4,818,070
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,686,342	$ 1,606,023
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,372,684	$ 3,212,046
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,372,684	$ 3,212,046.48
13	Assessment Ratio	23.0%	23.0%
14	Assessment Value (Line 12 * Line 13)	775,717	$ 738,771
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1	8.5200%	8.5200%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 66,091	
17	Company Proposed Property Tax	65,159	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ 932	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 62,943
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 66,091
21	Increase/(Decrease) to Property Tax Expense		$ (3,148)
22	Decrease to Property Tax Expense		$ (3,148)
23	Increase in Revenue Requirement		$ (240,956)
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.3064%

ARIZONA WATER COMPANY

NORTHERN GROUP:

LAKESIDE

Arizona Water Company - Lakeside Water System
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Schedule AII-1
Lakeside

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 7,169,218	$ 7,169,218	$ 7,169,218	$ 7,019,069	$ 7,019,069	$ 7,019,069
2	Adjusted Operating Income (Loss)	$ 517,717	$ 517,717	$ 517,717	$ 584,358	$ 584,358	$ 584,358
3	Current Rate of Return (L2 / L1)	7.22%	7.22%	7.22%	8.33%	8.33%	8.33%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 703,300	$ 703,300	$ 703,300	$ 568,545	$ 568,545	$ 568,545
6	Operating Income Deficiency (L5 - L2)	$ 185,583	$ 185,583	$ 185,583	$ (15,814)	$ (15,814)	$ (15,814)
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6520	1.6520	1.6520
8	Required Revenue Increase (L7 * L6)	$ 302,241	$ 302,241	$ 302,241	$ (26,125)	$ (26,125)	$ (26,125)
9	Adjusted Test Year Revenue	$ 2,588,944	$ 2,588,944	$ 2,588,944	$ 2,588,944	$ 2,588,944	$ 2,588,944
10	Proposed Annual Revenue (L8 + L9)	$ 2,891,185	$ 2,891,185	$ 2,891,185	$ 2,562,819	$ 2,562,819	$ 2,562,819
11	Required Increase in Revenue (%)	11.67%	11.67%	11.67%	-1.01%	-1.01%	-1.01%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3

Arizona Water Company - Lakeside Water System
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Schedule AII-2
Lakeside

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.4674%			
5	Subtotal (L3 - L4)	60.5326%			
6	**Revenue Conversion Factor (L1 / L5)**	1.652002361			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.4145%			
22	Effective Property Tax Factor (L 21 * L 22)	0.008685188			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.4674%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 568,545			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 40)	$ 584,358			
26	Required Increase in Operating Income (L24 - L25)		$ (15,814)		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 200,324			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 210,266			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ (9,941)		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 2,562,819			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AI2-11, L19)	$ 109,492			
36	Property Tax on Test Year Revenue (AI2-11, L 16)	$ 109,862			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ (370)		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ (26,125)		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 5 & Sch. AII-1, Col. [B], Line 10)	$ 2,588,944	$ (26,125)	$ 2,562,819	
40	Operating Expenses Excluding Income Taxes	$ 1,794,320		$ 1,793,950	
41	Synchronized Interest (L47)	$ 249,879		$ 249,879	
42	Arizona Taxable Income (L36 - L37- L38)	$ 544,745		$ 518,990	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 37,958		$ 36,163
45	Federal Taxable Income (L33 - L35)	$ 506,787		$ 482,827	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500	
47	Federal Tax on Second Income Bracket ($50,001 - $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%	$ 58,408		$ 50,261	
51	Total Federal Income Tax		$ 172,308		$ 164,161
52	Combined Federal and State Income Tax (L35 + L42)		$ 210,266		$ 200,324
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 7,019,069			
55	Weighted Average Cost of Debt (Schedule DCPI-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 249,879			

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Schedule All-3
Lakeside

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 2,563,365	$ -	$ 2,563,365	$ (26,125)	$ 2,537,240
3	Miscellaneous	25,579	-	25,579	-	25,579
4	**Total Operating Revenues**	$ 2,588,944	$ -	$ 2,588,944	$ (26,125)	$ 2,562,819
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 1,233	$ -	$ 1,233	$ -	$ 1,233
9	Other	5,184	-	5,184	-	5,184
10	Pumping Expenses					
11	Purchased Power	181,940	-	181,940	-	181,940
12	Purchased Gas	-	-	-	-	-
13	Other	53,677	-	53,677	-	53,677
14	Water Treatment Expenses	28,463	-	28,463		28,463
15	Transmission and Distribution Expenses	290,447	(23,439)	267,008	-	267,008
16	Customer Accounting Expenses	275,893	-	275,893	-	275,893
17	Sales Expense	686	-	686	-	686
18	Administrative and General Expenses	506,659	(96,920)	409,739	-	409,739
19	**Total Operation and Maintenance Expense**	$ 1,344,182	(120,359)	$ 1,223,823	-	$ 1,223,823
20						
21	Depreciation and Amortization Expenses	416,943	8,575	425,518	-	425,518
22						
23	Taxes					
24	Federal Income Taxes	129,724	42,584	172,308	(8,147)	164,161
25	State Income Taxes	28,577	9,381	37,958	(1,795)	36,163
26	Property Taxes	116,684	(6,822)	109,862	(370)	109,492
27	Other	35,117	-	35,117	-	35,117
28	Total Taxes	$ 310,102	$ 45,142	$ 355,244	$ (10,311)	$ 344,934
29	**Total Operating Expenses**	$ 2,071,227	$ (66,641)	$ 2,004,586	$ (10,311)	$ 1,994,275
30	**Operating Income (Loss)**	$ 517,717	$ 66,641	$ 584,358	$ (15,814)	$ 568,545

References:
Column [A]: Company Schedule C-1 Pg. 9 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

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Schedule AII-4
Lakeside

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 2,158,058	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,158,058
3	Commercial	374,740	-	-	-	-	-	-	-	-	374,740
4	Industrial	5,354	-	-	-	-	-	-	-	-	5,354
5	Private Fire Service	1,557	-	-	-	-	-	-	-	-	1,557
6	Other Water Revenues	23,656	-	-	-	-	-	-	-	-	23,656
7	Total Water Revenues	$ 2,563,365	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,563,365
8											
9	Miscellaneous	25,579	-	-	-	-	-	-	-	-	25,579
10	Total Operating Revenues	$ 2,588,944	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,588,944
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 1,233	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,233
15	Other	5,184	-	-	-	-	-	-	-	-	5,184
16	Pumping Expenses										
17	Purchased Power	181,940	-	-	-	-	-	-	-	-	181,940
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	53,677	-	-	-	-	-	-	-	-	53,677
20	Water Treatment Expenses	28,463	-	-	-	-	-	-	-	-	28,463
21	Transmission and Distribution Expenses	290,447	-	-	-	(23,439)	-	-	-	-	267,008
22	Customer Accounting Expenses	275,893	-	-	-	-	-	-	-	-	275,893
23	Sales Expense	686	-	-	-	-	-	-	-	-	686
24	Administrative and General Expenses	506,659	-	-	-	-	(96,920)	-	-	-	409,739
25	Total Operation and Maintenance Expense	$ 1,344,182	$ -	$ -	$ -	$ (23,439)	$ (96,920)	$ -	$ -	$ -	$ 1,223,823
26											
27	Depreciation and Amortization Expenses	416,943	-	-	-	-	-	8,575		-	425,518
28											
29	Taxes										
30	Federal Income Taxes	129,724	-	-	-	-	-	-	42,584	-	172,308
31	State Income Taxes	28,577	-	-	-	-	-	-	9,381	-	37,958
32	Property Taxes	116,684	-	-	-	-	-	-	-	(6,822)	109,862
33	Other	35,117	-	-	-	-	-	-	-	-	35,117
34	Total Taxes	$ 310,102	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,965	$ (6,822)	$ 355,244
35											
36	Total Operating Expenses	$ 2,071,227	$ -	$ -	$ -	$ (46,878)	$ (193,840)	$ 8,575	$ 51,965	$ (6,822)	$ 2,004,586
37	**Operating Income (Income)**	$ 517,717	$ -	$ -	$ -	$ 46,878	$ 193,840	$ (8,575)	$ (51,965)	$ 6,822	$ 584,358

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Lakeside

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ 1,233	$ -	$ 1,233
2	Other	5,184	-	5,184
3	Total Source of Supply Expenses	$ 6,417	$ -	$ 6,417

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule All-6
Lakeside

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 181,940	$ -	$ 181,940
2	Purchased Gas	-	-	-
3	Other	53,677	-	53,677
4	Total Pumping Expenses	$ 235,617	$ -	$ 235,617

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Lakeside Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-7
Lakeside

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 28,463	$ -	$ 28,463
2				
3				
4	Calculation of Water Treatment Expense Adjustment			
5		Company		Staff
6	Operations Ledger	Recorded	Adjustment	Recommended
7	640 Water Treatment - Operations & Supervision	$ 1,285	$ -	$ 1,285
8	641 Water Treatment - Operations Chemicals	7,672	-	6,010
9	642 Water Treatment - Operations Labor & Expense	10,326	-	10,326
10				
11	Maintenance Ledger			
12	650 Water Treatment - Maintenance & Supervision	6,418	-	6,418
13	651 Water Treatment - Maint Struct & Improvemt	-	-	-
14	652 Water Treatment - Maintenance & Equipment	5,252	-	5,252
15	Company Adjustments JMR-3.JMR-4 & JMR-7	(2,490)	-	(2,490)
16	Total	$ 28,463	$ -	$ 26,801

References:
Col [A]: Company Schedule C-1 Page 9
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Lakeside Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-8
Lakeside

OPERATING INCOME ADJUSTMENT NO. 4 -TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 290,447	$ (23,439)	$ 267,008
2				
3	Normalization of Three Year Actual Tank Maintananace Expense			
4		Year		Expense
5	Tank Maintenance expense	2005		-
6	Tank Maintenance expense	2006		-
7	Tank Maintenance expense	2007		-
8	Total			-
9				
10	Normalized Three Year Average(2004 cost adopted. No cost for 2005 - 2007)			3,309
11	Company Proposed			$ 26,748
12	Staff Adjsutment			(23,439)

References:
Col [A]: Company Schedule C-1 Page 9
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Lakeside Water System
Docket No. W-01445A-08-0440
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Schedule AII-9
Lakeside

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 506,659	$ (96,920)	$ 409,739

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]: AII Testimony Reversal of JMR-7 "Conservation Recovery Revenue expense".
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Lakeside Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule All-10
Lakeside

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expense	$ 416,943	$ 8,575	$ 425,518

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 40	$ 40	0.00%	$ -
2	302	Franchise Cost		-	-	0.00%	-
3	303	Other Intangibles		1,727	1,727	0.00%	-
4	310	Water Rights		220,859	220,859	0.00%	-
5	310	Other Source of Supply Land		14,338	14,338	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		1,181,737	1,181,737	3.13%	36,988
8	320	Pumping Plant Land		7,953	7,953	0.00%	-
9	321	Pumping Plant Structures & Improvements		110,147	110,147	2.86%	3,150
10	325	Electric Pumping Equipment		2,066,418	2,066,418	5.88%	121,505
11	328	Gas Engine Equipment		-	-	4.00%	-
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		397	397	2.50%	10
14	332	Water Treatment Equipment		71,947	71,947	2.86%	2,058
15	340	Transmission and Distribution - Land		23,558	23,558	0.00%	-
16	342	Storage Tanks		673,013	673,013	2.00%	13,460
17	343	Transmission and Distribution Mains		6,911,952	6,911,952	1.79%	123,724
18	344	Fire Sprinkler Taps		79,166	79,166	2.00%	1,583
19	345	Services		2,528,006	2,528,006	2.38%	60,167
20	346	Meters		325,313	325,313	4.55%	14,802
21	348	Hydrants		610,863	610,863	1.82%	11,118
22	389	General Plant Land		1,995	1,995	0.00%	-
23	390	General Plant Structures		104,383	104,383	2.50%	2,610
24	390	Leasehold Improvements	A	136,137	136,137	33.33%	45,374
25	391	Office Furniture & Equipment		408,013	408,013	6.67%	27,214
26	393	Warehouse Equipment		3,877	3,877	5.00%	194
27	394	Tools, Shops, and Garage Equipment		72,767	72,767	4.00%	2,911
28	395	Laboratory Equipment		640	640	5.00%	32
29	396	Power Operated Equipment		4,908	4,908	6.67%	327
30	397	Communications Equipment		145,758	145,758	6.67%	9,722
31	398	Miscellaneous Equipment		24,883	24,883	3.33%	829
32	-	Intentionally Left Blank		-	-		
33		Subtotal General		$ 15,730,795	$ 15,730,795		$ 477,778
34		Less: Non- depreciable Account(s)		262,517	262,517		
35		Depreciable Plant (L29-L30)		$ 15,468,278	$ 15,468,278		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 1,691,940			
37		Composite Depreciation/Amortization Rate		3.0888%			
38		Less: Amortization of CIAC (L32 x L33)					$ 52,260
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 425,518

Arizona Water Company - Lakeside Water System
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Schedule AII-11
Lakeside

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 129,724	$ 42,584	$ 172,308
2	State Income Taxes	28,577	9,381	37,958
3	Federal and State Income Taxes	$ 158,301	$ 51,965	$ 210,266

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Lakeside Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-12
Lakeside

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 2,588,944	$ 2,588,944
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	5,177,888	$ 5,177,888
4	Staff Recommended Revenue, Per Schedule AII-1	2,588,944	$ 2,562,819
5	Subtotal (Line 4 + Line 5)	7,766,832	7,740,707
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,588,944	$ 2,580,236
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	5,177,888	$ 5,160,472
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	5,177,888	$ 5,160,471.61
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	1,165,025	$ 1,161,106
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1(	9.4300%	9.4300%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 109,862	
17	Company Proposed Property Tax	116,684	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (6,822)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 109,492
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 109,862
21	Increase/(Decrease) to Property Tax Expense		$ (370)
22	Decrease to Property Tax Expense		$ (370)
23	Increase in Revenue Requirement		$ (26,125)
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.4145%

ARIZONA WATER COMPANY

WESTERN GROUP

Arizona Water Company - Consolidated Stsyetms for Western Group
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Western Group

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 51,955,034	$ 51,955,034	$ 51,955,034	$ 51,088,385	$ 51,088,385	$ 51,088,385
2	Adjusted Operating Income (Loss)	$ 1,082,152	$ 1,082,152	$ 1,082,152	$ 1,555,016	$ 1,555,016	$ 1,555,016
3	Current Rate of Return (L2 / L1)	2.08%	2.08%	2.08%	3.04%	3.04%	3.04%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 5,096,789	$ 5,096,789	$ 5,096,789	$ 4,138,159	$ 4,138,159	$ 4,138,159
6	Operating Income Deficiency (L5 - L2)	$ 4,014,637	$ 4,014,637	$ 4,014,637	$ 2,583,143	$ 2,583,143	$ 2,583,143
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6624	1.6624	1.6624
8	Required Revenue Increase (L7 * L6)	$ 6,538,238	$ 6,538,238	$ 6,538,238	$ 4,294,160	$ 4,294,160	$ 4,294,160
9	Adjusted Test Year Revenue	$ 14,997,503	$ 14,997,503	$ 14,997,503	$ 14,997,503	$ 14,997,503	$ 14,997,503
10	Proposed Annual Revenue (L8 + L9)	$ 21,535,741	$ 21,535,741	$ 21,535,741	$ 19,291,663	$ 19,291,663	$ 19,291,663
11	Required Increase in Revenue (%)	43.60%	43.60%	43.60%	28.63%	28.63%	28.63%
12	Rate of Return on Common Equity (%)	12.40%	12.40%	12.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consolidated Stsyetms for Western Group
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-3
Western Group

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$ 14,339,305	$ -	14,339,305	$ 4,294,160	18,633,465
3	Miscellaneous	658,198	-	658,198	-	658,198
4	**Total Operating Revenues**	$ 14,997,503	$ -	$ 14,997,503	$ 4,294,160	$ 19,291,663
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	683,543	(150,244)	533,299	-	533,299
9	Other	92,495	-	92,495	-	92,495
10	Pumping Expenses					
11	Purchased Power	1,709,936	15,250	1,725,186	-	1,725,186
12	Purchased Gas	1,387	-	1,387	-	1,387
13	Other	665,021	-	665,021	-	665,021
14	Water Treatment Expenses	668,394	6,861	675,255		675,255
15	Transmission and Distribution Expenses	2,438,873	(313,977)	2,124,896	-	2,124,896
16	Customer Accounting Expenses	1,287,087	-	1,287,087	-	1,287,087
17	Sales Expense	5,740	-	5,740	-	5,740
18	Administrative and General Expenses	2,359,829	-	2,359,829	-	2,359,829
19	**Total Operation and Maintenance Expense**	9,912,305	(442,109)	9,470,196	$ -	$ 9,470,196
20						
21	Depreciation and Amortization Expenses	3,147,532	(242,444)	2,905,088	-	2,905,088
22						
23	Taxes					
24	Federal Income Taxes	(435,206)	299,632	(135,574)	1,330,710	1,195,136
25	State Income Taxes	(95,872)	66,006	(29,866)	293,143	263,278
26	Property Taxes	1,051,877	(153,949)	897,928	87,164	985,092
27	Other	334,714	-	334,714	-	334,714
28	Total Taxes	$ 855,513	$ 211,689	$ 1,067,202	$ 1,711,017	$ 2,778,220
29	**Total Operating Expenses**	$ 13,915,350	$ (472,863)	$ 13,442,487	$ 1,711,017	$ 15,153,504
30	**Operating Income (Loss)**	$ 1,082,152	$ 472,863	$ 1,555,016	$ 2,583,143	$ 4,138,159

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

WESTERN GROUP:

CASA GRANDE
COOLIDGE
STANFIELD

Arizona Water Company - Consolidation of Casa Grande, Coolidge & Stanfield Water Systems
Docket No. W-01445A-08-0440
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Schedule AII-1
Consolidated Casa Grande
Coolidge
Stanfield

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 46,416,310	$ 46,416,310	$ 46,416,310	$ 45,602,135	$ 45,602,135	$ 45,602,135
2	Adjusted Operating Income (Loss)	$ 902,536	$ 902,536	$ 902,536	$ 1,272,968	$ 1,272,968	$ 1,272,968
3	Current Rate of Return (L2 / L1)	1.94%	1.94%	1.94%	2.79%	2.79%	2.79%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 4,553,440	$ 4,553,440	$ 4,553,440	$ 3,693,773	$ 3,693,773	$ 3,693,773
6	Operating Income Deficiency (L5 - L2)	$ 3,650,904	$ 3,650,904	$ 3,650,904	$ 2,420,805	$ 2,420,805	$ 2,420,805
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6631	1.6631	1.6631
8	Required Revenue Increase (L7 * L6)	$ 5,945,863	$ 5,945,863	$ 5,945,863	$ 4,026,115	$ 4,026,115	$ 4,026,115
9	Adjusted Test Year Revenue	$ 13,281,773	$ 13,281,773	$ 13,281,773	$ 13,281,773	$ 13,281,773	$ 13,281,773
10	Proposed Annual Revenue (L8 + L9)	$ 19,227,636	$ 19,227,636	$ 19,227,636	$ 17,307,888	$ 17,307,888	$ 17,307,888
11	Required Increase in Revenue (%)	44.77%	44.77%	44.77%	30.31%	30.31%	30.31%
12	Rate of Return on Common Equity (%)	12.40%	12.40%	12.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consolidation of Casa Grande, Coolidge & Stanfield Water Systems
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Test Year December 31, 2007

Schedule AII-3
Consolidated Casa Grande
Coolidge
Stanfield

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$ 12,639,575	$ -	$ 12,639,575	$ 4,026,115	$ 16,665,690
3	Miscellaneous	642,198	-	$ 642,198	-	642,198
4	**Total Operating Revenues**	$ 13,281,773	$ -	$ 13,281,773	$ 4,026,115	$ 17,307,888
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	374,207	-	374,207	-	374,207
9	Other	86,818	-	86,818	-	86,818
10	Pumping Expenses					
11	Purchased Power	1,601,058	-	1,601,058	-	1,601,058
12	Purchased Gas	1,387	-	1,387	-	1,387
13	Other	607,431	-	607,431	-	607,431
14	Water Treatment Expenses	628,515	-	628,515		628,515
15	Transmission and Distribution Expenses	2,198,976	(286,640)	1,912,337	-	1,912,337
16	Customer Accounting Expenses	1,185,392	-	1,185,392	-	1,185,392
17	Sales Expense	5,245	-	5,245	-	5,245
18	Administrative and General Expenses	2,157,603	-	2,157,603	-	2,157,603
19	**Total Operation and Maintenance Expense**	$ 8,846,632	$ (286,640)	$ 8,559,993	$ -	$ 8,559,993
20						
21	Depreciation and Amortization Expenses	2,801,883	(233,914)	2,567,969	-	2,567,969
22						
23	Taxes					
24	Federal Income Taxes	(421,911)	241,367	(180,544)	1,247,081	1,066,537
25	State Income Taxes	(92,943)	53,171	(39,772)	274,721	234,949
26	Property Taxes	972,176	(144,416)	827,760	83,507	911,267
27	Other	273,400	-	273,400	-	273,400
28	Total Taxes	$ 730,722	$ 150,122	$ 880,844	$ 1,605,310	$ 2,486,153
29	**Total Operating Expenses**	$ 12,379,237	$ (370,432)	$ 12,008,805	$ 1,605,310	$ 13,614,115
30	**Operating Income (Loss)**	$ 902,536	$ 370,432	$ 1,272,968	$ 2,420,805	$ 3,693,773

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

WESTERN GROUP:

CASA GRANDE

Arizona Water Company - Casa Grande Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Casa Grande

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 41,274,515	$ 41,274,515	$ 41,274,515	$ 40,554,691	$ 40,554,691	$ 40,554,691
2	Adjusted Operating Income (Loss)	$ 656,994	$ 656,994	$ 656,994	$ 1,029,038	$ 1,029,038	$ 1,029,038
3	Current Rate of Return (L2 / L1)	1.59%	1.59%	1.59%	2.54%	2.54%	2.54%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 4,050,790	$ 4,050,790	$ 4,050,790	$ 3,284,930	$ 3,284,930	$ 3,284,930
6	Operating Income Deficiency (L5 - L2)	$ 3,393,796	$ 3,393,796	$ 3,393,796	$ 2,255,892	$ 2,255,892	$ 2,255,892
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6629	1.6629	1.6629
8	Required Revenue Increase (L7 * L6)	$ 5,527,254	$ 5,527,254	$ 5,527,254	$ 3,751,224	$ 3,751,224	$ 3,751,224
9	Adjusted Test Year Revenue	$ 10,934,894	$ 10,934,894	$ 10,934,894	$ 10,934,894	$ 10,934,894	$ 10,934,894
10	Proposed Annual Revenue (L8 + L9)	$ 16,462,148	$ 16,462,148	$ 16,462,148	$ 14,686,118	$ 14,686,118	$ 14,686,118
11	Required Increase in Revenue (%)	50.55%	50.55%	50.55%	34.31%	34.31%	34.31%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Casa Grande Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-2
Casa Grande

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.8625%			
5	Subtotal (L3 - L4)	60.1375%			
6	**Revenue Conversion Factor (L1 / L5)**	1.662856371			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	2.0580%			
22	Effective Property Tax Factor (L 21 * L 22)	0.01263635			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.8625%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 3,284,930			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 1,029,038			
26	Required Increase in Operating Income (L24 - L25)		$ 2,255,892		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 1,157,432			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ (260,700)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 1,418,132		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 14,686,118			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 752,321			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 675,120			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L21)		$ 77,200		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 3,751,224		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[D], Line 4 & Sch. AII-1, Col. [E], Line 10)	$ 10,934,894	$ 3,751,224	$ 14,686,118	
40	Operating Expenses Excluding Income Taxes	$ 10,166,556		$ 10,243,757	
41	Synchronized Interest (L47)	$ 1,443,747		$ 1,443,747	
42	Arizona Taxable Income (L36 - L37- L38)	$ (675,409)		$ 2,998,615	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ (47,063)		$ 208,943
45	Federal Taxable Income (L33 - L35)	$ (628,347)		$ 2,789,671	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (7,500)		$ 7,500	
47	Federal Tax on Second Income Bracket ($50,001 - $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%	$ (99,738)		$ 834,588	
51	Total Federal Income Tax		$ (213,638)		$ 948,488
52	Combined Federal and State Income Tax (L35 + L42)		$ (260,700)		$ 1,157,432
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 40,554,691			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 1,443,747			

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Schedule All-3
Casa Grande

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 10,345,212	$ -	$ 10,345,212	$ 3,751,224	$ 14,096,436
3	Miscellaneous	589,682	-	589,682	-	589,682
4	**Total Operating Revenues**	$ 10,934,894	$ -	$ 10,934,894	$ 3,751,224	$ 14,686,118
	OPERATING EXPENSES:					
5	Source of Supply Expenses					
6	Purchased Water	$ 374,207	$ -	$ 374,207	$ -	$ 374,207
7	Other	76,178	-	76,178	-	76,178
8	Pumping Expenses					
9	Purchased Power	1,387,878	-	1,387,878	-	1,387,878
10	Purchased Gas	509	-	509	-	509
11	Other	537,890	-	537,890	-	537,890
12	Water Treatment Expenses	531,617	-	531,617		531,617
13	Transmission and Distribution Expenses	1,887,995	(303,588)	1,584,407	-	1,584,407
14	Customer Accounting Expenses	909,384	-	909,384	-	909,384
15	Sales Expense	4,312	-	4,312	-	4,312
16	Administrative and General Expenses	1,761,682	-	1,761,682	-	1,761,682
17	**Total Operation and Maintenance Expense**	$ 7,471,653	$ (303,588)	$ 7,168,065	$ -	$ 7,168,065
18	Depreciation and Amortization Expenses	2,329,760	(225,735)	2,104,025	-	2,104,025
19	Taxes					
20	Federal Income Taxes	(450,160)	236,522	(213,638)	1,162,126	948,488
21	State Income Taxes	(99,166)	52,103	(47,063)	256,006	208,943
22	Property Taxes	806,467	(131,347)	675,120	77,200	752,321
23	Other	219,346	-	219,346	-	219,346
24	Total Taxes	$ 476,487	$ 157,279	$ 633,766	$ 1,495,332	$ 2,129,098
25	**Total Operating Expenses**	$ 10,277,900	$ (372,044)	$ 9,905,856	$ 1,495,332	$ 11,401,188
26	**Operating Income (Loss)**	$ 656,994	$ 372,044	$ 1,029,038	$ 2,255,892	$ 3,284,930

References:
Column [A]: Company Schedule C-1 Pg. 7 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Casa Grande Water System
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Schedule AII-4
Casa Grande

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 6,578,320	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,578,320
3	Commercial	2,217,689	-	-	-	-	-	-	-	-	2,217,689
4	Industrial	1,085,224	-	-	-	-	-	-	-	-	1,085,224
5	Private Fire Service	13,268	-	-	-	-	-	-	-	-	13,268
6	Other Water Revenues	450,711	-	-	-	-	-	-	-	-	450,711
7	Total Water Revenues	$ 10,345,212	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,345,212
8											
9	Miscellaneous	589,682	-	-	-	-	-	-	-	-	589,682
10	Total Operating Revenues	$ 10,934,894	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,934,894
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 374,207	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 374,207
15	Other	76,178	-	-	-	-	-	-	-	-	76,178
16	Pumping Expenses										
17	Purchased Power	1,387,878	-	-	-	-	-	-	-	-	1,387,878
18	Purchased Gas	509	-	-	-	-	-	-	-	-	509
19	Other	537,890	-	-	-	-	-	-	-	-	537,890
20	Water Treatment Expenses	531,617	-	-	-	-	-	-	-	-	531,617
21	Transmission and Distribution Expenses	1,887,995	-	-	-	(303,588)	-	-	-	-	1,584,407
22	Customer Accounting Expenses	909,384	-	-	-	-	-	-	-	-	909,384
23	Sales Expense	4,312	-	-	-	-	-	-	-	-	4,312
24	Administrative and General Expenses	1,761,682	-	-	-	-	-	-	-	-	1,761,682
25	Total Operation and Maintenance Expense	$ 7,471,653	$ -	$ -	$ -	$ (303,588)	$ -	$ -	$ -	$ -	$ 7,168,065
26											
27	Depreciation and Amortization Expenses	2,329,760	-	-	-	-	-	(225,735)		-	2,104,025
28											
29	Taxes										
30	Federal Income Taxes	(450,160)	-	-	-	-	-	-	236,522	-	(213,638)
31	State Income Taxes	(99,166)	-	-	-	-	-	-	52,103	-	(47,063)
32	Property Taxes	806,467	-	-	-	-	-	-		(131,347)	675,120
33	Other	219,346	-	-	-	-	-	-	-	-	219,346
34	Total Taxes	$ 476,487	$ -	$ -	$ -	$ -	$ -	$ -	$ 288,626	$ (131,347)	$ 633,766
35											
36	Total Operating Expenses	$ 10,277,900	$ -	$ -	$ -	$ (607,176)	$ -	$ (225,735)	$ 288,626	$ (131,347)	$ 9,905,856
37	Operating Income (Income)	$ 656,994	$ -	$ -	$ -	$ 607,176	$ -	$ 225,735	$ (288,626)	$ 131,347	$ 1,029,038

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ 374,207	$ -	$ 374,207
2	Other	76,178	-	76,178
3	Total Source of Supply Expenses	$ 450,385	$ -	$ 450,385

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule All-6
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 1,387,878	$ -	$ 1,387,878
2	Purchased Gas	509	-	509
3	Other	537,890	-	537,890
4	Total Pumping Expenses	$ 1,926,277	$ -	$ 1,926,277

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 531,617	$ -	$ 531,617
2	Total	$ 531,617	$ -	$ 531,617
3				
4	Calculation of Water Treatment Expense Adjustment			
5		Company		Staff
6	ACCT. Operations Ledger	Recorded	Adjustment Amt	Recommended
7	640 Water Treatment - Operations & Supervision	$ 1,158	$ -	$ 1,158
8	641 Water Treatment - Operations Chemicals	135,843	-	135,843
9	642 Water Treatment - Operations Labor & Expense	74,638	-	74,638
10				
11	Maintenance Ledger			
12	650 Water Treatment - Maintenance & Supervision	1,158	-	1,158
13	651 Water Treatment - Maint Struct & Improvemt	20	-	20
14	652 Water Treatment - Maintenance & Equipment	70,222	-	70,222
15	Company Adjustment JMR-3, JMR-7 & JMR-14	248,578	-	248,578
16	Total	$ 531,617	$ -	$ 531,617

References:
Col [A]: Company Schedule C-1 Page 7
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 1,887,995	$ (303,588)	$ 1,584,407
2	Total	$ 1,887,995	$ (303,588)	$ 1,584,407
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		-
7	Tank Maintenance expense	2006		211,298
8	Tank Maintenance expense	2007		29,191
9	Total			240,490
10				
11	Normalized Three Year Actual Tank Maint.			$ 80,163
12	Company Proposed			$ 156,985
13	Staff Adjustment - Tank Maintenance Expense			$ (76,822)
14				
15	Normalization of Transmission and Distribution Expenses - Account Nos. 663 & 673			
16		Year	Account	Expense
17	Transmission & Distribution Expense - Meters	2005	663	342,211
18	Transmission & Distribution Expense - Meters	2006	663	452,164
19	Transmission & Distribution Expense - Meters	2007	663	562,900
20	Total			1,357,274
21				
22	Normalized over 3 years			452,425
23	Company Proposed			562,900
24	Staff Adjsutment			(110,475)
25				
26	Transmission & Distribution Expense - Meters	2005	673	216,203
27	Transmission & Distribution Expense - Meters	2006	673	238,946
28	Transmission & Distribution Expense - Meters	2007	673	402,011
29	Total			$ 857,159
30				
31	Normalized over 3 years			$ 285,720
32	Company Proposed			$ 402,011
33	Staff Adjsutment			$ (116,291)
34				
35	Total Staff Adjustments (L15 + L26 +L35)			$ (303,588)

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]: All Testimony, Company General Ledger
Col [C]: Col. [A] + Col. [B]

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Schedule AII-9
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative & General Expenses	$ 1,761,682	$ -	$ 1,761,682

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-10
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 2,329,760	$ (225,735)	$ 2,104,025

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
		Plant In Service				
1	301	Organization Cost	$ 173	$ 173	0.00%	$ -
2	302	Franchise Cost	65,375	65,375	0.00%	-
3	303	Other Intangibles	1,910,286	1,910,286	0.00%	-
4	310	Water Rights	237,537	237,537	0.00%	-
5	310	Other Source of Supply Land	205,905	205,905	0.00%	-
6	310	Wells - Other	-	-	0.00%	-
7	314	Wells	4,613,946	4,613,946	3.13%	144,417
8	320	Pumping Plant Land	6,013	6,013	0.00%	-
9	321	Pumping Plant Structures & Improvements	135,766	135,766	2.86%	3,883
10	325	Electric Pumping Equipment	5,435,721	5,435,721	5.88%	319,620
11	328	Gas Engine Equipment	-	-	4.00%	-
12	330	Water Treatment Plant - Land	680,718	680,718	0.00%	-
13	331	Water Treatment Structures and Improvements	1,015,338	1,015,338	2.50%	25,383
14	332	Water Treatment Equipment	5,416,741	5,416,741	2.86%	154,919
15	340	Transmission and Distribution - Land	64,886	64,886	0.00%	-
16	342	Storage Tanks	2,206,032	2,206,032	2.00%	44,121
17	343	Transmission and Distribution Mains	50,460,470	50,460,470	1.79%	903,242
18	344	Fire Sprinkler Taps	1,652,993	1,652,993	2.00%	33,060
19	345	Services	17,187,118	17,187,118	2.38%	409,053
20	346	Meters	2,237,548	2,237,548	4.55%	101,808
21	348	Hydrants	6,685,492	6,685,492	1.82%	121,676
22	389	General Plant Land	8,772	8,772	0.00%	-
23	390	General Plant Structures	459,316	459,316	2.50%	11,483
24	390	Leasehold Improvements	349,392	349,392	6.67%	23,304
25	391	Office Furniture & Equipment	1,397,537	1,397,537	6.67%	93,216
26	393	Warehouse Equipment	17,120	17,120	5.00%	856
27	394	Tools, Shops, and Garage Equipment	301,798	301,798	4.00%	12,072
28	395	Laboratory Equipment	39,827	39,827	5.00%	1,991
29	396	Power Operated Equipment	82,869	82,869	6.67%	5,527
30	397	Communications Equipment	525,358	525,358	6.67%	35,041
31	398	Miscellaneous Equipment	64,730	64,730	3.33%	2,156
32	-	Intentionally Left Blank	-	-		-
33		Subtotal General	$ 103,464,777	$ 103,464,777		$ 2,446,829
34		Less: Non- depreciable Account(s)	3,179,665	3,179,665		
35		Depreciable Plant (L29-L30)	$ 100,285,112	$ 100,285,112		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 14,050,085			
37		Composite Depreciation/Amortization Rate	2.4399%			
38		Less: Amortization of CIAC (L32 x L33)				$ 342,804
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 2,104,025

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Schedule AII-11
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Inxome Taxes	$ (450,160)	$ 236,522	$ (213,638)
2	State Income Taxes	(99,166)	52,103	(47,063)
3	Federal and State Income Taxes	$ (549,326)	$ 288,626	$ (260,700)

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Casa Grande Water System
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Schedule AII-12
Casa Grande

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 10,934,894	$ 10,934,894
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	21,869,788	$ 21,869,788
4	Staff Recommended Revenue, Per Schedule AII-1	10,934,894	$ 14,686,118
5	Subtotal (Line 4 + Line 5)	32,804,682	36,555,906
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	10,934,894	$ 12,185,302
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	21,869,788	$ 24,370,604
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	21,869,788	$ 24,370,604.13
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	4,920,702	$ 5,483,386
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	13.7200%	13.7200%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 675,120	
17	Company Proposed Property Tax	806,467	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (131,347)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 752,321
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 675,120
21	Increase/(Decrease) to Property Tax Expense		$ 77,200
22	Decrease to Property Tax Expense		$ 77,200
23	Increase in Revenue Requirement		$ 3,751,224
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.0580%

ARIZONA WATER COMPANY

WESTERN GROUP:

COOLIDGE

Arizona Water Company - Coolidge Water System
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Schedule AII-1
Coolidge

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 4,318,205	$ 4,318,205	$ 4,318,205	$ 4,256,413	$ 4,256,413	$ 4,256,413
2	Adjusted Operating Income (Loss)	$ 276,633	$ 276,633	$ 276,633	$ 282,987	$ 282,987	$ 282,987
3	Current Rate of Return (L2 / L1)	6.41%	6.41%	6.41%	6.65%	6.65%	6.65%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 423,616	$ 423,616	$ 423,616	$ 344,769	$ 344,769	$ 344,769
6	Operating Income Deficiency (L5 - L2)	$ 146,983	$ 146,983	$ 146,983	$ 61,783	$ 61,783	$ 61,783
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6645	1.6645	1.6645
8	Required Revenue Increase (L7 * L6)	$ 239,376	$ 239,376	$ 239,376	$ 102,838	$ 102,838	$ 102,838
9	Adjusted Test Year Revenue	$ 2,214,953	$ 2,214,953	$ 2,214,953	$ 2,214,953	$ 2,214,953	$ 2,214,953
10	Proposed Annual Revenue (L8 + L9)	$ 2,454,329	$ 2,454,329	$ 2,454,329	$ 2,317,791	$ 2,317,791	$ 2,317,791
11	Required Increase in Revenue (%)	10.81%	10.81%	10.81%	4.64%	4.64%	4.64%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Coolidge Water System
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Schedule AII-2
Coolidge

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.9224%			
5	Subtotal (L3 - L4)	60.0776%			
6	**Revenue Conversion Factor (L1 / L5)**	1.664513373			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	2.1555%			
22	Effective Property Tax Factor (L 21 * L 22)	0.013235011			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.9224%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 344,769			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 282,987			
26	Required Increase in Operating Income (L24 - L25)		$ 61,783		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 121,478			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 82,639			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 38,839		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 2,317,791			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 145,447			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 143,230			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 2,217		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 102,838		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch.AII-1, Col. [D], Line 10)	$ 2,214,953	$ 102,838	$ 2,317,791	
40	Operating Expenses Excluding Income Taxes	$ 1,849,327		$ 1,851,544	
41	Synchronized Interest (L47)	$ 151,528		$ 151,528	
42	Arizona Taxable Income (L36 - L37- L38)	$ 214,098		$ 314,719	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 14,918		$ 21,930
45	Federal Taxable Income (L33 - L35)	$ 199,179		$ 292,790	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 67,721		$ 99,548	
51	Total Federal Income Tax		$ 67,721		$ 99,548
52	Combined Federal and State Income Tax (L35 + L42)		$ 82,639		$ 121,478
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D]	$ 4,256,413			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 151,528			

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Schedule All-3
Coolidge

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 2,163,373	$ -	$ 2,163,373	$ 102,838	$ 2,266,211
3	Miscellaneous	51,580	-	51,580	-	51,580
4	**Total Operating Revenues**	$ 2,214,953	$ -	$ 2,214,953	$ 102,838	$ 2,317,791
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	10,262	-	10,262	-	10,262
10	Pumping Expenses			-		
11	Purchased Power	192,581	-	192,581	-	192,581
12	Purchased Gas	878	-	878	-	878
13	Other	64,710	-	64,710	-	64,710
14	Water Treatment Expenses	33,911	-	33,911		33,911
15	Transmission and Distribution Expenses	285,973	(1,457)	284,516	-	284,516
16	Customer Accounting Expenses	267,290	-	267,290	-	267,290
17	Sales Expense	890	-	890	-	890
18	Administrative and General Expenses	378,361	-	378,361	-	378,361
19	**Total Operation and Maintenance Expense**	$ 1,234,856	(1,457)	$ 1,233,399	-	$ 1,233,399
20						
21	Depreciation and Amortization Expenses	426,056	(5,890)	420,166	-	420,166
22						
23	Taxes					
24	Federal Income Taxes	60,002	7,719	67,721	31,827	99,548
25	State Income Taxes	13,218	1,700	14,918	7,011	21,930
26	Property Taxes	151,656	(8,426)	143,230	2,217	145,447
27	Other	52,532	-	52,532	-	52,532
28	Total Taxes	$ 277,408	$ 993	$ 278,401	$ 41,055	$ 319,457
29	**Total Operating Expenses**	$ 1,938,320	$ (6,354)	$ 1,931,966	$ 41,055	$ 1,973,022
30	**Operating Income (Loss)**	$ 276,633	$ 6,354	$ 282,987	$ 61,783	$ 344,769

References:
Column [A]: Company Schedule C-1 Pg. 9 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Coolidge Water System
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Schedule AII-4
Coolidge

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,458,989	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,458,989
3	Commercial	609,270	-	-	-	-	-	-	-	-	609,270
4	Industrial	8,657	-	-	-	-	-	-	-	-	8,657
5	Private Fire Service	1,673	-	-	-	-	-	-	-	-	1,673
6	Other Water Revenues	84,784	-	-	-	-	-	-	-	-	84,784
7	Total Water Revenues	$ 2,163,373	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,163,373
8											
9	Miscellaneous	51,580	-	-	-	-	-	-	-	-	51,580
10	Total Operating Revenues	$ 2,214,953	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,214,953
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	10,262	-	-	-	-	-	-	-	-	10,262
16	Pumping Expenses										
17	Purchased Power	192,581	-	-	-	-	-	-	-	-	192,581
18	Purchased Gas	878	-	-	-	-	-	-	-	-	878
19	Other	64,710	-	-	-	-	-	-	-	-	64,710
20	Water Treatment Expenses	33,911	-	-	-	-	-	-	-	-	33,911
21	Transmission and Distribution Expenses	285,973	-	-	-	(1,457)	-	-	-	-	284,516
22	Customer Accounting Expenses	267,290	-	-	-	-	-	-	-	-	267,290
23	Sales Expense	890	-	-	-	-	-	-	-	-	890
24	Administrative and General Expenses	378,361	-	-	-	-	-	-	-	-	378,361
25	Total Operation and Maintenance Expense	$ 1,234,856	$ -	$ -	$ -	$ (1,457)	$ -	$ -	$ -	$ -	$ 1,233,399
26											
27	Depreciation and Amortization Expenses	426,056	-	-	-	-	-	(5,890)		-	420,166
28											
29	Taxes										
30	Federal Income Taxes	60,002	-	-	-	-	-	-	7,719	-	67,721
31	State Income Taxes	13,218	-	-	-	-	-	-	1,700	-	14,918
32	Property Taxes	151,656	-	-	-	-	-	-		(8,426)	143,230
33	Other	52,532	-	-	-	-	-	-	-	-	52,532
34	Total Taxes	$ 277,408	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,419	$ (8,426)	$ 278,401
35											
36	Total Operating Expenses	$ 1,938,320	$ -	$ -	$ -	$ (2,914)	$ -	$ (5,890)	$ 9,419	$ (8,426)	$ 1,931,966
37	Operating Income (Income)	$ 276,633	$ -	$ -	$ -	$ 2,914	$ -	$ 5,890	$ (9,419)	$ 8,426	$ 282,987

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Coolidge

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	10,262	-	10,262
3	Total Source of Supply Expenses	$ 10,262	$ -	$ 10,262

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Coolidge

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 192,581	$ -	$ 192,581
2	Purchased Gas	878	-	878
3	Other	64,710	-	64,710
4	Total Pumping Expenses	$ 258,169	$ -	$ 258,169

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Coolidge

OPERATING INCOME ADJUSTMENT No. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 33,911	$ -	$ 33,911
2				
3	Calculation of Water Treatment Expense Adjustment			
4	Acct.	Company	Staff	Staff
5	No. Operations Ledger	Recorded	Adjustment	Recommended
6	640 Water Treatment - Operations & Supervision	$ 1,293	$ -	$ 1,293
7	641 Water Treatment - Operations Chemicals	10,428	-	10,428
8	642 Water Treatment - Operations Labor & Expense	15,303	-	15,303
9				
10	Maintenance Ledger			
11	650 Water Treatment - Maintenance & Supervision	1,293	-	1,293
12	651 Water Treatment - Maint Struct & Improvemt	-	-	-
13	652 Water Treatment - Maintenance & Equipment	4,538	-	4,538
14	Company Adjustment JMR-3, JMR-4 & JMR-7	1,056	-	1,056
15	Total	$ 33,911	$ -	$ 33,911

References:
Col [A]: Company Schedeule C-1 Page 9
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Coolidge

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 285,973	$ (1,457)	$ 284,516
2				
3				
4	Normalization of Five Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		(440)
7	Tank Maintenance expense	2006		4,453
8	Tank Maintenance expense	2007		86,335
9	Total			$ 90,348
10				
11	Normalized Five Year Average			$ 30,116
12	Company Proposed			$ 31,573
13	Staff Adjustment			$ (1,457)

References:
Col [A]: Company Schedule C-1 Page 9
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-9
Coolidge

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 378,361	$ -	$ 378,361

References:
Col [A]: Company Schedule C-1 Page 9
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Coolidge Water System
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Schedule All-10
Coolidge

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 426,056	$ (5,890)	$ 420,166

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service					
1	301	Organization Cost	$ 34	$ 34	0.00%	$ -
2	302	Franchise Cost	17,594	17,594	0.00%	$ -
3	303	Other Intangibles	24,383	24,383	0.00%	-
4	310	Water Rights	47,272	47,272	0.00%	-
5	310	Other Source of Supply Land	2,931	2,931	0.00%	-
6	310	Wells - Other	-	-		-
7	314	Wells	1,192,450	1,192,450	3.13%	37,324
8	320	Pumping Plant Land	25,685	25,685	0.00%	-
9	321	Pumping Plant Structures & Improvements	14,241	14,241	2.86%	407
10	325	Electric Pumping Equipment	1,341,002	1,341,002	5.88%	78,851
11	328	Gas Engine Equipment	20,026	20,026	4.00%	801
12	330	Water Treatment Plant - Land	-	-	0.00%	-
13	331	Water Treatment Structures and Improvements	175,584	175,584	2.50%	4,390
14	332	Water Treatment Equipment	669,833	669,833	2.86%	19,157
15	340	Transmission and Distribution - Land	-	-	0.00%	-
16	342	Storage Tanks	290,293	290,293	2.00%	5,806
17	343	Transmission and Distribution Mains	7,510,052	7,510,052	1.79%	134,430
18	344	Fire Sprinkler Taps	109,774	109,774	2.00%	2,195
19	345	Services	2,584,542	2,584,542	2.38%	61,512
20	346	Meters	508,592	508,592	4.55%	23,141
21	348	Hydrants	906,830	906,830	1.82%	16,504
22	389	General Plant Land	-	-	2.50%	-
23	390	General Plant Structures	42,676	42,676	6.67%	2,846
24	390	Leasehold Improvements	121,282	121,282	20.00%	24,256
25	391	Office Furniture & Equipment	334,331	334,331	6.67%	22,310
26	393	Warehouse Equipment	6,941	6,941	5.00%	347
27	394	Tools, Shops, and Garage Equipment	88,181	88,181	4.00%	3,527
28	395	Laboratory Equipment	12,232	12,232	5.00%	612
29	396	Power Operated Equipment	15,093	15,093	6.67%	1,007
30	397	Communications Equipment	132,403	132,403	6.67%	8,831
31	398	Miscellaneous Equipment	9,558	9,558	3.33%	318
32	-	Intentionally Left Blank	-	-		
33		Subtotal General	$ 16,203,815	$ 16,203,815		$ 439,424
34		Less: Non- depreciable Account(s)	117,899	117,899		
35		Depreciable Plant (L29-L30)	$ 16,085,916	$ 16,085,916		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 704,961			
37		Composite Depreciation/Amortization Rate	2.7317%			
38		Less: Amortization of CIAC (L32 x L33)				$ 19,258
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 420,166

Arizona Water Company - Coolidge Water System
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Schedule AII-11
Coolidge

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 60,002	$ 7,719	$ 67,721
2	State Income Taxes	13,218	1,700	14,918
3	Federal and State Income Tax Adjustments	$ 73,220	$ 9,419	$ 82,639

References:
Col [A]: Company Schedule C-1 Page 9
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Coolidge Water System
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Schedule All-12
Coolidge

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 2,214,953	$ 2,214,953
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	4,429,906	$ 4,429,906
4	Staff Recommended Revenue, Per Schedule All-1	2,214,953	$ 2,317,791
5	Subtotal (Line 4 + Line 5)	6,644,859	6,747,697
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,214,953	$ 2,249,232
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	4,429,906	$ 4,498,465
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	4,429,906	$ 4,498,464.85
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	996,729	$ 1,012,155
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16	14.3700%	14.3700%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 143,230	
17	Company Proposed Property Tax	151,656	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (8,426)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 145,447
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 143,230
21	Increase/(Decrease) to Property Tax Expense		$ 2,217
22	Decrease to Property Tax Expense		$ 2,217
23	Increase in Revenue Requirement		$ 102,838
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.1555%

ARIZONA WATER COMPANY

WESTERN GROUP:

STANFIELD

Arizona Water Company - Stanfield Water System
Docket No. W-01445A-08-0440
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Schedule AII-1
Stanfield

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 823,590	$ 823,590	$ 823,590	$ 791,031	$ 791,031	$ 791,031
2	Adjusted Operating Income (Loss)	$ (31,092)	$ (31,092)	$ (31,092)	$ (39,057)	$ (39,057)	$ (39,057)
3	Current Rate of Return (L2 / L1)	-3.78%	-3.78%	-3.78%	-4.94%	-4.94%	-4.94%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 80,794	$ 80,794	$ 80,794	$ 64,074	$ 64,074	$ 64,074
6	Operating Income Deficiency (L5 - L2)	$ 111,886	$ 111,886	$ 111,886	$ 103,130	$ 103,130	$ 103,130
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6683	1.6683	1.6683
8	Required Revenue Increase (L7 * L6)	$ 182,217	$ 182,217	$ 182,217	$ 172,052	$ 172,052	$ 172,052
9	Adjusted Test Year Revenue	$ 131,926	$ 131,926	$ 131,926	$ 131,926	$ 131,926	$ 131,926
10	Proposed Annual Revenue (L8 + L9)	$ 314,143	$ 314,143	$ 314,143	$ 303,978	$ 303,978	$ 303,978
11	Required Increase in Revenue (%)	138.12%	138.12%	138.12%	130.42%	130.42%	130.42%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

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Schedule AII-2
Stanfield

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	40.0587%			
5	Subtotal (L3 - L4)	59.9413%			
6	**Revenue Conversion Factor (L1 / L5)**	1.668298586			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	2.3775%			
22	Effective Property Tax Factor (L 21 * L 22)	0.014598116			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		40.0587%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 64,074			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ (39,057)			
26	Required Increase in Operating Income (L24 - L25)		$ 103,130		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 22,576			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ (42,255)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 64,831		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 303,978			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 13,500			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 9,410			
37	Increase in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 4,091		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 172,052		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 131,926	$ 172,052	$ 303,978	
40	Operating Expenses Excluding Income Taxes	$ 213,238		$ 217,329	
41	Synchronized Interest (L47)	$ 28,161		$ 28,161	
42	Arizona Taxable Income (L36 - L37- L38)	$ (109,473)		$ 58,489	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ (7,628)		$ 4,076
45	Federal Taxable Income (L33 - L35)	$ (101,845)		$ 54,413	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ (34,627)		$ 18,501	
51	Total Federal Income Tax		$ (34,627)		$ 18,501
52	Combined Federal and State Income Tax (L35 + L42)		$ (42,255)		$ 22,576
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D]	$ 791,031			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 28,161			

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Schedule AII-3
Stanfield

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 130,990	$ -	$ 130,990	$ 172,052	$ 303,042
3	Miscellaneous	936	-	936	-	936
4	**Total Operating Revenues**	$ 131,926	$ -	$ 131,926	$ 172,052	$ 303,978
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	378	-	378	-	378
10	Pumping Expenses			-		
11	Purchased Power	20,599	-	20,599	-	20,599
12	Purchased Gas	-	-	-	-	-
13	Other	4,831	-	4,831	-	4,831
14	Water Treatment Expenses	62,986	-	62,986		62,986
15	Transmission and Distribution Expenses	25,008	18,405	43,414	-	43,414
16	Customer Accounting Expenses	8,718	-	8,718	-	8,718
17	Sales Expense	43	-	43	-	43
18	Administrative and General Expenses	17,560	-	17,560	-	17,560
19	**Total Operation and Maintenance Expense**	$ 140,124	$ 18,405	$ 158,529	$ -	$ 158,529
20						
21	Depreciation and Amortization Expenses	46,067	(2,289)	43,778	-	43,778
22						
23	Taxes					
24	Federal Income Taxes	(31,753)	(2,874)	(34,627)	53,128	18,501
25	State Income Taxes	(6,995)	(633)	(7,628)	11,704	4,076
26	Property Taxes	14,053	(4,643)	9,410	4,091	13,500
27	Other	1,522	-	1,522	-	1,522
28	Total Taxes	$ (23,173)	$ (8,151)	$ (31,324)	$ 68,922	$ 37,598
29	**Total Operating Expenses**	$ 163,018	-	$ 170,983	$ 68,922	$ 239,905
30	**Operating Income (Loss)**	$ (31,092)	$ -	$ (39,057)	$ 103,130	$ 64,074

References:
Column [A]: Company Schedule C-1 Pg. 7 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

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Schedule AII-4
Stanfield

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 88,841	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 88,841
3	Commercial	22,651	-	-	-	-	-	-	-	-	22,651
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	-	-	-	-	-	-	-	-	-	-
6	Other Water Revenues	19,498	-	-	-	-	-	-	-	-	19,498
7	Total Water Revenues	$ 130,990	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 130,990
8											
9	Miscellaneous	936	-	-	-	-	-	-	-	-	936
10	Total Operating Revenues	$ 131,926	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 131,926
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	378	-	-	-	-	-	-	-	-	378
16	Pumping Expenses										
17	Purchased Power	20,599	-	-	-	-	-	-	-	-	20,599
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	4,831	-	-	-	-	-	-	-	-	4,831
20	Water Treatment Expenses	62,986	-	-	-	-	-	-	-	-	62,986
21	Transmission and Distribution Expenses	25,008	-	-	-	18,405	-	-	-	-	43,414
22	Customer Accounting Expenses	8,718	-	-	-	-	-	-	-	-	8,718
23	Sales Expense	43	-	-	-	-	-	-	-	-	43
24	Administrative and General Expenses	17,560	-	-	-	-	-	-	-	-	17,560
25	Total Operation and Maintenance Expense	$ 140,124	$ -	$ -	$ -	$ 18,405	$ -	$ -	$ -	$ -	$ 158,529
26											
27	Depreciation and Amortization Expenses	46,067	-	-	-	-	-	(2,289)		-	43,778
28											
29	Taxes										
30	Federal Income Taxes	(31,753)	-	-	-	-	-	-	(2,674)	-	(34,627)
31	State Income Taxes	(6,995)	-	-	-	-	-	-	(633)	-	(7,628)
32	Property Taxes	14,053	-	-	-	-	-	-	-	(4,643)	9,410
33	Other	1,522	-	-	-	-	-	-	-	-	1,522
34	Total Taxes	$ (23,173)	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,507)	$ (4,643)	$ (31,324)
35											
36	Total Operating Expenses	$ 163,018	$ -	$ -	$ -	$ 36,810	$ -	$ (2,289)	$ (3,507)	$ (4,643)	$ 170,983
37	Operating Income (Income)	$ (31,092)	$ -	$ -	$ -	$ (36,810)	$ -	$ 2,289	$ 3,507	$ 4,643	$ (39,057)

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule All-5
Stanfield

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	378	-	378
3	Total Source of Supply Expenses	$ 378	$ -	$ 378

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Stanfield

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 20,599	$ -	$ 20,599
2	Purchased Gas	-	-	-
3	Other	4,831	-	4,831
4	Total Pumping Expenses	$ 25,430	$ -	$ 25,430

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Stanfield

OPERATING INCOME ADJUSTMENT N0. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 62,986	$ -	$ 62,986
2				
3	Calculation of Water Treatment Expense Adjustment			
4	Acct.	Company	Staff	Staff
5	No. Operations Ledger	Recorded	Adjustment	Recommended
6	640 Water Treatment - Operations & Supervision	12	$ -	$ 12
7	641 Water Treatment - Operations Chemicals	-	-	-
8	642 Water Treatment - Operations Labor & Expense	688	-	688
9				
10	Maintenance Ledger			
11	650 Water Treatment - Maintenance & Supervision	12	-	12
12	651 Water Treatment - Maint Struct & Improvemt	-	-	-
13	652 Water Treatment - Maintenance & Equipment	650	-	650
14	Company Adjustment JMR-3, JMR-4 & JMR-7	61,624	-	61,624
15	Total	$ 62,986	$ -	$ 62,986

References:
Col [A]: Company Schedule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Stanfield

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 25,008	$ 18,405	$ 43,414
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		7,785
7	Tank Maintenance expense	2006		277
8	Tank Maintenance expense	2007		73,464
9	Total			$ 81,526
10				
11	Normalized Three Year Average			$ 27,175
12	Company Proposed			$ 8,770
13	Staff Adjustment			$ 18,405

References:
Col [A]: Company Schedule C-1 Page 7
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-9
Stanfield

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 17,560	$ -	$ 17,560

References:
Col [A]: Company Schedeule C-1 Page 7
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule All-10
Stanfield

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 46,067	$ (2,289)	$ 43,778

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 2	$ 2	0.00%	$ -
2	302	Franchise Cost		$ -	$ -	0.00%	$ -
3	303	Other Intangibles		1,221	1,221	0.00%	-
4	310	Water Rights		3,035	3,035	0.00%	-
5	310	Other Source of Supply Land		10,593	10,593	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		159,281	159,281	3.13%	4,985
8	320	Pumping Plant Land		200	200	0.00%	-
9	321	Pumping Plant Structures & Improvements		213	213	2.86%	6
10	325	Electric Pumping Equipment		425,473	425,473	5.88%	25,018
11	328	Gas Engine Equipment		-	-	4.00%	-
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		6,778	6,778	2.50%	169
14	332	Water Treatment Equipment		(9,035)	(9,035)	2.86%	(258)
15	340	Transmission and Distribution - Land		-	-	0.00%	-
16	342	Storage Tanks		36,025	36,025	2.00%	721
17	343	Transmission and Distribution Mains		296,400	296,400	1.79%	5,306
18	344	Fire Sprinkler Taps		268	268	2.00%	5
19	345	Services		69,493	69,493	2.38%	1,654
20	346	Meters		22,259	22,259	4.55%	1,013
21	348	Hydrants		9,243	9,243	1.82%	168
22	389	General Plant Land		-	-	0.00%	-
23	390	General Plant Structures		1,569	1,569	2.50%	39
24	390	Leasehold Improvements	A	3,553	3,553	6.59%	234
25	391	Office Furniture & Equipment		12,012	12,012	6.67%	801
26	393	Warehouse Equipment		16	16	5.00%	1
27	394	Tools, Shops, and Garage Equipment		1,190	1,190	4.00%	48
28	395	Laboratory Equipment		11	11	5.00%	1
29	396	Power Operated Equipment		4	4	6.67%	0
30	397	Communications Equipment		87,747	87,747	6.67%	5,853
31	398	Miscellaneous Equipment		553	553	3.33%	18
32	-	Intentionally Left Blank		-	-		-
33		Subtotal General		$ 1,138,104	$ 1,138,104		$ 45,782
34		Less: Non- depreciable Account(s)		15,051	15,051		
35		Depreciable Plant (L29-L30)		$ 1,123,053	$ 1,123,053		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 49,164			
37		Composite Depreciation/Amortization Rate		4.0765%			
38		Less: Amortization of CIAC (L32 x L33)					$ 2,004
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 43,778

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Schedule AII-11
Stanfield

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (31,753)	$ (2,874)	$ (34,627)
2	State Income Taxes	(6,995)	(633)	(7,628)
3	Federal and State Income Taxes	$ (38,748)	$ (3,507)	$ (42,255)

References:
Col [A]: Company Schedule C-1 Page 7
Col [B]: AII Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Stanfield

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 131,926	$ 131,926
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	263,852	$ 263,852
4	Staff Recommended Revenue, Per Schedule AII-1	131,926	$ 303,978
5	Subtotal (Line 4 + Line 5)	395,778	567,830
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	131,926	$ 189,277
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	263,852	$ 378,553
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	263,852	$ 378,553.42
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	59,367	$ 85,175
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1	15.8500%	15.8500%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 9,410	
17	Company Proposed Property Tax	14,053	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (4,643)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 13,500
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 9,410
21	Increase/(Decrease) to Property Tax Expense		$ 4,091
22	Decrease to Property Tax Expense		$ 4,091
23	Increase in Revenue Requirement		$ 172,052
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.3775%

ARIZONA WATER COMPANY

WESTERN GROUP:

AJO

Arizona Water Company - Ajo Water System
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Schedule AII-1
Ajo

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 1,123,691	$ 1,123,691	$ 1,123,691	$ 1,113,530	$ 1,113,530	$ 1,113,530
2	Adjusted Operating Income (Loss)	$ 49,548	$ 49,548	$ 49,548	$ 45,463	$ 45,463	$ 45,463
3	Current Rate of Return (L2 / L1)	4.41%	4.41%	4.41%	4.08%	4.08%	4.08%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 110,234	$ 110,234	$ 110,234	$ 90,196	$ 90,196	$ 90,196
6	Operating Income Deficiency (L5 - L2)	$ 60,686	$ 60,686	$ 60,686	$ 44,733	$ 44,733	$ 44,733
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6568	1.6568	1.6568
8	Required Revenue Increase (L7 * L6)	$ 98,833	$ 98,833	$ 98,833	$ 74,114	$ 74,114	$ 74,114
9	Adjusted Test Year Revenue	$ 470,994	$ 470,994	$ 470,994	$ 470,994	$ 470,994	$ 470,994
10	Proposed Annual Revenue (L8 + L9)	$ 569,827	$ 569,827	$ 569,827	$ 545,108	$ 545,108	$ 545,108
11	Required Increase in Revenue (%)	20.98%	20.98%	20.98%	15.74%	15.74%	15.74%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Ajo Water System
Docket No. W-01445A-08-0440
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Schedule AII-2
Ajo

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.6424%			
5	Subtotal (L3 - L4)	60.3576%			
6	**Revenue Conversion Factor (L1 / L5)**	1.65679			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	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 44)	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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.6995%			
22	Effective Property Tax Factor (L 21 * L 22)	1.0435%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.6424%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 90,196			
25	AdjustedTest Year Operating Income (Loss) (ScheduleAII-3, Line 30)	$ 45,463			
26	Required Increase in Operating Income (L24 - L25)		$ 44,733		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 32,130			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 4,009			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 28,121		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 545,108			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 25,273			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 24,014			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 1,260		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 74,114		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [D], Line 10)	$ 470,994	$ 74,114	$ 545,108	
40	Operating Expenses Excluding Income Taxes	$ 421,522		$ 422,781	
41	Synchronized Interest (L47)	$ 39,085		$ 39,085	
42	Arizona Taxable Income (L36 - L37- L38)	$ 10,387		$ 83,241	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 724		$ 5,800
45	Federal Taxable Income (L33 - L35)	$ 9,663		$ 77,441	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 3,286		$ 26,330	
51	Total Federal Income Tax		$ 3,286		$ 26,330
52	Combined Federal and State Income Tax (L35 + L42)		$ 4,009		$ 32,130
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 1,113,530			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.51%			
56	Synchronized Interest (L45 X L46)	$ 39,085			

Arizona Water Company - Ajo Water System
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Schedule All-3
Ajo

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 467,325	$ -	$ 467,325	$ 74,114	$ 541,439
3	Miscellaneous	3,669	-	3,669	-	3,669
4	**Total Operating Revenues**	$ 470,994	$ -	$ 470,994	$ 74,114	$ 545,108
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 159,092	$ -	$ 159,092	$ -	$ 159,092
9	Other	71	-	71	-	71
10	Pumping Expenses		-	-		-
11	Purchased Power	3,297	-	3,297	-	3,297
12	Purchased Gas	-	-	-	-	-
13	Other	16,314	-	16,314	-	16,314
14	Water Treatment Expenses	4,904	-	4,904		4,904
15	Transmission and Distribution Expenses	66,320	8,167	74,487	-	74,487
16	Customer Accounting Expenses	29,076	-	29,076	-	29,076
17	Sales Expense	133	-	133	-	133
18	Administrative and General Expenses	55,525	-	55,525	-	55,525
19	**Total Operation and Maintenance Expense**	$ 334,732	8,167	$ 342,899	-	$ 342,899
20						
21	Depreciation and Amortization Expenses	51,154	-	50,262	-	50,262
22						
23	Taxes					
24	Federal Income Taxes	4,055	(769)	3,286	23,044	26,330
25	State Income Taxes	893	(169)	724	5,076	5,800
26	Property Taxes	26,265	(2,251)	24,014	1,260	25,273
27	Other	4,347	-	4,347	-	4,347
28	Total Taxes	$ 35,560	$ (3,190)	$ 32,370	$ 29,380	$ 61,750
29	**Total Operating Expenses**	$ 421,446	$ 4,977	$ 425,531	$ 29,380	$ 454,912
30	**Operating Income (Loss)**	$ 49,548	$ (4,977)	$ 45,463	$ 44,733	$ 90,196

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Ajo Water System
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Schedule All-4
Ajo

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 360,038	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 360,038
3	Commercial	106,351	-	-	-	-	-	-	-	-	106,351
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	124	-	-	-	-	-	-	-	-	124
6	Other Water Revenues	812	-	-	-	-	-	-	-	-	812
7	Total Water Revenues	$ 467,325	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 467,325
8											
9	Miscellaneous	3,669	-	-	-	-	-	-	-	-	3,669
10	Total Operating Revenues	$ 470,994	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 470,994
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 159,092	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	159,092
15	Other	71	-	-	-	-	-	-	-	-	71
16	Pumping Expenses										-
17	Purchased Power	3,297	-	-	-	-	-	-	-	-	3,297
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	16,314	-	-	-	-	-	-	-	-	16,314
20	Water Treatment Expenses	4,904	-	-	-	-	-	-	-	-	4,904
21	Transmission and Distribution Expenses	66,320	-	-	-	8,167	-	-	-	-	74,487
22	Customer Accounting Expenses	29,076	-	-	-	-	-	-	-	-	29,076
23	Sales Expense	133	-	-	-	-	-	-	-	-	133
24	Administrative and General Expenses	55,525	-	-	-	-	-	-	-	-	55,525
25	Total Operation and Maintenance Expense	$ 334,732	$ -	$ -	$ -	$ 8,167	$ -	$ -	$ -	$ -	$ 342,899
26											
27	Depreciation and Amortization Expenses	51,154	-	-	-	-	-	(892)	-	-	50,262
28											
29	Taxes										
30	Federal Income Taxes	4,055	-	-	-	-	-	-	(769)	-	3,286
31	State Income Taxes	893	-	-	-	-	-	-	(169)	-	724
32	Property Taxes	26,265	-	-	-	-		-	-	(2,251)	24,014
33	Other	4,347	-	-	-	-	-	-	-	-	4,347
34	Total Taxes	$ 35,560	$ -	$ -	$ -	$ -	$ -	$ -	$ (939)	$ (2,251)	$ 32,370
35											
36	Total Operating Expenses	$ 421,446	$ -	$ -	$ -	$ 8,167	$ -	$ (892)	$ (939)	$ (2,251)	$ 425,531
37	**Operating Income (Income)**	$ 49,548	$ -	$ -	$ -	$ (8,167)	$ -	$ 892	$ 939	$ 2,251	$ 45,463

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule All-5
2	Pumping Expense	Schedule All-6
3	Water Treatment Expenses	Schedule All-7
4	Transmission & Distribution Expense	Schedule All-8
5	General & Administrative	Schedule All-9
6	Depreciation Expenses	Schedule All-10
7	Income Taxes	Schedule All-11
8	Property Taxes	Schedule All-12

Arizona Water Company - Ajo Water System
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Schedule AII-6
Ajo

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 3,297	$ -	$ 3,297
2	Purchased Gas	-	-	-
3	Other	16,314	-	16,314
4	Total Pumping Expenses	$ 19,611	$ -	$ 19,611

References:
Col [A]: Company Schedeule C-1 Page 8
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Ajo Water System
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Schedule AII-7
Ajo

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 4,901	$ -	$ 4,901
2	Total	$ 4,901	$ -	$ 4,901
3				
4				
5	Calculation of Water Treatment Expense Adjustment			
6	Acct.	Company	Staff	Staff
7	No. Operations Ledger	Recorded	Adjustment	Recommended
8	640 Water Treatment - Operations & Supervision	$ 39	$ -	$ 39
9	641 Water Treatment - Operations Chemicals	448	-	448
10	642 Water Treatment - Operations Labor & Expense	2,242	-	2,242
11				
12	Maintenance Ledger			
13	650 Water Treatment - Maintenance & Supervision	39	-	39
14	651 Water Treatment - Maint Struct & Improvemt	1	-	1
15	652 Water Treatment - Maintenance & Equipment	2,132	-	2,132
16	Total	$ 4,901	$ -	$ 4,901

References:
Col [A]: Company Schedeule C-1 Page 8
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Ajo

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION AND DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 66,320	$ 8,167	$ 74,487
2	Total	$ 66,320	$ 8,167	$ 74,487
3				
4				
5	Normalization of Three Year Actual Tank Maintananace Expense			
6		Year		Expense
7	Tank Maintenance expense	2005		60,779
8	Tank Maintenance expense	2006		3,604
9	Tank Maintenance expense	2007		-
10	Total			$ 64,383
11				
12	Normalized Three Year Average			$ 21,461
13	Company Proposed			$ 13,294
14	Staff Adjustment			$ 8,167

References:
Col [A]: Company Schedeule C-1 Page 8
Col [B]: All Testimony, Company General Ledgers
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 55,525	$ -	$ 55,525

References:
Col [A]: Company Schedeule C-1 Page 8
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-10
Ajo

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION AND AMORTIZATION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	51154	$ (892)	$ 50,262
2	Total	$ 51,154	$ (892)	$ 50,262

CALCULATION OF DEPRECIATION AND AMORTIZATION EXPENSES

	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
3	301	Organization Cost		$ 5	$ 5	0.00%	$ -
4	302	Franchise Cost		-	-	0.00%	-
5	303	Other Intangibles		3,697	3,697	0.00%	-
6	310	Water Rights		8,675	8,675	0.00%	-
7	310	Other Source of Supply Land		1	1	0.00%	-
8	310	Wells - Other		-	-		-
9	314	Wells		802	802	3.13%	25
10	320	Pumping Plant Land		3,208	3,208	0.00%	-
11	321	Pumping Plant Structures & Improvements		3,015	3,015	2.86%	86
12	325	Electric Pumping Equipment		83,008	83,008	5.88%	4,881
13	328	Gas Engine Equipment		-	-	4.00%	-
14	330	Water Treatment Plant - Land		-	-	0.00%	-
15	331	Water Treatment Structures and Improvements		-	-	2.50%	-
16	332	Water Treatment Equipment		4,290	4,290	2.86%	123
17	340	Transmission and Distribution - Land		6,065	6,065	0.00%	-
18	342	Storage Tanks		160,356	160,356	2.00%	3,207
19	343	Transmission and Distribution Mains		1,319,760	1,319,760	1.79%	23,624
20	344	Fire Sprinkler Taps		18,030	18,030	2.00%	361
21	345	Services		280,887	280,887	2.38%	6,685
22	346	Meters		51,181	51,181	4.55%	2,329
23	348	Hydrants		80,099	80,099	1.82%	1,458
24	389	General Plant Land		-	-	0.00%	-
25	390	General Plant Structures		47,181	47,181	2.50%	1,180
26	390	Leasehold Improvements	A	10,659	10,659	3.13%	334
27	391	Office Furniture & Equipment		46,071	46,071	6.67%	3,073
28	393	Warehouse Equipment		241	241	5.00%	12
29	394	Tools, Shops, and Garage Equipment		10,587	10,587	4.00%	423
30	395	Laboratory Equipment		34,921	34,921	5.00%	1,746
31	396	Power Operated Equipment		3,246	3,246	6.67%	217
32	397	Communications Equipment		30,385	30,385	6.67%	2,027
33	398	Miscellaneous Equipment		826	826	3.33%	28
34	-	Intentionally Left Blank		-	-		-
33		Subtotal General		$ 2,207,198	$ 2,207,198		$ 51,816
34		Less: Non- depreciable Account(s)		21,651	21,651		
35		Depreciable Plant (L29-L30)		$ 2,185,547	$ 2,185,547		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 65,554			
37		Composite Depreciation/Amortization Rate		2.3709%			
38		Less: Amortization of CIAC (L32 x L33)					$ 1,554
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 50,262

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Schedule AII-11
Ajo

OPERATING INCOME ADJUSTMENT N0. 6 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 4,055	$ (769)	$ 3,286
2	State Income Taxes	893	(169)	724
3	Federal and State Income Taxes	$ 4,948	$ (939)	$ 4,009

References:
Col [A]: Company Schedeule C-1 Page 8
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Ajo Water System
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Schedule AII-12
Ajo

OPERATING INCOME ADJUSTMENT N0. 8 - PROPERTY TAXES

LINE NO.		Property Tax Calculation	STAFF AS ADJUSTED		STAFF RECOMMENDED
1		Staff Adjusted Test Year Revenues - 2007	$ 470,994	$	470,994
2		Weight Factor	2		2
3		Subtotal (Line 1 * Line 2)	941,988	$	941,988
4		Staff Recommended Revenue, Per Schedule AII-1	470,994	$	545,108
5		Subtotal (Line 4 + Line 5)	1,412,982		1,487,096
6		Number of Years	3		3
7		Three Year Average (Line 5 / Line 6)	470,994	$	495,699
8		Department of Revenue Mutilplier	2		2
9		Revenue Base Value (Line 7 * Line 8)	941,988	$	991,397
10		Plus: 10% of CWIP -	-		-
11		Less: Net Book Value of Licensed Vehicles	-	$	-
12		Full Cash Value (Line 9 + Line 10 - Line 11)	941,988	$	991,397.06
13		Assessment Ratio	22.5%		22.5%
14		Assessment Value (Line 12 * Line 13)	211,947	$	223,064
15		Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1	11.3300%		11.3300%
16		Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 24,014		
17		Company Proposed Property Tax	26,265		
18		Staff Test Year Adjustment (Line 16-Line 17)	$ (2,251)		
19		Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$	25,273
20		Staff Test Year Adjusted Property Tax Expense (Line 16)		$	24,014
21		Increase/(Decrease) to Property Tax Expense		$	1,260
22		Decrease to Property Tax Expense		$	1,260
23		Increase in Revenue Requirement		$	74,114
24		Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)			1.6995%

ARIZONA WATER COMPANY

WESTERN GROUP:

WHITE TANK

Arizona Water Company - White Tank Water System
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Schedule AII-1
White Tank

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 4,415,017	$ 4,415,017	$ 4,415,017	$ 4,372,718	$ 4,372,718	$ 4,372,718
2	Adjusted Operating Income (Loss)	$ 130,069	$ 130,069	$ 130,069	$ 236,586	$ 236,586	$ 236,586
3	Current Rate of Return (L2 / L1)	2.95%	2.95%	2.95%	5.41%	5.41%	5.41%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 433,113	$ 433,113	$ 433,113	$ 354,190	$ 354,190	$ 354,190
6	Operating Income Deficiency (L5 - L2)	$ 303,044	$ 303,044	$ 303,044	$ 117,605	$ 117,605	$ 117,605
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6490	1.6490	1.6490
8	Required Revenue Increase (L7 * L6)	$ 493,538	$ 493,538	$ 493,538	$ 193,932	$ 193,932	$ 193,932
9	Adjusted Test Year Revenue	$ 1,244,736	$ 1,244,736	$ 1,244,736	$ 1,244,736	$ 1,244,736	$ 1,244,736
10	Proposed Annual Revenue (L8 + L9)	$ 1,738,274	$ 1,738,274	$ 1,738,274	$ 1,438,668	$ 1,438,668	$ 1,438,668
11	Required Increase in Revenue (%)	39.65%	39.65%	39.65%	15.58%	15.58%	15.58%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - White Tank Water System
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Schedule AII-2
White Tank

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.3578%			
5	Subtotal (L3 - L4)	60.6422%			
6	**Revenue Conversion Factor (L1 / L5)**	1.649016633			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.2360%			
22	Effective Property Tax Factor (L 21 * L 22)	0.007589178			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.3578%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 354,190			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 236,586			
26	Required Increase in Operating Income (L24 - L25)		$ 117,605		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 124,797			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 50,867			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 73,930		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 1,438,668			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 48,552			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 46,155			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 2,397		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 193,932		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 1,244,736	$ 193,932	$ 1,438,668	$ -
40	Operating Expenses Excluding Income Taxes	$ 957,283		$ 959,680	
41	Synchronized Interest (L47)	$ 155,669		$ 155,669	
42	Arizona Taxable Income (L36 - L37- L38)	$ 131,784		$ 323,319	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 9,183		$ 22,529
45	Federal Taxable Income (L33 - L35)	$ 122,601		$ 300,790	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 41,684		$ 102,269	
51	Total Federal Income Tax		$ 41,684		$ 102,269
52	Combined Federal and State Income Tax (L35 + L42)		$ 50,867		$ 124,797
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-13, Col. [D])	$ 4,372,718			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 155,669			

Arizona Water Company - White Tank Water System
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Schedule All-3
White Tank

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Meered Revenues	$ 1,232,405	$ -	$ 1,232,405	$ 193,932	$ 1,426,337
3	Miscellaneous	12,331	-	12,331	-	12,331
4	**Total Operating Revenues**	$ 1,244,736	$ -	$ 1,244,736	$ 193,932	1,438,668
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 150,244	$ (150,244)	$ -	$ -	-
9	Other	5,606	-	5,606	-	5,606
10	Pumping Expenses					-
11	Purchased Power	105,581	15,250	120,831	-	120,831
12	Purchased Gas	-	-	-	-	-
13	Other	41,276	-	41,276	-	41,276
14	Water Treatment Expenses	34,975	6,861	41,836		41,836
15	Transmission and Distribution Expenses	173,577	(35,505)	138,072	-	138,072
16	Customer Accounting Expenses	72,619	-	72,619	-	72,619
17	Sales Expense	362	-	362	-	362
18	Administrative and General Expenses	146,701	-	146,701	-	146,701
19	**Total Operation and Maintenance Expense**	$ 730,941	(163,637)	$ 567,304	-	$ 567,304
20						
21	Depreciation and Amortization Expenses	294,495	(7,638)	286,857	-	286,857
22						
23	Taxes					
24	Federal Income Taxes	$ (17,350)	$ 59,034	$ 41,684	$ 60,584	102,269
25	State Income Taxes	(3,822)	13,005	9,183	13,346	22,529
26	Property Taxes	53,436	(7,281)	46,155	2,397	48,552
27	Other	56,967	-	56,967	-	56,967
28	Total Taxes	$ 89,231	$ 64,758	$ 153,989	$ 76,327	$ 230,316
29	**Total Operating Expenses**	$ 1,114,667	129,516	$ 1,008,150	$ 76,327	$ 1,084,478
30	**Operating Income (Loss)**	$ 130,069	$ (129,516)	$ 236,586	$ 117,605	$ 354,190

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - White Tank Water System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule All-4
White Tank

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,057,928	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,057,928
3	Commercial	119,358	-	-	-	-	-	-	-	-	119,358
4	Industrial	18,658	-	-	-	-	-	-	-	-	18,658
5	Private Fire Service	295	-	-	-	-	-	-	-	-	295
6	Other Water Revenues	36,166	-	-	-	-	-	-	-	-	36,166
7	Total Water Revenues	$ 1,232,405	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,232,405
8											
9	Miscellaneous	12,331	-	-	-	-	-	-	-	-	12,331
10	Total Operating Revenues	$ 1,244,736	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,244,736
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 150,244	$ (150,244)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	5,606	-	-	-	-	-	-	-	-	5,606
16	Pumping Expenses										
17	Purchased Power	105,581	-	15,250	-	-	-	-	-	-	120,831
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	41,276	-	-	-	-	-	-	-	-	41,276
20	Water Treatment Expenses	34,975	-	-	6,861	-	-	-	-	-	41,836
21	Transmission and Distribution Expenses	173,577	-	-	-	(35,505)	-	-	-	-	138,072
22	Customer Accounting Expenses	72,619	-	-	-	-	-	-	-	-	72,619
23	Sales Expense	362	-	-	-	-	-	-	-	-	362
24	Administrative and General Expenses	146,701	-	-	-	-	-	-	-	-	146,701
25	Total Operation and Maintenance Expense	$ 730,941	$ (150,244)	$ 15,250	$ 6,861	$ (35,505)	$ -	$ -	$ -	$ -	$ 567,304
26											
27	Depreciation and Amortization Expenses	294,495	-	-	-	-	-	(7,638)		-	286,857
28											
29	Taxes										
30	Federal Income Taxes	(17,350)	-	-	-	-	-	-	59,034	-	41,684
31	State Income Taxes	(3,822)	-	-	-	-	-	-	13,005	-	9,183
32	Property Taxes	53,436	-	-	-	-	-	-	-	(7,281)	46,155
33	Other	56,967	-	-	-	-	-	-	-	-	56,967
34	Total Taxes	$ 89,231	$ -	$ -	$ -	$ -	$ -	$ -	$ 72,039	$ (7,281)	$ 153,989
35											
36	Total Operating Expenses	$ 1,114,667	$ (300,488)	$ 30,501	$ 13,723	$ (71,009)	$ -	$ (7,638)	$ 72,039	$ (7,281)	$ 1,008,150
37	Operating Income (Income)	$ 130,069	$ 300,488	$ (30,501)	$ (13,723)	$ 71,009	$ -	$ 7,638	$ (72,039)	$ 7,281	$ 236,586

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule All-5
2	Pumping Expense	Schedule All-6
3	Water Treatment Expenses	Schedule All-7
4	Transmission & Distribution Expense	Schedule All-8
5	General & Administrative	Schedule All-9
6	Depreciation Expenses	Schedule All-10
7	Income Taxes	Schedule All-11
8	Property Taxes	Schedule All-12

Arizona Water Company - White Tank Water System
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Schedule AII-5
White Tank

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ 150,244	$ (150,244)	$ -
2	Other	5,606	-	5,606
3	Total Source of Supply Expenses	$ 155,850	$ (150,244)	$ 5,606

References:
Col [A]: Company Schedule C-1 Page 8
Col [B]: All Testimony, Company's Response to Staff Data Request 11-8
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - White Tank Water System
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Schedule AII-6
White Tank

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 105,581	$ 15,250	$ 120,831
2	Purchased Gas	-	-	-
3	Other	41,276	-	41,276
4	Total Pumping Expenses	$ 146,857	$ 15,250	$ 162,107

References:
Col [A]: Company Schedule C-1 Page 8
Col [B]: AII Testimony, Company response to Staff Data Request 11-8
Col [C]: Col. [A] + Col. [B]

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OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 34,975	$ 6,861	$ 41,836
2				
3				
4				
5	Calculation of Water Treatment Expense Adjustment			
6	Acct.		Company	Staff	Staff
7	No.	Operations Ledger	Recorded	Adjustment	Recommended
8	640	Water Treatment - Operations & Supervision	84	$ -	$ 84
9	641	Water Treatment - Operations Chemicals	8,608	-	8,608
10	642	Water Treatment - Operations Labor & Expense	5,628	6,861	12,489
11					
12		Maintenance Ledger			
13	650	Water Treatment - Maintenance & Supervision	84	-	84
14	651	Water Treatment - Maint Struct & Improvemt	1	-	1
15	652	Water Treatment - Maintenance & Equipment	5,233	-	5,233
16		Company Adjustment JMR-3, JMR-4,JMR-7 & JMR-14	15,337	-	15,337
17		Total	$ 34,975	$ 6,861	$ 41,836

References:
Col [A]: Company Schedule C-1 Page 8
Col [B]: All Testimony, Company response to Staff Data Request 11-8
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 173,577	$ (35,505)	$ 138,072
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		(809)
7	Tank Maintenance expense	2006		3,960
8	Tank Maintenance expense	2007		-
9	Total			$ 3,151
10				
11	Normalized Three Year Average			$ 1,050
12	Company Proposed			$ 36,555
13	Staff Adjustment			$ (35,505)

Arizona Water Company - White Tank Water System
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Schedule AII-9
White Tank

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 146,701	$ -	$ 146,701

References:
Col [A]: Company Schedeule C-1 Page 8
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - White Tank Water System
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Schedule All-10
White Tank

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 294,495	$ (7,638)	$ 286,857

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service					
1	301	Organization Cost	$ 15	$ 15	0.00%	$ -
2	302	Franchise Cost	-	-	0.00%	-
3	303	Other Intangibles	10,564	10,564	0.00%	-
4	310	Water Rights	21,233	21,233	0.00%	-
5	310	Other Source of Supply Land	28,523	28,523	0.00%	-
6	310	Wells - Other	-	-		-
7	314	Wells	563,051	563,051	3.13%	17,623
8	320	Pumping Plant Land	-	-		-
9	321	Pumping Plant Structures & Improvements	17,880	17,880	2.86%	511
10	325	Electric Pumping Equipment	828,899	828,899	5.88%	48,739
11	328	Gas Engine Equipment	-	-	4.00%	-
12	330	Water Treatment Plant - Land	-	-		-
13	331	Water Treatment Structures and Improvements	34,215	34,215	2.50%	855
14	332	Water Treatment Equipment	1,084,662	1,084,662	2.86%	31,021
15	340	Transmission and Distribution - Land	35,990	35,990		-
16	342	Storage Tanks	478,301	478,301	2.00%	9,566
17	343	Transmission and Distribution Mains	7,123,636	7,123,636	1.79%	127,513
18	344	Fire Sprinkler Taps	36,138	36,138	2.00%	723
19	345	Services	1,820,272	1,820,272	2.38%	43,322
20	346	Meters	202,921	202,921	4.55%	9,233
21	348	Hydrants	542,336	542,336	1.82%	9,871
22	389	General Plant Land	-	-	0.00%	-
23	390	General Plant Structures	28,954	28,954	2.50%	724
24	390	Leasehold Improvements	31,189	31,189	6.59%	2,055
25	391	Office Furniture & Equipment	122,156	122,156	6.67%	8,148
26	393	Warehouse Equipment	1,300	1,300	5.00%	65
27	394	Tools, Shops, and Garage Equipment	35,639	35,639	4.00%	1,426
28	395	Laboratory Equipment	4,010	4,010	5.00%	201
29	396	Power Operated Equipment	1,823	1,823	6.67%	122
30	397	Communications Equipment	32,161	32,161	6.67%	2,145
31	398	Miscellaneous Equipment	12,683	12,683	3.33%	422
32	-	Intentionally Left Blank	-	-		-
33		Subtotal General	$ 13,098,551	$ 13,098,551		$ 314,286
34		Less: Non- depreciable Account(s)	96,325	96,325		
35		Depreciable Plant (L29-L30)	$ 13,002,226	$ 13,002,226		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 1,134,727			
37		Composite Depreciation/Amortization Rate	2.4172%			
38		Less: Amortization of CIAC (L32 x L33)				$ 27,428
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 286,857

Arizona Water Company - White Tank Water System
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Schedule AII-11
White Tank

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (17,350)	$ 59,034	$ 41,684
2	State Income Taxes	(3,822)	13,005	9,183
3	Federal and State Income Taxes	$ (21,172)	$ 72,039	$ 50,867

References:
Col [A]: Company Schedule C-1 Page 8
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - White Tank Water System
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Schedule AII-12
White Tank

OPERATING INCOME ADJUSTMENT # 7 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,244,736	$ 1,244,736
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,489,472	$ 2,489,472
4	Staff Recommended Revenue, Per Schedule AII-1	1,244,736	$ 1,438,668
5	Subtotal (Line 4 + Line 5)	3,734,208	3,928,140
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,244,736	$ 1,309,380
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,489,472	$ 2,618,760
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,489,472	$ 2,618,759.98
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	560,131	$ 589,221
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1	8.2400%	8.2400%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 46,155	
17	Company Proposed Property Tax	53,436	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (7,281)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 48,552
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 46,155
21	Increase/(Decrease) to Property Tax Expense		$ 2,397
22	Decrease to Property Tax Expense		$ 2,397
23	Increase in Revenue Requirement		$ 193,932
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.2360%

ARIZONA WATER COMPANY

EASTERN GROUP

Arizona Water Company - Consolidated Systems for Eastern Group
Docket No. W-01445A-08-0440
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Schedule AII-1
Eastern Group

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 63,042,438	$ 63,042,438	$ 63,042,438	$ 62,062,690	$ 62,062,690	$ 62,062,690
2	Adjusted Operating Income (Loss)	$ 4,271,824	$ 4,271,824	$ 4,271,824	$ 2,780,006	$ 2,780,006	$ 2,780,006
3	Current Rate of Return (L2 / L1)	6.78%	6.78%	6.78%	4.48%	4.48%	4.48%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 6,184,463	$ 6,184,463	$ 6,184,463	$ 5,027,078	$ 5,027,078	$ 5,027,078
6	Operating Income Deficiency (L5 - L2)	$ 1,912,639	$ 1,912,639	$ 1,912,639	$ 2,247,072	$ 2,247,072	$ 2,247,072
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6615	1.6615	1.6615
8	Required Revenue Increase (L7 * L6)	$ 3,114,924	$ 3,114,924	$ 3,114,924	$ 3,733,442	$ 3,733,442	$ 3,733,442
9	Adjusted Test Year Revenue	$ 20,690,043	$ 20,690,043	$ 20,690,043	$ 19,013,249	$ 19,013,249	$ 19,013,249
10	Proposed Annual Revenue (L8 + L9)	$ 23,804,967	$ 23,804,967	$ 23,804,967	$ 22,746,691	$ 22,746,691	$ 22,746,691
11	Required Increase in Revenue (%)	15.06%	15.06%	15.06%	19.64%	19.64%	19.64%
12	Rate of Return on Common Equity (%)	12.40%	12.40%	12.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consolidated Systems for Eastern Group
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Schedule AII-3
Eastern Group

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$ 18,214,036	$ -	$ 18,214,036	$ 3,733,442	21,947,478
3	Miscellaneous	2,476,007	-	799,213	-	799,213
4	**Total Operating Revenues**	$ 20,690,043	$ -	$ 19,013,249	$ 3,733,442	$ 22,746,691
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	1,261,014	-	1,261,014	-	1,261,014
9	Other	80,001	-	80,001	-	80,001
10	Pumping Expenses					
11	Purchased Power	2,011,544	-	2,011,544	-	2,011,544
12	Purchased Gas	1,313	-	1,313	-	1,313
13	Other	586,584	-	586,584	-	586,584
14	Water Treatment Expenses	512,526	-	512,526		512,526
15	Transmission and Distribution Expenses	2,491,592	(167,615)	2,323,977	-	2,323,977
16	Customer Accounting Expenses	1,702,215	-	1,702,215	-	1,702,215
17	Sales Expense	9,883	-	9,883	-	9,883
18	Administrative and General Expenses	2,839,923	-	2,839,923	-	2,839,923
19	**Total Operation and Maintenance Expense**	11,496,595	(167,615)	11,328,980	$ -	$ 11,328,980
20						
21	Depreciation and Amortization Expenses	3,280,223	(72,583)	3,207,640	-	3,207,640
22						
23	Taxes					
24	Federal Income Taxes	132,312	161,620	293,932	1,157,582	1,451,515
25	State Income Taxes	29,147	35,604	64,751	255,005	319,756
26	Property Taxes	1,250,729	(142,003)	1,108,726	73,783	1,182,509
27	Other	229,214	-	229,214	-	229,214
28	Total Taxes	$ 1,641,402	$ 55,221	$ 1,696,623	$ 1,486,370	$ 3,182,993
29	**Total Operating Expenses**	$ 16,418,220	$ (184,977)	$ 16,233,243	$ 1,486,370	$ 17,719,613
30	**Operating Income (Loss)**	$ 4,271,824	$ 184,977	$ 2,780,006	$ 2,247,072	$ 5,027,078

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

EASTERN GROUP:

SUPERSTITION
MIAMI

Arizona Water Company - Consloidated Superstition & Miami Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Consolidated Superstition
Miami

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 51,088,156	$ 51,088,156	$ 51,088,156	$ 50,203,442	$ 50,203,442	$ 50,203,442
2	Adjusted Operating Income (Loss)	$ 1,994,251	$ 1,994,251	$ 1,994,251	$ 2,145,929	$ 2,145,929	$ 2,145,929
3	Current Rate of Return (L2 / L1)	3.90%	3.90%	3.90%	4.27%	4.27%	4.27%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 5,011,748	$ 5,011,748	$ 5,011,748	$ 4,066,479	$ 4,066,479	$ 4,066,479
6	Operating Income Deficiency (L5 - L2)	$ 3,017,497	$ 3,017,497	$ 3,017,497	$ 1,920,550	$ 1,920,550	$ 1,920,550
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6604	1.6604	1.6604
8	Required Revenue Increase (L7 * L6)	$ 4,914,296	$ 4,914,296	$ 4,914,296	$ 3,188,936	$ 3,188,936	$ 3,188,936
9	Adjusted Test Year Revenue	$ 13,790,582	$ 13,790,582	$ 13,790,582	$ 13,790,582	$ 13,790,582	$ 13,790,582
10	Proposed Annual Revenue (L8 + L9)	$ 18,704,878	$ 18,704,878	$ 18,704,878	$ 16,979,518	$ 16,979,518	$ 16,979,518
11	Required Increase in Revenue (%)	35.64%	35.64%	35.64%	23.12%	23.12%	23.12%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consloidated Superstition & Miami Systems
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-3
Consolidated Superstition
Miami

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 13,054,076	$ -	$ 13,054,076	$ 3,188,936	$ 16,243,012
3	Miscellaneous	736,506	-	736,506	-	736,506
4	**Total Operating Revenues**	$ 13,790,582	$ -	$ 13,790,582	$ 3,188,936	$ 16,979,518
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	1,019,696	-	1,019,696	-	1,019,696
9	Other	58,150	-	58,150	-	58,150
10	Pumping Expenses					
11	Purchased Power	1,370,623	-	1,370,623	-	1,370,623
12	Purchased Gas	-	-	-	-	-
13	Other	413,065	-	413,065	-	413,065
14	Water Treatment Expenses	399,409	-	399,409		399,409
15	Transmission and Distribution Expenses	1,693,190	(161,359)	1,531,831	-	1,531,831
16	Customer Accounting Expenses	1,171,771	-	1,171,771	-	1,171,771
17	Sales Expense	7,975	-	7,975	-	7,975
18	Administrative and General Expenses	1,986,168	-	1,986,168	-	1,986,168
19	**Total Operation and Maintenance Expense**	$ 8,120,047	$ (161,358.62)	$ 7,958,688	$ -	$ 7,958,688
20						
21	Depreciation and Amortization Expenses	2,524,773	(38,534)	2,486,239	-	2,486,239
22						
23	Taxes					
24	Federal Income Taxes	51,226	133,552	184,778	989,374	1,174,152
25	State Income Taxes	11,284	29,421	40,705	217,950	258,655
26	Property Taxes	922,937	(114,759)	808,178	61,062	869,240
27	Other	166,064	-	166,064	-	166,064
28	Total Taxes	$ 1,151,511	$ 48,214	$ 1,199,725	$ 1,268,386	$ 2,468,111
29	**Total Operating Expenses**	$ 11,796,331	$ (151,678)	$ 11,644,653	$ 1,268,386	$ 12,913,039
30	**Operating Income (Loss)**	$ 1,994,251	$ 151,678	$ 2,145,929	$ 1,920,550	$ 4,066,479

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

EASTERN GROUP:

SUPERSTITION

Arizona Water Company - Superstition System (Apache Junction and Superior Systems)
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Schedule AII-1
Superstition

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 43,424,545	$ 43,424,545	$ 43,424,545	$ 42,812,403	$ 42,812,403	$ 42,812,403
2	Adjusted Operating Income (Loss)	$ 1,850,403	$ 1,850,403	$ 1,850,403	$ 1,992,449	$ 1,992,449	$ 1,992,449
3	Current Rate of Return (L2 / L1)	4.26%	4.26%	4.26%	4.65%	4.65%	4.65%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 4,259,948	$ 4,259,948	$ 4,259,948	$ 3,467,805	$ 3,467,805	$ 3,467,805
6	Operating Income Deficiency (L5 - L2)	$ 2,409,545	$ 2,409,545	$ 2,409,545	$ 1,475,356	$ 1,475,356	$ 1,475,356
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6620	1.6620	1.6620
8	Required Revenue Increase (L7 * L6)	$ 3,924,185	$ 3,924,185	$ 3,924,185	$ 2,452,029	$ 2,452,029	$ 2,452,029
9	Adjusted Test Year Revenue	$ 11,939,904	$ 11,939,904	$ 11,939,904	$ 11,939,904	$ 11,939,904	$ 11,939,904
10	Proposed Annual Revenue (L8 + L9)	$ 15,864,089	$ 15,864,089	$ 15,864,089	$ 14,391,933	$ 14,391,933	$ 14,391,933
11	Required Increase in Revenue (%)	32.87%	32.87%	32.87%	20.54%	20.54%	20.54%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Superstition System (Apache Junction and Superior Systems)
Docket No. W-01445A-08-0440
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Schedule AII-2
Superstition

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.8312%			
5	Subtotal (L3 - L4)	60.1688%			
6	**Revenue Conversion Factor (L1 / L5)**	1.661990945			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	2.0070%			
22	Effective Property Tax Factor (L 21 * L 22)	0.012323205			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.8312%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 3,467,805			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 1,992,449			
26	Required Increase in Operating Income (L24 - L25)		$ 1,475,356		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 1,221,867			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 294,407			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 927,460		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 14,391,933			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 768,114			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 718,902			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 49,212		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 2,452,029		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 11,939,904	$ 2,452,029	$ 14,391,933	
40	Operating Expenses Excluding Income Taxes	$ 9,653,049		$ 9,702,261	
41	Synchronized Interest (L47)	$ 1,524,122		$ 1,524,122	
42	Arizona Taxable Income (L36 - L37- L38)	$ 762,734		$ 3,165,550	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 53,147		$ 220,576
45	Federal Taxable Income (L33 - L35)	$ 709,586		$ 2,944,974	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 241,259		$ 1,001,291	
51	Total Federal Income Tax		$ 241,259		$ 1,001,291
52	Combined Federal and State Income Tax (L35 + L42)		$ 294,407		$ 1,221,867
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 42,812,403			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 1,524,122			

Arizona Water Company - Superstition System (Apache Junction and Superior Systems)
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Schedule AII-3
Superstition

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 11,223,738	$ -	$ 11,223,738	$ 2,452,029	$ 13,675,767
3	Miscellaneous	716,166	-	716,166	-	716,166
4	**Total Operating Revenues**	$ 11,939,904	$ -	$ 11,939,904	$ 2,452,029	$ 14,391,933
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 1,019,696	$ -	$ 1,019,696	$ -	$ 1,019,696
9	Other	48,540	-	48,540	-	48,540
10	Pumping Expenses		-	-		
11	Purchased Power	1,170,704	-	1,170,704	-	1,170,704
12	Purchased Gas	-	-	-	-	-
13	Other	307,004	-	307,004	-	307,004
14	Water Treatment Expenses	389,035	-	389,035		389,035
15	Transmission and Distribution Expenses	1,339,695	(138,088)	1,201,607	-	1,201,607
16	Customer Accounting Expenses	945,427	-	945,427	-	945,427
17	Sales Expense	5,489	-	5,489	-	5,489
18	Administrative and General Expenses	1,591,413	-	1,591,413	-	1,591,413
19	**Total Operation and Maintenance Expense**	$ 6,817,003	$ (138,088.29)	$ 6,678,915	$ -	$ 6,678,915
20						
21	Depreciation and Amortization Expenses	2,169,209	-	2,118,069	-	2,118,069
22						
23	Taxes					
24	Federal Income Taxes	123,547	117,712	241,259	760,032	1,001,291
25	State Income Taxes	27,216	25,931	53,147	167,428	220,576
26	Property Taxes	815,362	(96,460)	718,902	49,212	768,114
27	Other	137,164	-	137,164	-	137,164
28	Total Taxes	$ 1,103,289	$ 47,183	$ 1,150,472	$ 976,672	$ 2,127,145
29	**Total Operating Expenses**	$ 10,089,501	$ (90,905)	$ 9,947,455	$ 976,672	$ 10,924,128
30	**Operating Income (Loss)**	$ 1,850,403	$ 90,905	$ 1,992,449	$ 1,475,356	$ 3,467,805

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Superstition System (Apache Junction and Superior Systems)
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Schedule All-4
Superstition

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Treatment ADJ #1	[C] Tank Maintenance ADJ #2	[D] Depreciation Expense ADJ #3	[E] Income Taxes ADJ #4	[F] Property Taxes ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 8,708,170	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,708,170
3	Commercial	2,125,918	-	-	-	-	-	-	-	-	2,125,918
4	Industrial	35,010	-	-	-	-	-	-	-	-	35,010
5	Private Fire Service	8,293	-	-	-	-	-	-	-	-	8,293
6	Other Water Revenues	346,347	-	-	-	-	-	-	-	-	346,347
7	Total Water Revenues	$ 11,223,738	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,223,738
8											
9	Miscellaneous	716,166	-	-	-	-	-	-	-	-	716,166
10	Total Operating Revenues	$ 11,939,904	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,939,904
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 1,019,696	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,019,696
15	Other	48,540	-	-	-	-	-	-	-	-	48,540
16	Pumping Expenses										
17	Purchased Power	1,170,704	-	-	-	-	-	-	-	-	1,170,704
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	307,004	-	-	-	-	-	-	-	-	307,004
20	Water Treatment Expenses	389,035	-	-	-	-	-	-	-	-	389,035
21	Transmission and Distribution Expenses	1,339,695	-	-	-	(138,088)	-	-	-	-	1,201,607
22	Customer Accounting Expenses	945,427	-	-	-	-	-	-	-	-	945,427
23	Sales Expense	5,489	-	-	-	-	-	-	-	-	5,489
24	Administrative and General Expenses	1,591,413	-	-	-	-	-	-	-	-	1,591,413
25	Total Operation and Maintenance Expense	$ 6,817,003	$ -	$ -	$ -	$ (138,088)	$ -	$ -	$ -	$ -	$ 6,678,915
26											
27	Depreciation and Amortization Expenses	2,169,209	-	-	-	-	-	(51,140)	-	-	2,118,069
28											
29	Taxes										
30	Federal Income Taxes	123,547	-	-	-	-	-	-	117,712	-	241,259
31	State Income Taxes	27,216	-	-	-	-	-	-	25,931	-	53,147
32	Property Taxes	815,362	-	-	-	-	-	-	-	(96,460)	718,902
33	Other	137,164	-	-	-	-	-	-	-	-	137,164
34	Total Taxes	$ 1,103,289	$ -	$ -	$ -	$ -	$ -	$ -	$ 143,644	$ (96,460)	$ 1,150,472
35											
36	Total Operating Expenses	$ 10,089,501	$ -	$ -	$ -	$ (276,177)	$ -	$ (51,140)	$ 143,644	$ (96,460)	$ 9,947,455
37	Operating Income (Income)	$ 1,850,403	$ -	$ -	$ -	$ 276,177	$ -	$ 51,140	$ (143,644)	$ 96,460	$ 1,992,449

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule All-5
2	Pumping Expense	Schedule All-6
3	Water Treatment Expenses	Schedule All-7
4	Transmission & Distribution Expense	Schedule All-8
5	General & Administrative	Schedule All-9
6	Depreciation Expenses	Schedule All-10
7	Income Taxes	Schedule All-11
8	Property Taxes	Schedule All-12

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ 1,019,696	$ -	$ 1,019,696
2	Other	48,540	-	48,540
3	Total Source of Supply Expenses	$ 1,068,236	$ -	$ 1,068,236

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 1,170,704	$ -	$ 1,170,704
2	Purchased Gas	-	-	-
3	Other	307,004	-	307,004
4	Total Pumping Expenses	$ 1,477,708	$ -	$ 1,477,708

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Superstition System (Apache Junction and Superior Systems)
Docket No. W-01445A-08-0440
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Schedule AII-7
Superstition

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 389,035	$ -	$ 389,035
2				
3				
4				
5	Calculation of Water Treatment Expense Adjustment			
6	Acct.			
7	No. Operations Ledger	Company Recorded	Staff Adjustment	Staff Recommended
8	640 Water Treatment - Operations & Supervision	21,999	$ -	$ 21,999
9	641 Water Treatment - Operations Chemicals	35,181	-	35,181
10	642 Water Treatment - Operations Labor & Expense	63,860	-	63,860
11				
12	Maintenance Ledger			
13	650 Water Treatment - Maintenance & Supervision	8,842	-	8,842
14	651 Water Treatment - Maint Struct & Improvemt	-	-	-
15	652 Water Treatment - Maintenance & Equipment	109,502	-	109,502
16	Company Adjustment JMR-3, JMR-4, JMR-7 & JMR-14	149,651	-	149,651
17	Total	$ 389,035	$ -	$ 389,035

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Superstition

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION AND DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 1,339,695	$ (138,088)	$ 1,201,607
2				
3	Normalization of Three Year Actual Tank Maintananace Expense			
4		Year		Expense
5	Tank Maintenance expense	2005		227,332
6	Tank Maintenance expense	2006		54,227
7	Tank Maintenance expense	2007		165,075
8	Total			$ 446,634
9				
10	Normalized Three Year Average			$ 148,878
11	Company Proposed			$ 175,554
12	Staff Adjustment			$ (26,676)
13				
14				
15	Normalization of Transmission and Distribution Expenses for Account Nos. 663 & 673			
16		Year	Account	Expense
17	Transmission & Distribution Expense - Meters	2005	663	$ 243,822
18	Transmission & Distribution Expense - Meters	2006	663	221,330
19	Transmission & Distribution Expense - Meters	2007	663	253,037
20	Total			718,190
21				
22	Normalized over 3 years			239,397
23	Company Proposed			253,037
24	Staff Adjsutment			(13,640)
25				
26	Transmission & Distribution Expense - Meters	2005	673	$ 94,811
27	Transmission & Distribution Expense - Meters	2006	673	$ 130,608
28	Transmission & Distribution Expense - Meters	2007	673	$ 259,368
29	Total			$ 484,787
30				
31	Normalized over 3 years			$ 161,596
32	Company Proposed			$ 259,368
33	Staff Adjsutment			$ (97,772)
34				
35	Total Staff Adjustments (L14 + L26 +L35)			$ (138,088)

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-9
Superstition

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 1,591,413	$ -	$ 1,591,413

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule All-10
Superstition

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 2,169,209	$ (51,140)	$ 2,118,069

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service					
1	301	Organization Cost	$ 162	$ 162	0.00%	$ -
2	302	Franchise Cost	5,644	5,644	0.00%	$ -
3	303	Other Intangibles	6,749	6,749	0.00%	-
4	310	Water Rights	362,960	362,960	0.00%	-
5	310	Other Source of Supply Land	63,210	63,210	0.00%	-
6	310	Wells - Other	-	-		-
7	314	Wells	4,301,561	4,301,561	3.13%	134,639
8	320	Pumping Plant Land	14,187	14,187	0.00%	-
9	321	Pumping Plant Structures & Improvements	147,562	147,562	2.86%	4,220
10	325	Electric Pumping Equipment	7,457,449	7,457,449	5.88%	438,498
11	328	Gas Engine Equipment	-	-	4.00%	-
12	330	Water Treatment Plant - Land	-	-	0.00%	-
13	331	Water Treatment Structures and Improvements	17,821	17,821	2.50%	446
14	332	Water Treatment Equipment	6,864,858	6,864,858	2.86%	196,335
15	340	Transmission and Distribution - Land	185,773	185,773	0.00%	-
16	342	Storage Tanks	4,453,351	4,453,351	2.00%	89,067
17	343	Transmission and Distribution Mains	47,182,264	47,182,264	1.79%	844,563
18	344	Fire Sprinkler Taps	570,481	570,481	2.00%	11,410
19	345	Services	11,514,584	11,514,584	2.38%	274,047
20	346	Meters	1,716,039	1,716,039	4.55%	78,080
21	348	Hydrants	3,292,465	3,292,465	1.82%	59,923
22	389	General Plant Land	47,015	47,015	0.00%	-
23	390	General Plant Structures	749,765	749,765	2.50%	18,744
24	390	Leasehold Improvements	1,140,045	1,140,045	6.67%	76,041
25	391	Office Furniture & Equipment	1,456,068	1,456,068	6.67%	97,120
26	393	Warehouse Equipment	5,987	5,987	5.00%	299
27	394	Tools, Shops, and Garage Equipment	346,377	346,377	4.00%	13,855
28	395	Laboratory Equipment	66,729	66,729	5.00%	3,336
29	396	Power Operated Equipment	36,279	36,279	6.67%	2,420
30	397	Communications Equipment	650,034	650,034	6.67%	43,357
31	398	Miscellaneous Equipment	50,120	50,120	3.33%	1,669
32	-	Intentionally Left Blank	-	-		-
33		Subtotal General	$ 92,705,540	$ 92,705,540		$ 2,388,068
34		Less: Non- depreciable Account(s)	685,700	685,700		
35		Depreciable Plant (L29-L30)	$ 92,019,840	$ 92,019,840		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 10,403,949			
37		Composite Depreciation/Amortization Rate	2.5952%			
38		Less: Amortization of CIAC (L32 x L33)				$ 270,000
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 2,118,069

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Schedule AII-11
Superstition

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 123,547	$ 117,712	$ 241,259
2	State Income Taxes	27,216	25,931	53,147
3	Federal and State Income Taxes	$ 150,763	$ 143,644	$ 294,407

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Superstition

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 11,939,904	$ 11,939,904
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	23,879,808	$ 23,879,808
4	Staff Recommended Revenue, Per Schedule AII-1	11,939,904	$ 14,391,933
5	Subtotal (Line 4 + Line 5)	35,819,712	38,271,741
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	11,939,904	$ 12,757,247
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	23,879,808	$ 25,514,494
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	23,879,808	$ 25,514,493.68
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	5,372,957	$ 5,740,761
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1	13.3800%	13.3800%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 718,902	
17	Company Proposed Property Tax	815,362	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (96,460)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 768,114
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 718,902
21	Increase/(Decrease) to Property Tax Expense		$ 49,212
22	Decrease to Property Tax Expense		$ 49,212
23	Increase in Revenue Requirement		$ 2,452,029
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.0070%

ARIZONA WATER COMPANY

EASTERN GROUP:

MIAMI

Arizona Water Company - Miami Water System
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Schedule AII-1
Miami

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 7,663,611	$ 7,663,611	$ 7,663,611	$ 7,391,039	$ 7,391,039	$ 7,391,039
2	Adjusted Operating Income (Loss)	$ 143,848	$ 143,848	$ 143,848	$ 153,480	$ 153,480	$ 153,480
3	Current Rate of Return (L2 / L1)	1.88%	1.88%	1.88%	2.08%	2.08%	2.08%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 751,800	$ 751,800	$ 751,800	$ 598,674	$ 598,674	$ 598,674
6	Operating Income Deficiency (L5 - L2)	$ 607,952	$ 607,952	$ 607,952	$ 445,194	$ 445,194	$ 445,194
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6553	1.6553	1.6553
8	Required Revenue Increase (L7 * L6)	$ 990,111	$ 990,111	$ 990,111	$ 736,907	$ 736,907	$ 736,907
9	Adjusted Test Year Revenue	$ 1,850,678	$ 1,850,678	$ 1,850,678	$ 1,850,678	$ 1,850,678	$ 1,850,678
10	Proposed Annual Revenue (L8 + L9)	$ 2,840,789	$ 2,840,789	$ 2,840,789	$ 2,587,585	$ 2,587,585	$ 2,587,585
11	Required Increase in Revenue (%)	53.50%	53.50%	53.50%	39.82%	39.82%	39.82%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3

Arizona Water Company - Miami Water System
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Schedule AII-2
Miami

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.5862%			
5	Subtotal (L3 - L4)	60.4138%			
6	**Revenue Conversion Factor (L1 / L5)**	1.655251227			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.6080%			
22	Effective Property Tax Factor (L 21 * L 22)	0.0098733			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.5862%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 598,674			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 40)	$ 153,480			
26	Required Increase in Operating Income (L24 - L25)		$ 445,194		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 210,940			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ (68,924)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 279,864		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 2,587,585			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 101,126			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 89,277			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 11,849		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 736,907		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 1,850,678	$ 736,907	$ 2,587,585	
40	Operating Expenses Excluding Income Taxes	$ 1,766,121		$ 1,777,971	
41	Synchronized Interest (L47)	$ 263,121		$ 263,121	
42	Arizona Taxable Income (L36 - L37- L38)	$ (178,564)		$ 546,494	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ (12,442)		$ 38,080
45	Federal Taxable Income (L33 - L35)	$ (166,122)		$ 508,414	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ (56,481)		$ 172,861	
51	Total Federal Income Tax		$ (56,481)		$ 172,861
52	Combined Federal and State Income Tax (L35 + L42)		$ (68,924)		$ 210,940
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [C], Line (17))	$ 7,391,039			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 263,121			

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Schedule AII-3
Miami

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 1,830,338	$ -	$ 1,830,338	$ 736,907	$ 2,567,245
3	Miscellaneous	20,340	-	20,340	-	20,340
4	**Total Operating Revenues**	$ 1,850,678	$ -	$ 1,850,678	$ 736,907	$ 2,587,585
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	9,610	-	9,610	-	9,610
10	Pumping Expenses					
11	Purchased Power	199,919	-	199,919	-	199,919
12	Purchased Gas	-	-	-	-	-
13	Other	106,061	-	106,061	-	106,061
14	Water Treatment Expenses	10,374	-	10,374	-	10,374
15	Transmission and Distribution Expenses	353,495	(23,270)	330,225	-	330,225
16	Customer Accounting Expenses	226,344	-	226,344	-	226,344
17	Sales Expense	2,486	-	2,486	-	2,486
18	Administrative and General Expenses	394,755	-	394,755	-	394,755
19	**Total Operation and Maintenance Expense**	$ 1,303,044	$ (23,270)	$ 1,279,774	$ -	$ 1,279,774
20						
21	Depreciation and Amortization Expenses	355,564	12,607	368,171	-	368,171
22						
23	Taxes					
24	Federal Income Taxes	(72,321)	15,840	(56,481)	229,342	172,861
25	State Income Taxes	(15,932)	3,490	(12,442)	50,522	38,080
26	Property Taxes	107,575	(18,298)	89,277	11,849	101,126
27	Other	28,900	-	28,900	-	28,900
28	Total Taxes	$ 48,222	$ 1,031	$ 49,253	$ 291,714	$ 340,967
29	**Total Operating Expenses**	$ 1,706,830	$ (9,632)	$ 1,697,198	$ 291,714	$ 1,988,911
30	**Operating Income (Loss)**	$ 143,848	$ 9,632	$ 153,480	$ 445,194	$ 598,674

References:
Column [A]: Company Schedule C-1 Pg. 6 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Miami Water System
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Schedule AII-4
Miami

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Treatment ADJ #1	[C] Tank Maintenance ADJ #2	[D] Deprecaition Expense ADJ #3	[E] Income Taxes ADJ #4	[F] Property Taxes ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,223,975	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,223,975
3	Commercial	491,044	-	-	-	-	-	-	-	-	491,044
4	Industrial	98,160	-	-	-	-	-	-	-	-	98,160
5	Private Fire Service	874	-	-	-	-	-	-	-	-	874
6	Other Water Revenues	16,285	-	-	-	-	-	-	-	-	16,285
7	Total Water Revenues	$ 1,830,338	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,830,338
8											
9	Miscellaneous	20,340	-	-	-	-	-	-	-	-	20,340
10	Total Operating Revenues	$ 1,850,678	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,850,678
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	9,610	-	-	-	-	-	-	-	-	9,610
16	Pumping Expenses										-
17	Purchased Power	199,919	-	-	-	-	-	-	-	-	199,919
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	106,061	-	-	-	-	-	-	-	-	106,061
20	Water Treatment Expenses	10,374	-	-	-	-	-	-	-	-	10,374
21	Transmission and Distribution Expenses	353,495	-	-	-	(23,270)	-	-	-	-	330,225
22	Customer Accounting Expenses	226,344	-	-	-	-	-	-	-	-	226,344
23	Sales Expense	2,486	-	-	-	-	-	-	-	-	2,486
24	Administrative and General Expenses	394,755	-	-	-	-	-	-	-	-	394,755
25	Total Operation and Maintenance Expense	$ 1,303,044	$ -	$ -	$ -	$ (23,270)	$ -	$ -	$ -	$ -	$ 1,279,774
26											
27	Depreciation and Amortization Expenses	355,564	-	-	-	-	-	12,607		-	368,171
28											
29	Taxes										
30	Federal Income Taxes	(72,321)	-	-	-	-	-	-	15,840	-	(56,481)
31	State Income Taxes	(15,932)	-	-	-	-	-	-	3,490	-	(12,442)
32	Property Taxes	107,575	-	-	-	-	-	-		(18,298)	89,277
33	Other	28,900	-	-	-	-	-	-	-	-	28,900
34	Total Taxes	$ 48,222	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,329	$ (18,298)	$ 49,253
35											
36	Total Operating Expenses	$ 1,706,830	$ -	$ -	$ -	$ (46,541)	$ -	$ 12,607	$ 19,329	$ (18,298)	$ 1,697,198
37	**Operating Income (Income)**	$ 143,848	$ -	$ -	$ -	$ 46,541	$ -	$ (12,607)	$ (19,329)	$ 18,298	$ 153,480

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule All-5
Miami

OPERATING INCOME ADJUSTMENT No. 1 - SOURCE OF SUPPLY

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	9,610	-	9,610
3	Total Source of Supply Expenses	$ 9,610	$ -	$ 9,610

References:
Col [A]: Company Schedeule C-1
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Miami Water System
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Schedule AII-5
Miami

OPERATING INCOME ADJUSTMENT No. 1 - SOURCE OF SUPPLY

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	9,610	-	9,610
3	Total Source of Supply Expenses	$ 9,610	$ -	$ 9,610

References:
Col [A]: Company Schedeule C-1, page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Miami Water System
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Schedule AII-6
Miami

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 199,919	$ -	$ 199,919
2	Purchased Gas	-	-	-
3	Other	106,061	-	106,061
4	Total Pumping Expenses	$ 305,980	$ -	$ 305,980

References:
Col [A]: Company Schedeule C-1 Page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Miami Water System
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Schedule All-7
Miami

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 10,374	$ -	$ 10,374

References:
Col [A]: Company Schedule C-1 Page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Miami Water System
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Schedule AII-8
Miami

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 353,495	$ (23,270)	$ 330,225
2				
3	Normalization of Three Year Actual Tank Maintananace Expense			
4		Year		Expense
5	Tank Maintenance expense	2005		1,559
6	Tank Maintenance expense	2006		689
7	Tank Maintenance expense	2007		568
8	Total			$ 2,816
9				
10	Normalized Three Year Average			$ 939
11	Company Proposed			$ 24,209
12	Staff Adjustment			$ (23,270)

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Miami Water System
Docket No. W-01445A-08-0440
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Schedule AII-9
Miami

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative & General Expenses	$ 394,755	$ -	$ 394,755

References:
Col [A]: Company Schedeule C-1 Page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Miami Water System
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Schedule AII-10
Miami

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIAITON EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 355,564	$ 12,607	$ 368,171

CALCULATION OF DEPRECIATION AND AMORTIZATION EXPENSES

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 32	$ 32	0.00%	$ -
2	302	Franchise Cost		1,225	1,225	0.00%	-
3	303	Other Intangibles		1,299	1,299	0.00%	-
4	310	Water Rights		372,478	372,478	0.00%	-
5	310	Other Source of Supply Land		90,605	90,605	0.00%	-
6	310.4	Wells - Other	A	1,526,600	1,526,600	4.17%	63,659
7	314	Wells		2,369,287	2,369,287	3.13%	74,159
8	320	Pumping Plant Land		4,723	4,723		-
9	321	Pumping Plant Structures & Improvements		107,047	107,047	2.86%	3,062
10	325	Electric Pumping Equipment		1,332,765	1,332,765	5.88%	78,367
11	328	Gas Engine Equipment		163	163	4.00%	7
12	330	Water Treatment Plant - Land		550	550		-
13	331	Water Treatment Structures and Improvements		21,056	21,056	2.50%	526
14	332	Water Treatment Equipment		64,530	64,530	2.86%	1,846
15	340	Transmission and Distribution - Land		5,835	5,835		-
16	342	Storage Tanks		441,841	441,841	2.00%	8,837
17	343	Transmission and Distribution Mains		3,470,341	3,470,341	1.79%	62,119
18	344	Fire Sprinkler Taps		60,776	60,776	2.00%	1,216
19	345	Services		906,504	906,504	2.38%	21,575
20	346	Meters		240,710	240,710	4.55%	10,952
21	348	Hydrants		155,474	155,474	1.82%	2,830
22	389	General Plant Land		7,046	7,046	0.00%	-
23	390	General Plant Structures		57,282	57,282	2.50%	1,432
24	390.1	Leasehold Improvements	B	103,396	103,396	20.00%	20,679
25	391	Office Furniture & Equipment		316,116	316,116	6.67%	21,085
26	393	Warehouse Equipment		5,877	5,877	5.00%	294
27	394	Tools, Shops, and Garage Equipment		133,027	133,027	4.00%	5,321
28	395	Laboratory Equipment		5,211	5,211	5.00%	261
29	396	Power Operated Equipment		7,549	7,549	6.67%	504
30	397	Communications Equipment		182,918	182,918	6.67%	12,201
31	398	Miscellaneous Equipment		30,460	30,460	3.33%	1,014
32	-	Intentionally Left Blank		-	-		
33		Subtotal General		$ 12,022,723	$ 12,022,723		$ 378,728
34		Less: Non- depreciable Account(s)		393,188	393,188		
35		Depreciable Plant (L29-L30)		$ 11,629,535	$ 11,629,535		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 324,169			
37		Composite Depreciation/Amortization Rate		3.2566%			
38		Less: Amortization of CIAC (L32 x L33)					$ 10,557
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 368,171

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Schedule AII-11
Miami

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (72,321)	$ 15,840	$ (56,481)
2	State Income Taxes	(15,932)	3,490	(12,442)
3	Federal and State Income Tax Adjustments	$ (88,253)	$ 19,329	$ (68,924)

References:
Col [A]: Company Schedule C-1 Page 6
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - Miami Water System
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Schedule AII-12
Miami

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,850,678	$ 1,850,678
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,701,356	$ 3,701,356
4	Staff Recommended Revenue, Per Schedule AII-1	1,850,678	$ 2,587,585
5	Subtotal (Line 4 + Line 5)	5,552,034	6,288,941
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,850,678	$ 2,096,314
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,701,356	$ 4,192,628
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,701,356	$ 4,192,627.59
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	832,805	$ 943,341
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	10.7200%	10.7200%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 89,277	
17	Company Proposed Property Tax	107,575	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (18,298)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 101,126
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 89,277
21	Increase/(Decrease) to Property Tax Expense		$ 11,849
22	Decrease to Property Tax Expense		$ 11,849
23	Increase in Revenue Requirement		$ 736,907
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.6080%

ARIZONA WATER COMPANY

EASTERN GROUP:

SIERRA VISTA
BISBEE

Arizona Water Company - Consolidated Sierra Vista & Bisbe Systems
Docket No. W-01445A-08-0440
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Schedule AII-1
Consolidated Sierra Vista
Bisbee

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 7,181,699	$ 7,181,699	$ 7,181,699	$ 7,111,304	$ 7,111,304	$ 7,111,304
2	Adjusted Operating Income (Loss)	$ 443,856	$ 443,856	$ 443,856	$ 445,317	$ 445,317	$ 445,317
3	Current Rate of Return (L2 / L1)	6.18%	6.18%	6.18%	6.26%	6.26%	6.26%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 704,525	$ 704,525	$ 704,525	$ 576,016	$ 576,016	$ 576,016
6	Operating Income Deficiency (L5 - L2)	$ 260,669	$ 260,669	$ 260,669	$ 130,698	$ 130,698	$ 130,698
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6937	1.6937	1.6937
8	Required Revenue Increase (L7 * L6)	$ 424,525	$ 424,525	$ 424,525	$ 221,370	$ 221,370	$ 221,370
9	Adjusted Test Year Revenue	$ 3,185,371	$ 3,185,371	$ 3,185,371	$ 3,185,371	$ 3,185,371	$ 3,185,371
10	Proposed Annual Revenue (L8 + L9)	$ 3,609,896	$ 3,609,896	$ 3,609,896	$ 3,406,741	$ 3,406,741	$ 3,406,741
11	Required Increase in Revenue (%)	13.33%	13.33%	13.33%	6.95%	6.95%	6.95%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Consolidated Sierra Vista & Bisbe Systems
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Schedule AII-3
Consolidated Sierra Vista
Bisbee

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 3,145,386	$ -	$ 3,145,386	$ 221,370	$ 3,366,756
3	Miscellaneous	39,985	-	39,985	-	39,985
4	**Total Operating Revenues**	$ 3,185,371	$ -	$ 3,185,371	$ 221,370	$ 3,406,741
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	-	$ -	$ -
9	Other	4,539	-	4,539	-	4,539
10	Pumping Expenses					
11	Purchased Power	445,517	-	445,517	-	445,517
12	Purchased Gas	1,313	-	1,313	-	1,313
13	Other	96,097	-	96,097	-	96,097
14	Water Treatment Expenses	55,387	-	55,387		55,387
15	Transmission and Distribution Expenses	484,031	6,541	490,572	-	490,572
16	Customer Accounting Expenses	314,042	-	314,042	-	314,042
17	Sales Expense	804	-	804	-	804
18	Administrative and General Expenses	544,833	-	544,833	-	544,833
19	**Total Operation and Maintenance Expense**	$ 1,946,563	$ 6,541	$ 1,953,104	$ -	$ 1,953,104
20						
21	Depreciation and Amortization Expenses	447,995	(608)	447,387	-	447,387
22						
23	Taxes					
24	Federal Income Taxes	91,435	3,959	95,394	70,924	166,318
25	State Income Taxes	20,142	1,395	21,537	15,101	36,638
26	Property Taxes	195,026	(12,748)	182,278	4,646	186,924
27	Other	40,354	-	40,354	-	40,354
28	Total Taxes	$ 346,957	$ (7,394)	$ 339,563	$ 90,672	$ 430,235
29	**Total Operating Expenses**	$ 2,741,515	$ (1,461)	$ 2,740,054	$ 90,672	$ 2,830,726
30	**Operating Income (Loss)**	$ 443,856	$ 1,461	$ 445,317	$ 130,698	$ 576,016

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

ARIZONA WATER COMPANY

EASTERN GROUP:

SIERRA VISTA

Arizona Water Company - Sierra Vista System
Docket No. W-01445A-08-0440
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Schedule AII-1
Sierra Vista

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 2,520,716	$ 2,520,716	$ 2,520,716	$ 2,491,943	$ 2,491,943	$ 2,491,943
2	Adjusted Operating Income (Loss)	$ 275,060	$ 275,060	$ 275,060	$ 276,860	$ 276,860	$ 276,860
3	Current Rate of Return (L2 / L1)	10.91%	10.91%	10.91%	11.11%	11.11%	11.11%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 247,282	$ 247,282	$ 247,282	$ 201,847	$ 201,847	$ 201,847
6	Operating Income Deficiency (L5 - L2)	$ (27,778)	$ (27,778)	$ (27,778)	$ (75,013)	$ (75,013)	$ (75,013)
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6586	1.6586	1.6586
8	Required Revenue Increase (L7 * L6)	$ (45,239)	$ (45,239)	$ (45,239)	$ (124,415)	$ (124,415)	$ (124,415)
9	Adjusted Test Year Revenue	$ 1,461,897	$ 1,461,897	$ 1,461,897	$ 1,461,897	$ 1,461,897	$ 1,461,897
10	Proposed Annual Revenue (L8 + L9)	$ 1,416,658	$ 1,416,658	$ 1,416,658	$ 1,337,482	$ 1,337,482	$ 1,337,482
11	Required Increase in Revenue (%)	-3.09%	-3.09%	-3.09%	-8.51%	-8.51%	-8.51%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Sierra Vista System
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Schedule AII-2
Sierra Vista

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.7078%			
5	Subtotal (L3 - L4)	60.2922%			
6	**Revenue Conversion Factor (L1 / L5)**	1.658588903			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.8060%			
22	Effective Property Tax Factor (L 21 * L 22)	0.011089042			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.7078%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 201,847			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 276,860			
26	Required Increase in Operating Income (L24 - L25)		$ (75,013)		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 71,120			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 118,276			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ (47,156)		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 1,337,482			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 76,959			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 79,206			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ (2,247)		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ (124,415)		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 1,461,897	$ (124,415)	$ 1,337,482	
40	Operating Expenses Excluding Income Taxes	$ 1,066,761		$ 1,064,514	
41	Synchronized Interest (L47)	$ 88,713		$ 88,713	
42	Arizona Taxable Income (L36 - L37- L38)	$ 306,422		$ 184,254	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 21,352		$ 12,839
45	Federal Taxable Income (L33 - L35)	$ 285,071		$ 171,415	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 96,924		$ 58,281	
51	Total Federal Income Tax		$ 96,924		$ 58,281
52	Combined Federal and State Income Tax (L35 + L42)		$ 118,276		$ 71,120
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 2,491,943			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 88,713			

Arizona Water Company - Sierra Vista System
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ScheduleAII-3
Sierra Vista

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 1,445,252	$ -	$ 1,445,252	$ (124,415)	$ 1,320,837
3	Miscellaneous	16,645	-	16,645	-	16,645
4	**Total Operating Revenues**	$ 1,461,897	$ -	$ 1,461,897	$ (124,415)	$ 1,337,482
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	2,096	-	2,096	-	2,096
10	Pumping Expenses					
11	Purchased Power	220,661	-	220,661	-	220,661
12	Purchased Gas	698	-	698	-	698
13	Other	46,020	-	46,020	-	46,020
14	Water Treatment Expenses	22,454	-	22,454		22,454
15	Transmission and Distribution Expenses	213,548	184	213,732	-	213,732
16	Customer Accounting Expenses	134,508	-	134,508	-	134,508
17	Sales Expense	275	-	275	-	275
18	Administrative and General Expenses	152,250	-	152,250	-	152,250
19	**Total Operation and Maintenance Expense**	$ 792,510	184	$ 792,694	-	$ 792,694
20						
21	Depreciation and Amortization Expenses	186,533	(5,210)	181,323	-	181,323
22						
23	Taxes					
24	Federal Income Taxes	93,535	3,389	96,924	(38,643)	58,281
25	State Income Taxes	20,605	747	21,352	(8,513)	12,839
26	Property Taxes	80,115	(909)	79,206	-	76,959
27	Other	13,539	-	13,539	-	13,539
28	Total Taxes	$ 207,794	$ 3,226	$ 211,020	$ (47,156)	$ 161,618
29	**Total Operating Expenses**	$ 1,186,837	$ (1,800)	$ 1,185,037	$ (47,156)	$ 1,135,635
30	**Operating Income (Loss)**	$ 275,060	$ 1,800	$ 276,860	$ (77,260)	$ 201,847

References:
Column [A]: Company Schedule C-1 Pg. 4 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Sierra Vista System
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Schedule All-4
Sierra Vista

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Treatment ADJ #1	[C] Tank Maintenance ADJ #2	[D] Depreciation Expense ADJ #3	[E] Income Taxes ADJ #4	[F] Property Tax ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,067,828	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,067,828
3	Commercial	346,169	-	-	-	-	-	-	-	-	346,169
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	1,924	-	-	-	-	-	-	-	-	1,924
6	Other Water Revenues	29,331	-	-	-	-	-	-	-	-	29,331
7	Total Water Revenues	$ 1,445,252	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,445,252
8											
9	Miscellaneous	16,645	-	-	-	-	-	-	-	-	16,645
10	Total Operating Revenues	$ 1,461,897	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,461,897
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	2,096	-	-	-	-	-	-	-	-	2,096
16	Pumping Expenses										
17	Purchased Power	220,661	-	-	-	-	-	-	-	-	220,661
18	Purchased Gas	698	-	-	-	-	-	-	-	-	698
19	Other	46,020	-	-	-	-	-	-	-	-	46,020
20	Water Treatment Expenses	22,454	-	-	-	-	-	-	-	-	22,454
21	Transmission and Distribution Expenses	213,548	-	-	-	184	-	-	-	-	213,732
22	Customer Accounting Expenses	134,508	-	-	-	-	-	-	-	-	134,508
23	Sales Expense	275	-	-	-	-	-	-	-	-	275
24	Administrative and General Expenses	152,250	-	-	-	-	-	-	-	-	152,250
25	Total Operation and Maintenance Expense	$ 792,510	$ -	$ -	$ -	$ 184	$ -	$ -	$ -	$ -	$ 792,694
26											
27	Depreciation and Amortization Expenses	186,533	-	-	-	-	-	(5,210)		-	181,323
28											
29	Taxes										
30	Federal Income Taxes	93,535	-	-	-	-	-	-	3,389	-	96,924
31	State Income Taxes	20,605	-	-	-	-	-	-	747	-	21,352
32	Property Taxes	80,115	-	-	-	-	-	-	-	(909)	79,206
33	Other	13,539	-	-	-	-	-	-	-	-	13,539
34	Total Taxes	$ 207,794	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (909)	$ 211,020
35											
36	Total Operating Expenses	$ 1,186,837	$ -	$ -	$ -	$ 367	$ -	$ (5,210)	$ 4,136	$ (909)	$ 1,185,037
37	**Operating Income (Income)**	$ 275,060	$ -	$ -	$ -	$ (367)	$ -	$ 5,210	$ (4,136)	$ 909	$ 276,860

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule All-5
2	Pumping Expense	Schedule All-6
3	Water Treatment Expenses	Schedule All-7
4	Transmission & Distribution Expense	Schedule All-8
5	General & Administrative	Schedule All-9
6	Depreciation Expenses	Schedule All-10
7	Income Taxes	Schedule All-11
8	Property Taxes	Schedule All-12

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Schedule AII-5
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	2,096	-	2,096
3	Total Source of Supply Expenses	$ 2,096	$ -	$ 2,096

References:
Col [A]: Company Schedeule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 220,661	$ -	$ 220,661
2	Purchased Gas	698	-	698
3	Other	46,020	-	46,020
4	Total Pumping Expenses	$ 267,379	$ -	$ 267,379

References:
Col [A]: Company Schedeule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 22,454	$ -	$ 22,454
2				
3				
4				
5	Calculation of Water Treatment Expense Adjustment			
6	Acct.	Company	Staff	Staff
7	No. Operations Ledger	Recorded	Adjustment	Recommended
8	640 Water Treatment - Operations & Supervision	1,023	$ -	$ 1,023
9	641 Water Treatment - Operations Chemicals	8,699	-	8,699
10	642 Water Treatment - Operations Labor & Expense	13,588	-	13,588
11				
12	Maintenance Ledger			
13	650 Water Treatment - Maintenance & Supervision	5,090	-	5,090
14	651 Water Treatment - Maint Struct & Improvemt	-	-	-
15	652 Water Treatment - Maintenance & Equipment	1,071	-	1,071
16	Company Adjustment JMR-3, JMR-4 & JMR-7	(7,017)	-	(7,017)
17	Total	$ 22,454	$ -	$ 22,454

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Exp	$ 213,548	$ 184	$ 213,732
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		4,847
7	Tank Maintenance expense	2006		32,160
8	Tank Maintenance expense	2007		1,707
9	Total			$ 38,714
10				
11	Normalized Three Year Average			$ 12,905
12	Company Proposed			$ 12,721
13	Staff Adjustment			$ 184

References:
Col [A]: Company Schedule C-1 Page 4
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative & General Expenses	$ 152,250	$ -	$ 152,250

References:
Col [A]: Company Schedeule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-10
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 186,533	$ (5,210)	$ 181,323

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service					
1	301	Organization Cost	$ 17	$ 17	0.00%	$ -
2	302	Franchise Cost	-	-	0.00%	-
3	303	Other Intangibles	739	739	0.00%	-
4	310	Water Rights	27,536	27,536	0.00%	-
5	310	Other Source of Supply Land	8,932	8,932		-
6	310	Wells - Other	2	2		-
7	314	Wells	651,948	651,948	3.13%	20,406
8	320	Pumping Plant Land	1,881	1,881		-
9	321	Pumping Plant Structures & Improvements	13,385	13,385	2.86%	383
10	325	Electric Pumping Equipment	687,455	687,455	5.88%	40,422
11	328	Gas Engine Equipment	16,467	16,467	4.00%	659
12	330	Water Treatment Plant - Land	-	-		-
13	331	Water Treatment Structures and Improvements	14,812	14,812	2.50%	370
14	332	Water Treatment Equipment	78,110	78,110	2.86%	2,234
15	340	Transmission and Distribution - Land	-	-		-
16	342	Storage Tanks	380,102	380,102	2.00%	7,602
17	343	Transmission and Distribution Mains	3,090,279	3,090,279	1.79%	55,316
18	344	Fire Sprinkler Taps	148,520	148,520	2.00%	2,970
19	345	Services	1,158,606	1,158,606	2.38%	27,575
20	346	Meters	216,066	216,066	4.55%	9,831
21	348	Hydrants	354,634	354,634	1.82%	6,454
22	389	General Plant Land	66	66	0.00%	-
23	390	General Plant Structures	26,244	26,244	2.50%	656
24	390	Leasehold Improvements	33,952	33,952	20.00%	6,790
25	391	Office Furniture & Equipment	187,800	187,800	6.67%	12,526
26	393	Warehouse Equipment	152	152	5.00%	8
27	394	Tools, Shops, and Garage Equipment	33,942	33,942	4.00%	1,358
28	395	Laboratory Equipment	2,080	2,080	5.00%	104
29	396	Power Operated Equipment	17,241	17,241	6.67%	1,150
30	397	Communications Equipment	235,037	235,037	6.67%	15,677
31	398	Miscellaneous Equipment	10,339	10,339	3.33%	344
32	-	Intentionally Left Blank	-	-		-
33		Subtotal General	$ 7,396,345	$ 7,396,345		$ 212,836
34		Less: Non- depreciable Account(s)	39,171	39,171		
35		Depreciable Plant (L29-L30)	$ 7,357,174	$ 7,357,174		
36		Contributions-in-Aid-of-Construction (CIAC)	$ 1,089,317			
37		Composite Depreciation/Amortization Rate	2.8929%			
38		Less: Amortization of CIAC (L32 x L33)				$ 31,513
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**				$ 181,323

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Schedule AII-11
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 93,535	$ 3,389	$ 96,924
2	State Income Taxes	20,605	747	21,352
3	Federal and State Income Taxes	$ 114,140	$ 4,136	$ 118,276

References:
Col [A]: Company Schedule C-1 Page 4
Col [B]: AII Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Sierra Vista

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,461,897	$ 1,461,897
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,923,794	$ 2,923,794
4	Staff Recommended Revenue, Per Schedule AII-1	1,461,897	$ 1,337,482
5	Subtotal (Line 4 + Line 5)	4,385,691	4,261,276
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,461,897	$ 1,420,425
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,923,794	$ 2,840,851
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,923,794	$ 2,840,850.58
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	657,854	$ 639,191
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	12.0400%	12.0400%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 79,206	
17	Company Proposed Property Tax	80,115	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (909)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 76,959
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 79,206
21	Increase/(Decrease) to Property Tax Expense		$ (2,247)
22	Decrease to Property Tax Expense		$ (2,247)
23	Increase in Revenue Requirement		$ (124,415)
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.8060%

ARIZONA WATER COMPANY

EASTERN GROUP:

BISBEE

Arizona Water Company - Bisbee System
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Schedule AII-1
Bisbee

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 4,660,984	$ 4,660,984	$ 4,660,984	$ 4,619,362	$ 4,619,362	$ 4,619,362
2	Adjusted Operating Income (Loss)	$ 168,796	$ 168,796	$ 168,796	$ 166,085	$ 166,085	$ 166,085
3	Current Rate of Return (L2 / L1)	3.62%	3.62%	3.62%	3.60%	3.60%	3.60%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 457,242	$ 457,242	$ 457,242	$ 374,168	$ 374,168	$ 374,168
6	Operating Income Deficiency (L5 - L2)	$ 288,446	$ 288,446	$ 288,446	$ 208,084	$ 208,084	$ 208,084
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6618	1.6618	1.6618
8	Required Revenue Increase (L7 * L6)	$ 469,764	$ 469,764	$ 469,764	$ 345,785	$ 345,785	$ 345,785
9	Adjusted Test Year Revenue	$ 1,723,474	$ 1,723,474	$ 1,723,474	$ 1,723,474	$ 1,723,474	$ 1,723,474
10	Proposed Annual Revenue (L8 + L9)	$ 2,193,238	$ 2,193,238	$ 2,193,238	$ 2,069,259	$ 2,069,259	$ 2,069,259
11	Required Increase in Revenue (%)	27.26%	27.26%	27.26%	20.06%	20.06%	20.06%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3

Arizona Water Company - Bisbee System
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Schedule AII-2
Bisbee

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.8229%			
5	Subtotal (L3 - L4)	60.1771%			
6	**Revenue Conversion Factor (L1 / L5)**	1.661762013			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.9935%			
22	Effective Property Tax Factor (L 21 * L 22)	0.012240313			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.8229%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 374,168			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 166,085			
26	Required Increase in Operating Income (L24 - L25)		$ 208,084		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 131,837			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 1,028			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 130,809		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 2,069,259			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 109,966			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 103,072			
37	Increase in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 6,893		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 345,785		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [D], Line 10)	$ 1,723,474	$ 345,785	$ 2,069,259	
40	Operating Expenses Excluding Income Taxes	$ 1,556,361		$ 1,563,254	
41	Synchronized Interest (L47)	$ 164,449		$ 164,449	
42	Arizona Taxable Income (L36 - L37- L38)	$ 2,664		$ 341,556	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 186		$ 23,800
45	Federal Taxable Income (L33 - L35)	$ 2,478		$ 317,756	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 843		$ 108,037	
51	Total Federal Income Tax		$ 843		$ 108,037
52	Combined Federal and State Income Tax (L35 + L42)		$ 1,028		$ 131,837
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 4,619,362			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 164,449			

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Schedule AII-3
Bisbee

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 1,700,134	$ -	$ 1,700,134	$ 345,785	$ 2,045,919
3	Miscellaneous	23,340	-	23,340	-	23,340
4	**Total Operating Revenues**	$ 1,723,474	$ -	$ 1,723,474	$ 345,785	$ 2,069,259
	OPERATING EXPENSES:					
5	Source of Supply Expenses					
6	Purchased Water	$ -	$ -	$ -	$ -	$ -
7	Other	2,443	-	2,443	-	2,443
8	Pumping Expenses			-		
9	Purchased Power	224,856	-	224,856	-	224,856
10	Purchased Gas	615	-	615	-	615
11	Other	50,077	-	50,077	-	50,077
12	Water Treatment Expenses	32,933	-	32,933		32,933
13	Transmission and Distribution Expenses	270,483	6,357	276,840	-	276,840
14	Customer Accounting Expenses	179,534	-	179,534	-	179,534
15	Sales Expense	529	-	529	-	529
16	Administrative and General Expenses	392,583	-	392,583	-	392,583
17	**Total Operation and Maintenance Expense**	$ 1,154,053	6,357	$ 1,160,410	-	$ 1,160,410
18	Depreciation and Amortization Expenses	261,462	4,602	266,064	-	266,064
19	Taxes					
20	Federal Income Taxes	(2,100)	2,943	843	107,195	108,037
21	State Income Taxes	(463)	649	186	23,614	23,800
22	Property Taxes	114,911	(11,839)	103,072	6,893	109,966
23	Other	26,815	-	26,815	-	26,815
24	Total Taxes	$ 139,163	$ (8,248)	$ 130,915	$ 137,702	$ 268,617
25	**Total Operating Expenses**	$ 1,554,678	$ 2,711	$ 1,557,389	$ 137,702	$ 1,695,091
26	**Operating Income (Loss)**	$ 168,796	$ (2,711)	$ 166,085	$ 208,084	$ 374,168

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Bisbee System
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Schedule AII-4
Bisbee

SUMMARY OF OPERATING INCOME STATEMENT 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] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 1,192,596	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,192,596
3	Commercial	491,700	-	-	-	-	-	-	-	-	491,700
4	Industrial	2,302	-	-	-	-	-	-	-	-	2,302
5	Private Fire Service	908	-	-	-	-	-	-	-	-	908
6	Other Water Revenues	12,628	-	-	-	-	-	-	-	-	12,628
7	Total Water Revenues	$ 1,700,134	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,700,134
8											
9	Miscellaneous	23,340	-	-	-	-	-	-	-	-	23,340
10	Total Operating Revenues	$ 1,723,474	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,723,474
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	2,443	-	-	-	-	-	-	-	-	2,443
16	Pumping Expenses										
17	Purchased Power	224,856	-	-	-	-	-	-	-	-	224,856
18	Purchased Gas	615	-	-	-	-	-	-	-	-	615
19	Other	50,077	-	-	-	-	-	-	-	-	50,077
20	Water Treatment Expenses	32,933	-	-	-	-	-	-	-	-	32,933
21	Transmission and Distribution Expenses	270,483	-	-	-	6,357	-	-	-	-	276,840
22	Customer Accounting Expenses	179,534	-	-	-	-	-	-	-	-	179,534
23	Sales Expense	529	-	-	-	-	-	-	-	-	529
24	Administrative and General Expenses	392,583	-	-	-	-	-	-	-	-	392,583
25	Total Operation and Maintenance Expense	$ 1,154,053	$ -	$ -	$ -	$ 6,357	$ -	$ -	$ -	$ -	$ 1,160,410
26											
27	Depreciation and Amortization Expenses	261,462	-	-	-	-	-	4,602	-	-	266,064
28											-
29	Taxes										-
30	Federal Income Taxes	(2,100)	-	-	-	-	-	-	2,943	-	843
31	State Income Taxes	(463)	-	-	-	-	-	-	649	-	186
32	Property Taxes	114,911	-	-	-	-	-	-	-	(11,839)	103,072
33	Other	26,815	-	-	-	-	-	-	-	-	26,815
34	Total Taxes	$ 139,163	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,591	$ (11,839)	130,915
35											
36	Total Operating Expenses	$ 1,554,678	$ -	$ -	$ -	$ 12,714	$ -	$ 4,602	$ 3,591	$ (11,839)	$ 1,557,389
37	**Operating Income (Income)**	$ 168,796	$ -	$ -	$ -	$ (12,714)	$ -	$ (4,602)	$ (3,591)	$ 11,839	$ 166,085

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Bisbee

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	2,443	-	2,443
3	Total Source of Supply Expenses	$ 2,443	$ -	$ 2,443

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Bisbee

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 224,856	$ -	$ 224,856
2	Purchased Gas	615	-	615
3	Other	50,077	-	50,077
4	Total Pumping Expenses	$ 275,548	$ -	$ 275,548

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Bisbee

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 32,933	$ -	$ 32,933
2	Total	$ 32,933	$ -	$ 32,933
3				
4	Calculation of Water Treatment Expense Adjustment			
5		Company	Staff	Staff
6	Acct. Operations Ledger	Recorded	Adjustment	Recommended
7	640 Water Treatment - Operations & Supervision	$ 1,220	$ -	$ 1,220
8	641 Water Treatment - Operations Chemicals	16,598	-	16,598
9	642 Water Treatment - Operations Labor & Expense	16,872	-	16,872
10				
11	Maintenance Ledger			
12	650 Water Treatment - Maintenance & Supervision	6,073	-	6,073
13	651 Water Treatment - Maint Struct & Improvemt	-	-	-
14	652 Water Treatment - Maintenance & Equipment	1,287	-	1,287
15	Company Adjustment	(9,117)	-	(9,117)
16	Total	$ 32,933	$ -	$ 32,933

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Bisbee

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISION AND DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 270,483	$ 6,357	$ 276,840
2	Total	$ 270,483	$ 6,357	$ 276,840
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		$ 2,398
7	Tank Maintenance expense	2006		98,540
8	Tank Maintenance expense	2007		2,970
9	Total			103,908
10				
11	Normalized Three Year Average			34,636
12	Company Proposed			28,279
13	Staff Adjustment			$ 6,357

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule All-9
Bisbee

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative & General Expenses	$ 392,583	$ -	$ 392,583

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-10
Bisbee

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION AND AMORTIZATION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 261,462	$ 4,602	$ 266,064

CALCULATION OF DEPRECIATION AND AMORTIZATION EXPENSES

	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 32	$ 32	0.00%	$ -
2	302	Franchise Cost		18,755	$ 18,755	0.00%	$ -
3	303	Other Intangibles		24,544	24,544	0.00%	-
4	310	Water Rights		307,085	307,085	0.00%	-
5	310	Other Source of Supply Land		4,037	4,037	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		538,724	538,724	3.13%	16,862
8	320	Pumping Plant Land		7,054	7,054	0.00%	-
9	321	Pumping Plant Structures & Improvements		33,537	33,537	2.86%	959
10	325	Electric Pumping Equipment		677,163	677,163	5.88%	39,817
11	328	Gas Engine Equipment		171,885	171,885	4.00%	6,875
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		1,452	1,452	2.50%	36
14	332	Water Treatment Equipment		45,051	45,051	2.86%	1,288
15	340	Transmission and Distribution - Land		5,044	5,044	0.00%	-
16	342	Storage Tanks		369,280	369,280	2.00%	7,386
17	343	Transmission and Distribution Mains		5,385,815	5,385,815	1.79%	96,406
18	344	Fire Sprinkler Taps		51,566	51,566	2.00%	1,031
19	345	Services		1,346,780	1,346,780	2.38%	32,053
20	346	Meters		226,315	226,315	4.55%	10,297
21	348	Hydrants		279,943	279,943	1.82%	5,095
22	389	General Plant Land		2,384	2,384	0.00%	-
23	390	General Plant Structures		21,174	21,174	2.50%	529
24	390	Leasehold Improvements	A	73,770	73,770	20.00%	14,754
25	391	Office Furniture & Equipment		324,673	324,673	6.67%	21,656
26	393	Warehouse Equipment		293	293	5.00%	15
27	394	Tools, Shops, and Garage Equipment		75,839	75,839	4.00%	3,034
28	395	Laboratory Equipment		740	740	5.00%	37
29	396	Power Operated Equipment		16,632	16,632	6.67%	1,109
30	397	Communications Equipment		280,676	280,676	6.67%	18,721
31	398	Miscellaneous Equipment		23,710	23,710	3.33%	790
32	0	Intentionally Left Blank					
33		Subtotal General		$ 10,313,954	$ 10,313,954		$ 278,751
34		Less: Non- depreciable Account(s)		368,935	368,935		
35		Depreciable Plant (L29-L30)		$ 9,945,019	$ 9,945,019		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 452,659			
37		Composite Depreciation/Amortization Rate		2.8029%			
38		Less: Amortization of CIAC (L32 x L33)					$ 12,688
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 266,064

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Schedule AII-11
Bisbee

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (2,100)	$ 2,943	$ 843
2	State Income Taxes	(463)	649	186
3	Federal and State Income Tax Adjustments	$ (2,563)	$ 3,591	$ 1,028

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Bisbee

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,723,474	$ 1,723,474
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,446,948	$ 3,446,948
4	Staff Recommended Revenue, Per Schedule AII-1	1,723,474	$ 2,069,259
5	Subtotal (Line 4 + Line 5)	5,170,422	5,516,207
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,723,474	$ 1,838,736
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,446,948	$ 3,677,472
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,446,948	$ 3,677,471.57
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	775,563	$ 827,431
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	13.2900%	13.2900%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 103,072	
17	Company Proposed Property Tax	114,911	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (11,839)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 109,966
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 103,072
21	Increase/(Decrease) to Property Tax Expense		$ 6,893
22	Decrease to Property Tax Expense		$ 6,893
23	Increase in Revenue Requirement		$ 345,785
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.9935%

ARIZONA WATER COMPANY

EASTERN GROUP:

ORACLE

Arizona Water Company - Oracle Water System
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Schedule AII-1
Oracle

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 2,412,232	$ 2,412,232	$ 2,412,232	$ 2,392,281	$ 2,392,281	$ 2,392,281
2	Adjusted Operating Income (Loss)	$ 194,248	$ 194,248	$ 194,248	$ 216,126	$ 216,126	$ 216,126
3	Current Rate of Return (L2 / L1)	8.05%	8.05%	8.05%	9.03%	9.03%	9.03%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 236,640	$ 236,640	$ 236,640	$ 193,775	$ 193,775	$ 193,775
6	Operating Income Deficiency (L5 - L2)	$ 42,392	$ 42,392	$ 42,392	$ (22,351)	$ (22,351)	$ (22,351)
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6539	1.6539	1.6539
8	Required Revenue Increase (L7 * L6)	$ 69,040	$ 69,040	$ 69,040	$ (36,967)	$ (36,967)	$ (36,967)
9	Adjusted Test Year Revenue	$ 1,126,215	$ 1,126,215	$ 1,126,215	$ 1,126,215	$ 1,126,215	$ 1,126,215
10	Proposed Annual Revenue (L8 + L9)	$ 1,195,255	$ 1,195,255	$ 1,195,255	$ 1,089,248	$ 1,089,248	$ 1,089,248
11	Required Increase in Revenue (%)	6.13%	6.13%	6.13%	-3.28%	-3.28%	-3.28%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3
Column (D): Staff Schedule BKB-1, DCP-1, AII-2, AII-3

Arizona Water Company - Oracle Water System
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Schedule AII-2
Oracle

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.5383%			
5	Subtotal (L3 - L4)	60.4617%			
6	**Revenue Conversion Factor (L1 / L5)**	1.65394007			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	1.5300%			
22	Effective Property Tax Factor (L 21 * L 22)	0.009394371			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.5383%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 193,775			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 40)	$ 216,126			
26	Required Increase in Operating Income (L24 - L25)		$ (22,351)		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 68,276			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 82,326			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ (14,051)		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 1,089,248			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 51,128			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 51,693			
37	Increasee in Property Tax Due to Increase in Revenue (AII-18, L22)		$ (566)		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ (36,967)		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 1,126,215	$ (36,967)	$ 1,089,248	
40	Operating Expenses Excluding Income Taxes	$ 827,763		$ 827,197	
41	Synchronized Interest (L47)	$ 85,165		$ 85,165	
42	Arizona Taxable Income (L36 - L37- L38)	$ 213,287		$ 176,885	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 14,862		$ 12,325
45	Federal Taxable Income (L33 - L35)	$ 198,425		$ 164,560	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 67,465		$ 55,950	
51	Total Federal Income Tax		$ 67,465		$ 55,950
52	Combined Federal and State Income Tax (L35 + L42)		$ 82,326		$ 68,276
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 2,392,281			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 85,165			

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Schedule AII-3
Oracle

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 1,115,109	$ -	$ 1,115,109	$ (36,967)	$ 1,078,142
3	Miscellaneous	11,106	-	11,106	-	11,106
4	**Total Operating Revenues**	$ 1,126,215	$ -	$ 1,126,215	$ (36,967)	$ 1,089,248
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	9,508	-	9,508	-	9,508
10	Pumping Expenses					
11	Purchased Power	149,736	-	149,736	-	149,736
12	Purchased Gas	-	-	-	-	-
13	Other	38,603	-	38,603	-	38,603
14	Water Treatment Expenses	15,542	-	15,542		
15	Transmission and Distribution Expenses	152,010	(5,039)	146,971	-	146,971
16	Customer Accounting Expenses	100,428	-	100,428	-	100,428
17	Sales Expense	549	-	549	-	549
18	Administrative and General Expenses	151,950	-	151,950	-	151,950
19	**Total Operation and Maintenance Expense**	$ 618,326	(5,039)	$ 613,287	-	$ 613,287
20						
21	Depreciation and Amortization Expenses	181,393	(31,068)	150,325	-	150,325
22						
23	Taxes					
24	Federal Income Taxes	53,978	13,487	67,465	(11,514)	55,950
25	State Income Taxes	11,891	2,971	14,862	(2,536)	12,325
26	Property Taxes	53,921	(2,228)	51,693	(566)	51,128
27	Other	12,458	-	12,458	-	12,458
28	Total Taxes	$ 132,248	$ 14,230	$ 146,478	$ (14,616)	$ 131,861
29	**Total Operating Expenses**	$ 931,967	$ (21,878)	$ 910,089	$ (14,616)	$ 895,473
30	**Operating Income (Loss)**	$ 194,248	$ 21,878	$ 216,126	$ (22,351)	$ 193,775

References:
Column [A]: Company Schedule C-1 Pg. 5 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

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Schedule AII-4
Oracle

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Treatment ADJ #1	[C] Tank Maintenance ADJ #2	[D] Depreciation Expense ADJ #3	[E] Income Taxes ADJ #4	[F] Property Taxes ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 864,595	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 864,595
3	Commercial	229,443	-	-	-	-	-	-	-	-	229,443
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	56	-	-	-	-	-	-	-	-	56
6	Other Water Revenues	21,015	-	-	-	-	-	-	-	-	21,015
7	Total Water Revenues	$ 1,115,109	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,115,109
8											
9	Miscellaneous	11,106	-	-	-	-	-	-	-	-	11,106
10	Total Operating Revenues	$ 1,126,215	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,126,215
11											
12	*OPERATING EXPENSES*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	9,508	-	-	-	-	-	-	-	-	9,508
16	Pumping Expenses										
17	Purchased Power	149,736	-	-	-	-	-	-	-	-	149,736
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	38,603	-	-	-	-	-	-	-	-	38,603
20	Water Treatment Expenses	15,542	-	-	-	-	-	-	-	-	15,542
21	Transmission and Distribution Expenses	152,010	-	-	-	(5,039)	-	-	-	-	146,971
22	Customer Accounting Expenses	100,428	-	-	-	-	-	-	-	-	100,428
23	Sales Expense	549	-	-	-	-	-	-	-	-	549
24	Administrative and General Expenses	151,950	-	-	-	-	-	-	-	-	151,950
25	Total Operation and Maintenance Expense	$ 618,326	$ -	$ -	$ -	$ (5,039)	$ -	$ -	$ -	$ -	$ 613,287
26											
27	Depreciation and Amortization Expenses	181,393	-	-	-	-	-	(31,068)	-	-	150,325
28											
29	Taxes										
30	Federal Income Taxes	53,978	-	-	-	-	-	-	13,487	-	67,465
31	State Income Taxes	11,891	-	-	-	-	-	-	2,971	-	14,862
32	Property Taxes	53,921	-	-	-	-	-	-		(2,228)	51,693
33	Other	12,458	-	-	-	-	-	-	-	-	12,458
34	Total Taxes	$ 132,248	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,457	$ (2,228)	$ 146,478
35											
36	Total Operating Expenses	$ 931,967	$ -	$ -	$ -	$ (10,079)	$ -	$ (31,068)	$ 16,457	$ (2,228)	$ 910,089
37	**Operating Income (Income)**	$ 194,248	$ -	$ -	$ -	$ 10,079	$ -	$ 31,068	$ (16,457)	$ 2,228	$ 216,126

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Oracle

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	9,508	-	9,508
3	Total Source of Supply Expenses	$ 9,508	$ -	$ 9,508

References:
Col [A]: Company Schedeule C-1 Page 5
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-6
Oracle

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 149,736	$ -	$ 149,736
2	Purchased Gas	-	-	-
3	Other	38,603	-	38,603
4	Total Pumping Expenses	$ 188,339	$ -	$ 188,339

References:
Col [A]: Company Schedeule C-1 Page 5
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Oracle

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 15,542	$ -	$ 15,542
2				
3	Calculation of Water Treatment Expense Adjustment			
4	Acct.	Company	Staff	Staff
5	No. Operations Ledger	Recorded	Adjustment	Recommended
6	640 Water Treatment - Operations & Supervision	$ 3,868	$ -	$ 3,868
7	641 Water Treatment - Operations Chemicals	575	-	575
8	642 Water Treatment - Operations Labor & Expense	7,612	-	7,612
9				
10	Maintenance Ledger			
11	650 Water Treatment - Maintenance & Supervision	3,370	-	3,370
12	651 Water Treatment - Maint Struct & Improvemt	-	-	-
13	652 Water Treatment - Maintenance & Equipment	4,147	-	4,147
14	Company Adjustments JMR-3, JMR4 & JMR-5	(4,030)	-	(4,030)
15	Total	$ 15,542	$ -	$ 15,542

References:
Col [A]: Company Schedule C-1 Page 5
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule AII-8
Oracle

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 152,010	$ (5,039)	$ 146,971
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		38,140
7	Tank Maintenance expense	2006		2,635
8	Tank Maintenance expense	2007		-
9	Total			$ 40,775
10				
11	Normalized Three Year Average			$ 13,592
12	Company Proposed			$ 18,631
13	Staff Adjustment			$ (5,039)

References:
Col [A]: Company Schedule C-1 Page 5
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative & General Expenses	$ 151,950	$ -	$ 151,950

References:
Col [A]: Company Schedeule C-1 Page 5
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule All-10
Oracle

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 181,393	$ (31,068)	$ 150,325

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 15	$ 15	0.00%	$ -
2	302	Franchise Cost		$ -	$ -	0.00%	$ -
3	303	Other Intangibles		612	612	0.00%	-
4	310	Water Rights		93,121	93,121	0.00%	-
5	310	Other Source of Supply Land		24,695	24,695	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		453,292	453,292	3.13%	14,188
8	320	Pumping Plant Land		2,742	2,742	0.00%	-
9	321	Pumping Plant Structures & Improvements		72,185	72,185	2.86%	2,064
10	325	Electric Pumping Equipment		876,909	876,909	5.88%	51,562
11	328	Gas Engine Equipment		-	-	4.00%	-
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		35,054	35,054	2.50%	876
14	332	Water Treatment Equipment		69,067	69,067	2.86%	1,975
15	340	Transmission and Distribution - Land		19,680	19,680	0.00%	-
16	342	Storage Tanks		306,126	306,126	2.00%	6,123
17	343	Transmission and Distribution Mains		3,051,729	3,051,729	1.79%	54,626
18	344	Fire Sprinkler Taps		-	-	2.00%	-
19	345	Services		584,528	584,528	2.38%	13,912
20	346	Meters		110,583	110,583	4.55%	5,032
21	348	Hydrants		121,938	121,938	1.82%	2,219
22	389	General Plant Land		-	-	0.00%	-
23	390	General Plant Structures		31,500	31,500	2.50%	788
24	390	Leasehold Improvements	A	30,004	30,004	6.59%	1,977
25	391	Office Furniture & Equipment		104,698	104,698	6.67%	6,983
26	393	Warehouse Equipment		166	166	5.00%	8
27	394	Tools, Shops, and Garage Equipment		27,072	27,072	4.00%	1,083
28	395	Laboratory Equipment		236	236	5.00%	12
29	396	Power Operated Equipment		33	33	6.67%	2
30	397	Communications Equipment		64,080	64,080	6.67%	4,274
31	398	Miscellaneous Equipment		4,862	4,862	3.33%	162
32	-	Intentionally Left Blank		-	-		-
33		Subtotal General		$ 6,084,927	$ 6,084,927		$ 167,867
34		Less: Non- depreciable Account(s)		116,170	116,170		
35		Depreciable Plant (L29-L30)		$ 5,968,757	$ 5,968,757		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 623,732			
37		Composite Depreciation/Amortization Rate		2.8124%			
38		Less: Amortization of CIAC (L32 x L33)					$ 17,542
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 150,325

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Schedule AII-11
Oracle

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ 53,978	$ 13,487	$ 67,465
2	State Income Taxes	11,891	2,971	14,862
3	Federal and State Income Taxes	$ 65,869	$ 16,457	$ 82,326

References:
Col [A]: Company Schedule C-1 Page 5
Col [B]: AII Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Oracle

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	DESCRIPTION	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 1,126,215	$ 1,126,215
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,252,430	$ 2,252,430
4	Staff Recommended Revenue, Per Schedule AII-1	1,126,215	$ 1,089,248
5	Subtotal (Line 4 + Line 5)	3,378,645	3,341,678
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,126,215	$ 1,113,893
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,252,430	$ 2,227,785
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,252,430	$ 2,227,785.11
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	506,797	$ 501,252
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line	10.2000%	10.2000%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 51,693	
17	Company Proposed Property Tax	53,921	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (2,228)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 51,128
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 51,693
21	Increase/(Decrease) to Property Tax Expense		$ (566)
22	Decrease to Property Tax Expense		$ (566)
23	Increase in Revenue Requirement		$ (36,967)
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.5300%

ARIZONA WATER COMPANY

EASTERN GROUP:

WINKELMAN

Arizona Water Company - Winkelman Water System
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Schedule AII-1
Winkelman

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 325,142	$ 325,142	$ 325,142	$ 336,179	$ 336,179	$ 336,179
2	Adjusted Operating Income (Loss)	$ 10,198	$ 10,198	$ 10,198	$ 13,738	$ 13,738	$ 13,738
3	Current Rate of Return (L2 / L1)	3.14%	3.14%	3.14%	4.09%	4.09%	4.09%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 31,896	$ 31,896	$ 31,896	$ 27,231	$ 27,231	$ 27,231
6	Operating Income Deficiency (L5 - L2)	$ 21,698	$ 21,698	$ 21,698	$ 13,492	$ 13,492	$ 13,492
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6816	1.6816	1.6816
8	Required Revenue Increase (L7 * L6)	$ 35,338	$ 35,338	$ 35,338	$ 22,688	$ 22,688	$ 22,688
9	Adjusted Test Year Revenue	$ 98,722	$ 98,722	$ 98,722	$ 98,722	$ 98,722	$ 98,722
10	Proposed Annual Revenue (L8 + L9)	$ 134,060	$ 134,060	$ 134,060	$ 121,410	$ 121,410	$ 121,410
11	Required Increase in Revenue (%)	35.80%	35.80%	35.80%	22.98%	22.98%	22.98%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - Winkelman Water System
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Schedule AII-2
Winkelman

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	40.5330%			
5	Subtotal (L3 - L4)	59.4670%			
6	**Revenue Conversion Factor (L1 / L5)**	1.681605356			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	3.1500%			
22	Effective Property Tax Factor (L 21 * L 22)	0.019341353			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		40.5330%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 27,231			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 13,738			
26	Required Increase in Operating Income (L24 - L25)		$ 13,492		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 9,595			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 1,113			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 8,482		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 121,410			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 10,044			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 9,329			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 715		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 22,688		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 98,722	$ 22,688	$ 121,410	$ -
40	Operating Expenses Excluding Income Taxes	$ 83,871		$ 84,585	
41	Synchronized Interest (L47)	$ 11,968		$ 11,968	
42	Arizona Taxable Income (L36 - L37- L38)	$ 2,883		$ 24,857	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 201		$ 1,732
45	Federal Taxable Income (L33 - L35)	$ 2,682		$ 23,125	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 912		$ 7,863	
51	Total Federal Income Tax		$ 912		$ 7,863
52	Combined Federal and State Income Tax (L35 + L42)		$ 1,113		$ 9,595
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [C], Line (17))	$ 336,179			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 11,968			

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Schedule All-3
Winkelman

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 97,519	$ -	$ 97,519	$ 22,688	$ 120,207
3	Miscellaneous	1,203	-	1,203	-	1,203
4	**Total Operating Revenues**	$ 98,722	$ -	$ 98,722	$ 22,688	$ 121,410
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ -	$ -	$ -	$ -	$ -
9	Other	897	-	897.00	-	897
10	Pumping Expenses		-	-		
11	Purchased Power	7,310	-	7,310	-	7,310
12	Purchased Gas	-	-	-	-	-
13	Other	4,150	-	4,150	-	4,150
14	Water Treatment Expenses	1,372	-	1,372		1,372
15	Transmission and Distribution Expenses	16,618	(2,369)	14,249	-	14,249
16	Customer Accounting Expenses	11,332	-	11,332	-	11,332
17	Sales Expense	58	-	58	-	58
18	Administrative and General Expenses	16,118	-	16,118	-	16,118
19	**Total Operation and Maintenance Expense**	$ 57,855	(2,369)	$ 55,486	-	$ 55,486
20						
21	Depreciation and Amortization Expenses	19,928	(2,109)	17,819	-	17,819
22						
23	Taxes					
24	Federal Income Taxes	(959)	1,871 #	912	6,950	7,863
25	State Income Taxes	(211)	412	201	1,531	1,732
26	Property Taxes	10,675	(1,346)	9,329	715	10,044
27	Other	1,236	-	1,236	-	1,236
28	Total Taxes	$ 10,741	$ 937	$ 11,678	$ 9,196	$ 20,874
29	**Total Operating Expenses**	$ 88,524	$ (3,540)	$ 84,984	$ 9,196	$ 94,180
30	**Operating Income (Loss)**	$ 10,198	$ 3,540	$ 13,738	$ 13,492	$ 27,231

References:
Column [A]: Company Schedule C-1 Pg. 6 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

Arizona Water Company - Winkelman Water System
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Schedule AII-4
Winkelman

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Treatment ADJ #1	[C] Tank Maintenance ADJ #2	[D] Depreciation Expense ADJ #3	[E] Income Taxes ADJ #4	[F] Property Tax ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 44,901	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,901
3	Commercial	50,096	-	-	-	-	-	-	-	-	50,096
4	Industrial	1,774	-	-	-	-	-	-	-	-	1,774
5	Private Fire Service	-	-	-	-	-	-	-	-	-	-
6	Other Water Revenues	748	-	-	-	-	-	-	-	-	748
7	Total Water Revenues	$ 97,519	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 97,519
8											
9	Miscellaneous	1,203	-	-	-	-	-	-	-	-	1,203
10	Total Operating Revenues	$ 98,722	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 98,722
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Other	897	-	-	-	-	-	-	-	-	897
16	Pumping Expenses										
17	Purchased Power	7,310	-	-	-	-	-	-	-	-	7,310
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	4,150	-	-	-	-	-	-	-	-	4,150
20	Water Treatment Expenses	1,372	-	-	-	-	-	-	-	-	1,372
21	Transmission and Distribution Expenses	16,618	-	(2,369)	-	-	-	-	-	-	14,249
22	Customer Accounting Expenses	11,332	-	-	-	-	-	-	-	-	11,332
23	Sales Expense	58	-	-	-	-	-	-	-	-	58
24	Administrative and General Expenses	16,118	-	-	-	-	-	-	-	-	16,118
25	Total Operation and Maintenance Expense	$ 57,855	$ -	$ (2,369)	$ -	$ -	$ -	$ -	$ -	$ -	$ 55,486
26											
27	Depreciation and Amortization Expenses	19,928	-	-	(2,109)	-	-	-		-	17,819
28											
29	Taxes										
30	Federal Income Taxes	(959)	-	-	-	1,871	-	-	-	-	912
31	State Income Taxes	(211)	-	-	-	412	-	-	-	-	201
32	Property Taxes	10,675	-	-	-	-	(1,346)	-	-	-	9,329
33	Other	1,236	-	-	-	-	-	-	-	-	1,236
34	Total Taxes	$ 10,741	$ -	$ -	$ -	$ 2,283	$ (1,346)	$ -	$ -	$ -	$ 11,678
35											
36	Total Operating Expenses	$ 88,524	$ -	$ (4,737)	$ (2,109)	$ 2,283	$ (1,346)	$ -	$ -	$ -	$ 84,984
37	Operating Income (Income)	$ 10,198	$ -	$ 4,737	$ 2,109	$ (2,283)	$ 1,346	$ -	$ -	$ -	$ 13,738

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

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Schedule AII-5
Winkelman

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ -	$ -	$ -
2	Other	897	-	897
3	Total Source of Supply Expenses	$ 897	$ -	$ 897

References:
Col [A]: Company Schedeule C-1 Page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 7,310	$ -	$ 7,310
2	Purchased Gas	-	-	-
3	Other	4,150	-	4,150
4	Total Pumping Expenses	$ 11,460	$ -	$ 11,460

References:
Col [A]: Company Schedeule C-1 Page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

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Schedule AII-7
Winkelman

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 1,372	$ -	$ 1,372
2				
3				
4				
5	Calculation of Water Treatment Expense Adjustment			
6	Acct.	Company	Staff	Staff
7	No. Operations Ledger	Recorded	Adjustment	Recommended
8	640 Water Treatment - Operations & Supervision	433	$ -	$ 433
9	641 Water Treatment - Operations Chemicals	-	-	-
10	642 Water Treatment - Operations Labor & Expense	841	-	841
11				
12	Maintenance Ledger			
13	650 Water Treatment - Maintenance & Supervision	378	-	378
14	651 Water Treatment - Maint Struct & Improvemt	-	-	-
15	652 Water Treatment - Maintenance & Equipment	457	-	457
16	Company Adjustment JMR-3, JMR-4 & JMR-7	(737)	-	(737)
17	Total	$ 1,372	$ -	$ 1,372
		-736		

References:
Col [A]: Company Schedule C-1 Page 6
Col [B]: AII Testimony

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Schedule AII-8
Winkelman

OPERATING INCOME ADJUSTMENT NO. 4 - TRANSMISSION & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 16,618	$ (2,369)	$ 14,249
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		-
7	Tank Maintenance expense	2006		826
8	Tank Maintenance expense	2007		-
9	Total			$ 826
10				
11	Normalized Three Year Average			$ 275
12	Company Proposed			$ 2,644
13	Staff Adjustment			$ (2,369)

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Schedule AII-9
Winkelman

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 16,118	$ -	$ 16,118

References:
Col [A]: Company Schedeule C-1 Page 6
Col [B]:
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 19,928	$ (2,109)	$ 17,819

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
	Plant In Service						
1	301	Organization Cost		$ 1	$ 1	0.00%	$ -
2	302	Franchise Cost		2,072	2,072	0.00%	-
3	303	Other Intangibles		64	64	0.00%	-
4	310	Water Rights		2,514	2,514	0.00%	-
5	310	Other Source of Supply Land		422	422	0.00%	-
6	310.4	Wells - Other		-	-		-
7	314	Wells		(18,033)	(18,033)	3.13%	(564)
8	320	Pumping Plant Land		-	-	0.00%	-
9	321	Pumping Plant Structures & Improvements		6,073	6,073	2.86%	174
10	325	Electric Pumping Equipment		157,859	157,859	5.88%	9,282
11	328	Gas Engine Equipment		-	-	4.00%	-
12	330	Water Treatment Plant - Land		-	-	0.00%	-
13	331	Water Treatment Structures and Improvements		3,906	3,906	2.50%	98
14	332	Water Treatment Equipment		36,043	36,043	2.86%	1,031
15	340	Transmission and Distribution - Land		-	-	0.00%	-
16	342	Storage Tanks		28,903	28,903	2.00%	578
17	343	Transmission and Distribution Mains		117,123	117,123	1.79%	2,097
18	344	Fire Sprinkler Taps		-	-	2.00%	-
19	345	Services		69,426	69,426	2.38%	1,652
20	346	Meters		24,019	24,019	4.55%	1,093
21	348	Hydrants		26,410	26,410	1.82%	481
22	389	General Plant Land		-	-	0.00%	-
23	390	General Plant Structures		336	336	2.50%	8
24	390	Leasehold Improvements	A	2,895	2,895	6.67%	193
25	391	Office Furniture & Equipment		9,788	9,788	6.67%	653
26	393	Warehouse Equipment		13	13	5.00%	1
27	394	Tools, Shops, and Garage Equipment		2,657	2,657	4.00%	106
28	395	Laboratory Equipment		9	9	5.00%	0
29	396	Power Operated Equipment		3	3	6.67%	0
30	397	Communications Equipment		14,826	14,826	6.67%	989
31	398	Miscellaneous Equipment		480	480	3.33%	16
32	-	Intentionally Left Blank		-	-		
33		Subtotal General		$ 487,809	$ 487,809		$ 17,887
34		Less: Non- depreciable Account(s)		5,073	5,073		
35		Depreciable Plant (L29-L30)		$ 482,736	$ 482,736		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 1,835			
37		Composite Depreciation/Amortization Rate		3.7054%			
38		Less: Amortization of CIAC (L32 x L33)					$ 68
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 17,819

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Schedule AII-11
Winkelman

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (959)	$ 1,871	$ 912
2	State Income Taxes	(211)	412	201
3	Federal and State Income Taxes	$ (1,170)	$ 2,283	$ 1,113

References:
Col [A]: Company Schedule C-1 Page 6
Col [B]: AII Testimony
Col [C]: Schedule AII-2

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Schedule AII-12
Winkelman

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 98,722	$ 98,722
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	197,444	$ 197,444
4	Staff Recommended Revenue, Per Schedule AII-1	98,722	$ 121,410
5	Subtotal (Line 4 + Line 5)	296,166	318,854
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	98,722	$ 106,285
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	197,444	$ 212,570
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	197,444	$ 212,569.61
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	44,425	$ 47,828
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1	21.0000%	21.0000%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 9,329	
17	Company Proposed Property Tax	10,675	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (1,346)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 10,044
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 9,329
21	Increase/(Decrease) to Property Tax Expense		$ 715
22	Decrease to Property Tax Expense		$ 715
23	Increase in Revenue Requirement		$ 22,688
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		3.1500%

ARIZONA WATER COMPANY

EASTERN GROUP:

SAN MANUEL

Arizona Water Company - San Manuel System
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Schedule AII-1
San Manuel

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] COMPANY RECONSTRUCTION COST	[C] COMPANY FAIR VALUE	[D] STAFF ORIGINAL COST	[E] STAFF RECONSTRUCTION COST	[F] STAFF FAIR VALUE
1	Adjusted Rate Base	$ 2,035,209	$ 2,035,209	$ 2,035,209	$ 2,019,483	$ 2,019,483	$ 2,019,483
2	Adjusted Operating Income (Loss)	$ (47,524)	$ (47,524)	$ (47,524)	$ (38,732)	$ (38,732)	$ (38,732)
3	Current Rate of Return (L2 / L1)	-2.34%	-2.34%	-2.34%	-1.92%	-1.92%	-1.92%
4	Required Rate of Return	9.81%	9.81%	9.81%	8.10%	8.10%	8.10%
5	Required Operating Income (L4 * L1)	$ 199,654	$ 199,654	$ 199,654	$ 163,578	$ 163,578	$ 163,578
6	Operating Income Deficiency (L5 - L2)	$ 247,178	$ 247,178	$ 247,178	$ 202,310	$ 202,310	$ 202,310
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6286	1.6678	1.6678	1.6678
8	Required Revenue Increase (L7 * L6)	$ 402,554	$ 402,554	$ 402,554	$ 337,415	$ 337,415	$ 337,415
9	Adjusted Test Year Revenue	$ 812,359	$ 812,359	$ 812,359	$ 812,359	$ 812,359	$ 812,359
10	Proposed Annual Revenue (L8 + L9)	$ 1,214,913	$ 1,214,913	$ 1,214,913	$ 1,149,774	$ 1,149,774	$ 1,149,774
11	Required Increase in Revenue (%)	49.55%	49.55%	49.55%	41.54%	41.54%	41.54%
12	Rate of Return on Common Equity (%)	10.40%	10.40%	10.40%	10.00%	10.00%	10.00%

References:
Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (E): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3
Column (F): Staff Schedules BKB-1, DCP-1, AII-2, & AII-3

Arizona Water Company - San Manuel System
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Schedule AII-2
San Manuel

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	40.0412%			
5	Subtotal (L3 - L4)	59.9588%			
6	**Revenue Conversion Factor (L1 / L5)**	1.667811684			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	2.3490%			
22	Effective Property Tax Factor (L 21 * L 22)	0.014423123			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		40.0412%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 163,578			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ (38,732)			
26	Required Increase in Operating Income (L24 - L25)		$ 202,310		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 57,636			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ (69,543)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 127,179		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 1,149,774			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 65,173			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 57,247			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 7,926		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 337,415		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 812,359	$ 337,415	$ 1,149,774	
40	Operating Expenses Excluding Income Taxes	$ 920,634		$ 928,560	
41	Synchronized Interest (L47)	$ 71,894		$ 71,894	
42	Arizona Taxable Income (L36 - L37- L38)	$ (180,168)		$ 149,321	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ (12,554)		$ 10,405
45	Federal Taxable Income (L33 - L35)	$ (167,614)		$ 138,916	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ (56,989)		$ 47,231	
51	Total Federal Income Tax		$ (56,989)		$ 47,231
52	Combined Federal and State Income Tax (L35 + L42)		$ (69,543)		$ 57,636
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 2,019,483			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 71,894			

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Schedule All-3
San Manuel

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Metered Revenues	$ 801,946	$ -	$ 801,946	$ 337,415	$ 1,139,361
3	Miscellaneous	10,413	-	10,413	-	10,413
4	**Total Operating Revenues**	$ 812,359	$ -	$ 812,359	$ 337,415	$ 1,149,774
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 241,318	$ -	$ 241,318	$ -	$ 241,318
9	Other	6,907	-	6,907	-	6,907
10	Pumping Expenses					
11	Purchased Power	38,358	-	38,358	-	38,358
12	Purchased Gas	-	-	-	-	-
13	Other	34,669	-	34,669	-	34,669
14	Water Treatment Expenses	40,816	-	40,816		40,816
15	Transmission and Distribution Expenses	145,743	(5,389)	140,354	-	140,354
16	Customer Accounting Expenses	104,642	-	104,642	-	104,642
17	Sales Expense	497	-	497	-	497
18	Administrative and General Expenses	140,854	-	140,854	-	140,854
19	**Total Operation and Maintenance Expense**	$ 753,804	$ (5,389)	$ 748,415	$ -	$ 748,415
20						
21	Depreciation and Amortization Expenses	106,134	(264)	105,870	-	105,870
22						
23	Taxes					
24	Federal Income Taxes	(63,368)	6,379	(56,989)	104,220	47,231
25	State Income Taxes	(13,959)	1,405	(12,554)	22,959	10,405
26	Property Taxes	68,170	(10,923)	57,247	-	65,173
27	Other	9,102	-	9,102	-	9,102
28	Total Taxes	$ (55)	$ (3,139)	$ (3,194)	$ 127,179	$ 131,911
29	**Total Operating Expenses**	$ 859,883	$ (8,792)	$ 851,091	$ 127,179	$ 986,196
30	**Operating Income (Loss)**	$ (47,524)	$ 8,792	$ (38,732)	$ 210,236	$ 163,578

References:
Column [A]: Company Schedule C-1 Pg. 4 of 11
Column [B]: Schedule All-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules All-1 and All-2
Column [E]: Column [C] + Column [D]

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Schedule AII-4
San Manuel

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Treatment ADJ #1	[C] Tank Maintenance ADJ #2	[D] Depreciation Expense ADJ #3	[E] Income Taxes ADJ #4	[F] Property Taxes ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 646,904	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 646,904
3	Commercial	143,872	-	-	-	-	-	-	-	-	143,872
4	Industrial	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	56	-	-	-	-	-	-	-	-	56
6	Other Water Revenues	11,114	-	-	-	-	-	-	-	-	11,114
7	Total Water Revenues	$ 801,946	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 801,946
8											
9	Miscellaneous	10,413	-	-	-	-	-	-	-	-	10,413
10	Total Operating Revenues	$ 812,359	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 812,359
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 241,318	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 241,318
15	Other	6,907	-	-	-	-	-	-	-	-	6,907
16	Pumping Expenses										
17	Purchased Power	38,358	-	-	-	-	-	-	-	-	38,358
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	34,669	-	-	-	-	-	-	-	-	34,669
20	Water Treatment Expenses	40,816	-	-	-	-	-	-	-	-	40,816
21	Transmission and Distribution Expenses	145,743	-	-	-	(5,389)	-	-	-	-	140,354
22	Customer Accounting Expenses	104,642	-	-	-	-	-	-	-	-	104,642
23	Sales Expense	497	-	-	-	-	-	-	-	-	497
24	Administrative and General Expenses	140,854	-	-	-	-	-	-	-	-	140,854
25	Total Operation and Maintenance Expense	$ 753,804	$ -	$ -	$ -	$ (5,389)	$ -	$ -	$ -	$ -	$ 748,415
26											
27	Depreciation and Amortization Expenses	106,134	-	-	-	-	-	(264)		-	105,870
28											
29	Taxes										
30	Federal Income Taxes	(63,368)	-	-	-	-	-	-	6,379	-	(56,989)
31	State Income Taxes	(13,959)	-	-	-	-	-	-	1,405	-	(12,554)
32	Property Taxes	68,170	-	-	-	-	-	-		(10,923)	57,247
33	Other	9,102	-	-	-	-	-	-	-	-	9,102
34	Total Taxes	$ (55)	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,784	$ (10,923)	$ (3,194)
35											
36	Total Operating Expenses	$ 859,883	$ -	$ -	$ -	$ (10,778)	$ -	$ (264)	$ 7,784	$ (10,923)	$ 851,091
37	Operating Income (Income)	$ (47,524)	$ -	$ -	$ -	$ 10,778	$ -	$ 264	$ (7,784)	$ 10,923	$ (38,732)

ADJ #	DESCRIPTION	REFRENCES
1	Source of Supply	Schedule AII-5
2	Pumping Expense	Schedule AII-6
3	Water Treatment Expenses	Schedule AII-7
4	Transmission & Distribution Expense	Schedule AII-8
5	General & Administrative	Schedule AII-9
6	Depreciation Expenses	Schedule AII-10
7	Income Taxes	Schedule AII-11
8	Property Taxes	Schedule AII-12

Arizona Water Company - San Manuel System
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Schedule AII-5
San Manuel

OPERATING INCOME ADJUSTMENT NO. 1 - SOURCE OF SUPPLY EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water	$ 241,318	$ -	$ 241,318
2	Other	6,907	-	6,907
3	Total Source of Supply Expenses	$ 248,225	$ -	$ 248,225

References:
Col [A]: Company Schedeule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - San Manuel System
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Schedule AII-6
San Manuel

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 38,358	$ -	$ 38,358
2	Purchased Gas	-	-	-
3	Other	34,669	-	34,669
4	Total Pumping Expenses	$ 73,027	$ -	$ 73,027

References:
Col [A]: Company Schedeule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - San Manuel System
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Schedule AII-7
San Manuel

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TREATMENT EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Treatment Expenses	$ 40,816	$ -	$ 40,816
2				
3				
4	Calculation of Water Treatment Expense Adjustment			
5	Acct.	Company	Staff	Staff
6	No. Operations Ledger	Recorded	Adjustment	Recommended
7	640 Water Treatment - Operations & Supervision	4,001	$ -	$ 4,001
8	641 Water Treatment - Operations Chemicals	1,465	-	1,465
9	642 Water Treatment - Operations Labor & Expense	8,029	-	8,029
10				
11	Maintenance Ledger			
12	650 Water Treatment - Maintenance & Supervision	3,491	-	3,491
13	651 Water Treatment - Maint Struct & Improvemt	-	-	-
14	652 Water Treatment - Maintenance & Equipment	4,242	-	4,242
15	Company Adjustment JMR-3, JMR-4 & JMR-7	19,588	-	19,588
16	Total	$ 40,816	$ -	$ 40,816

References:
Col [A]: Company Schedule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - San Manuel System
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Schedule AII-8
San Manuel

OPERATING INCOME ADJUSTMENT NO. 3 - TRANSMISSION N & DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 145,743	$ (5,389)	$ 140,354
2				
3				
4	Normalization of Three Year Actual Tank Maintananace Expense			
5		Year		Expense
6	Tank Maintenance expense	2005		27,077
7	Tank Maintenance expense	2006		1,550
8	Tank Maintenance expense	2007		2,238
9	Total			$ 30,864
10				
11	Normalized Three Year Average			$ 10,288
12	Company Proposed			$ 15,677
13	Staff Adjustment			$ (5,389)

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - San Manuel System
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Schedule AII-9
San Manuel

OPERATING INCOME ADJUSTMENT NO. 5 - ADMINISTRATIVE & GENERAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Administrative and General Expenses	$ 140,854	$ -	$ 140,854

References:
Col [A]: Company Schedeule C-1 Page 4
Col [B]:
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - San Manuel System
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Schedule AII-10
San Manuel

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization Expenses	$ 106,134	$ (264)	$ 105,870

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION		[A] PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
		Plant In Service					
1	301	Organization Cost		$ 11	$ 11	0.00%	$ -
2	302	Franchise Cost		-	-	0.00%	-
3	303	Other Intangibles		477	477	0.00%	-
4	310	Water Rights		169,941	169,941	0.00%	-
5	310	Other Source of Supply Land		1	1	0.00%	-
6	310	Wells - Other		-	-		-
7	314	Wells		5,560	5,560	3.13%	174
8	320	Pumping Plant Land		7,000	7,000	0.00%	-
9	321	Pumping Plant Structures & Improvements		14,110	14,110	2.86%	404
10	325	Electric Pumping Equipment		354,976	354,976	5.88%	20,873
11	328	Gas Engine Equipment		-	-	4.00%	-
12	330	Water Treatment Plant - Land		2,000	2,000	0.00%	-
13	331	Water Treatment Structures and Improvements		42,612	42,612	2.50%	1,065
14	332	Water Treatment Equipment		1,354,012	1,354,012	2.86%	38,725
15	340	Transmission and Distribution - Land		69,500	69,500	0.00%	-
16	342	Storage Tanks		98,403	98,403	2.00%	1,968
17	343	Transmission and Distribution Mains		1,025,419	1,025,419	1.79%	18,355
18	344	Fire Sprinkler Taps		100	100	2.00%	2
19	345	Services		329,052	329,052	2.38%	7,831
20	346	Meters		124,886	124,886	4.55%	5,682
21	348	Hydrants		65,596	65,596	1.82%	1,194
22	389	General Plant Land		-	-	0.00%	-
23	390	General Plant Structures		21,821	21,821	2.50%	546
24	390	Leasehold Improvements	A	57,322	57,322	20.00%	11,464
25	391	Office Furniture & Equipment		176,420	176,420	6.67%	11,767
26	393	Warehouse Equipment		1,227	1,227	5.00%	61
27	394	Tools, Shops, and Garage Equipment		74,962	74,962	4.00%	2,998
28	395	Laboratory Equipment		2,684	2,684	5.00%	134
29	396	Power Operated Equipment		2,719	2,719	6.67%	181
30	397	Communications Equipment		104,320	104,320	6.67%	6,958
31	398	Miscellaneous Equipment		17,346	17,346	3.33%	578
32	-	Intentionally Left Blank		-	-		-
33		Subtotal General		$ 4,122,476	$ 4,122,476		$ 130,961
34		Less: Non- depreciable Account(s)		248,930	248,930		
35		Depreciable Plant (L29-L30)		$ 3,873,546	$ 3,873,546		
36		Contributions-in-Aid-of-Construction (CIAC)		$ 742,146			
37		Composite Depreciation/Amortization Rate		3.3809%			
38		Less: Amortization of CIAC (L32 x L33)					$ 25,091
39		**Depreciation Expense - STAFF [Col. (C), L29 - L34]**					$ 105,870

Arizona Water Company - San Manuel System
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Schedule AII-11
San Manuel

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$ (63,368)	$ 6,379	$ (56,989)
2	State Income Taxes	(13,959)	1,405	(12,554)
3	Federal and State Income Taxes	$ (77,327)	$ 7,784	$ (69,543)

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: AII Testimony
Col [C]: Schedule AII-2

Arizona Water Company - San Manuel System
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Test Year December 31, 2007

Schedule AII-12
San Manuel

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	$ 812,359	$ 812,359
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	1,624,718	$ 1,624,718
4	Staff Recommended Revenue, Per Schedule AII-1	812,359	$ 1,149,774
5	Subtotal (Line 4 + Line 5)	2,437,077	2,774,492
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	812,359	$ 924,831
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,624,718	$ 1,849,661
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,624,718	$ 1,849,661.28
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	365,562	$ 416,174
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1(	15.6600%	15.6600%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 57,247	
17	Company Proposed Property Tax	68,170	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (10,923)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 65,173
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 57,247
21	Increase/(Decrease) to Property Tax Expense		$ 7,926
22	Decrease to Property Tax Expense		$ 7,926
23	Increase in Revenue Requirement		$ 337,415
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.3490%

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 ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENT TO ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR CERTAIN RELATED APPROVALS BASED THEREON.	DOCKET NO. W-01445A-08-0440

SURREBUTTAL

TESTIMONY

OF

ALEXANDER IBHADE IGWE, CPA

EXECUTIVE CONSULTANT III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 07, 2009

ALL-STATE LEGAL®
EXHIBIT
S-25
ADMITTED

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EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-08-0440

Staff has reviewed Arizona Water Company's rebuttal testimony and concludes as follows:

Revenue Requirement

Staff recommends revised total revenue requirement of $53,014,233, an increase of $9,651,627 over Staff's adjusted test year revenues of $43,362,605. Staff's recommended revenue requirement is $4,162,943 less than the Company's revised proposal. Staff's recommended revenue requirement results in an operating income of $11,717,259, or an 8.10 percent rate of return on Staff's adjusted Original Cost Rate Base of $144,657,521.

Staff's revised revenue requirement reflects modification to transmission and distribution expenses as well as pumping expenses, for the Superstition system. These two adjustments result in an aggregate increase of $36,218 to Staff's revised revenue requirement. Both adjustments are fully discussed under subsequent sections of this testimony.

Adjuster Mechanisms/Attrition Adjuster Mechanism

Staff continues to recommend denial of the Company's existing and proposed adjuster mechanisms or in the alternative an attrition adjuster mechanism. Staff's recommendations are consistent with Decision Nos. 66849 and 68302.

Transmission and Distribution Expenses

Tank Maintenance

Staff continues to recommend a normalized level of tank maintenance expense for the Company. Staff's recommended tank maintenance expense is reasonable, and appropriately reflects the Company's actual cost of tank maintenance expense over the last seven years.

Transmission and Distribution Expenses – Meters and Mains

Staff continues to recommend normalizing test year cost for transmission and distribution-subaccounts 663 and 673, for Superstition and Casa Grande. However, Staff has increased its recommended transmission and distribution expenses by $24,878, to reflect Superior's 2005 and 2006 costs in its calculation.

Pumping Expense

For the Superstition system only, Staff recommends a normalized level of pipeline maintenance expense of $53,529, in lieu of the Company's existing Desert Well Pump Maintenance Accrual Account. Staff's recommendation results in an increase of $11,340 over the Company's annual accrual of $41,908.

General Administration Expense

Staff continues to recommend denial of the Company's proposed conservation adjustment for the Northern Group. The Company has not demonstrated why it should be granted this extraordinary relief in cost of service.

Depreciation and Amortization

There is no error in Staff's use of weighted average depreciation rate for amortizing test year Contribution in Aid of Construction ("CIAC"). The Company's argument for the use of specific plant depreciation rate, comprising test year CIAC, is not supported because of its inability to breakout test year balances into the specific plant accounts per system.

Arsenic Cost Recovery Mechanism ("ACRM")

Deferred Operating and Maintenance ("O&M") cost

Staff recommends that the Commission authorize the Company to continue to recover its deferred O&M costs for the durations approved by the Commission, for Casa Grande/Stanfield, Sedona and Rimrock systems.

New ACRM

Staff recommends Commission approval of new ACRMs for Sedona and Superstition systems. Further, Staff recommends that the Commission order the Company to file a new application for recovery of new arsenic capital costs and related O&M, through ACRM Surcharges, under the filing requirement approved in Decision No. 66400.

Monitoring Assistance Program ("MAP") Surcharge– Water Testing

Staff recommends retention of the Company's existing MAP surcharges. This recommendation is predicated on the unique characteristics of the MAP program.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Alexander Ibhade Igwe. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Alexander Ibhade Igwe who previously filed direct testimony on revenue requirement and adjuster mechanisms, in this proceeding?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony addresses issues raised in the Arizona Water Company's ("Company") rebuttal testimony regarding Staff's recommendations for revenue requirement and adjuster mechanisms/attrition adjuster. It also addresses issues raised in Joseph D. Harris' rebuttal testimony concerning Arsenic Cost Recovery Mechanism ("ACRM") and Monitoring Assistance Program ("MAP"). Finally, it addresses the Company's request for retention of Superstition's Desert Wells Pump Maintenance Accrual Account.

STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF WILLIAM M. GARFIELD

Adjuster Mechanisms/Attrition Adjuster Mechanism

Q. Has the Company provided new justification for its requested adjuster mechanisms?

A. No. The Company continues to present the same arguments that were rejected by the Commission in Decision Nos. 66849 and 68302.

Q. Does the Company disagree with the Commission that adjuster mechanisms should only be approved to mitigate the effects of extraordinary circumstances on cost of service?

A. Yes. Based on Mr. Garfield's rebuttal testimony, the Company continues to disagree with the Commission's conclusion in Decision No. 68302, which states as follow:

> *"Adjustment mechanisms should therefore be used, only in extraordinary circumstances to mitigate the effect of uncontrollable price volatility or uncertainty in the market place."*

Mr. Garfield states, "First, I do not believe that adjusters can only be considered when extraordinary causes exist or where there is volatility in costs of significant magnitudes for purchased water, fuel or power, or for any other category of cost." Garfield's surrebuttal testimony at page 3, line 11. In other words, the Company appears to be advocating a new paradigm of rate regulation in Arizona, whereby adjuster mechanisms are approved for utilities in the normal course of ratemaking. In fact, the Company attempts to buttress this argument by citing research conducted by the National Regulatory Research Institute ("NRRI") in which NRRI recommends that regulatory commissions should employ adjustment clauses as a ratemaking procedure for recovery of a single category of cost to enable utilities to recover expenses of infrastructure replacement.

Q. Please comment on the Company's suggested process of allowing a utility to recover a single category of cost through an adjuster clause.

A. The Company's proposition has been thoroughly reviewed and rejected by this Commission as single-issue ratemaking. As discussed in Staff's direct testimony and emphasized in Decision No. 68302, single-issue ratemaking is inherently flawed because it ignores the effects of other components on cost of service.

As it relates to the NRRI study, Staff is not aware that NRRI's recommendations are binding on any state commission. Second, the NRRI's research relates to capital infrastructure improvement and replacement, not normal day-to-day expenses. In this instant case, the Company's proposal relates to recovery of normal expenses through adjuster mechanisms.

Q. Please comment on the Company's assertion that recent increases in cost of fuel justify its requested Purchased Fuel Adjuster Mechanism.

A, The Company's assertion is not supported by prevailing cost of fuel. While it is true that there have been spikes in the costs of fuel between 2007 to date, prices in today's market are generally less than test year rates. According to the Energy Information Administration ("EIA") – Official Energy Statistics of U. S. Government, the 2007 average costs of gasoline and diesel per gallon were $2.81 and $2.88, respectively. The EIA projects that the average cost of gasoline will be $2.36/gallon in 2009 and $2.69 in 2010, while the average price of diesel per gallon is forecasted at $2.46 in 2009 and $2.79 in 2010. This clearly mutes the Company's argument that volatility in cost of fuel justifies its requested adjuster mechanism. Also, it shows that the Company's recorded test year costs may have exceeded prevailing rates in today's market.

Q. What is Staff's response to the Company's continued argument for an Attrition Adjuster Mechanism?

A, The Company has not provided any new rationale for the Commission to approve its requested attrition adjustment. The Company operates in the same regulatory environment as other utilities in Arizona, and should not be regulated differently. As fully discussed in my direct testimony, the Company has not demonstrated why the Commission should grant it this exceptional cost recovery mechanism, which is outside

the realm of normal rate regulation in Arizona. Accordingly, Staff continues to recommend against the Company's proposed attrition adjuster mechanism.

Q. Please summarize Staff's position regarding the Company's requested adjuster mechanisms or attrition adjuster mechanism.

A. Staff concurs with the findings of the Commission, in Decision No. 68302, that adjuster mechanisms should only be approved to mitigate the effect of extraordinary circumstances that are material and volatile in nature. Therefore, Staff continues to recommend rejection of the Company's existing and proposed adjuster mechanisms, or an attrition adjuster mechanism, for all its water systems.

STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF JOSEPH D. HARRIS

ACRM

Q. Please state the Company's proposal regarding the ACRM.

A. The Company seeks Commission authorization to (a) continue to recover its deferred operating and maintenance ("O&M") costs for the Casa Grande/Stanfield, Rimrock and Sedona water systems, and (b) continuance of its existing ACRM for planned (new) arsenic plants additions, not reflected in rate base.

Deferred O&M Costs

Q. What is the nature of the Company's deferred O&M cost?

A. The Company's deferred O&M costs relate to ACRM Step 2 Surcharge intended to recover O&M costs of arsenic remediation facilities. An ACRM Step 2 Surcharge is normally approved to be effective for a period not longer than 12 months. The Company's current ACRM Step 2 Surcharges were approved by the Commission in Decision No. 70702 for Casa Grande/Stanfield, Decision No. 70834 for Sedona, and

Decision No. 70962 for Rimrock. These decisions authorized the Company to recover $61,654 of deferred O&M costs for Casa Grande/Stanfield, $67,254 for Sedona, and $21,812 for Rimrock; an aggregate of $150,720. Further, the ACRM Step 2 decisions specified that recovery of deferred O&M costs shall terminate on January 31, 2010, for Casa Grande/Stanfield; March 31, 2010, for Sedona; April 6, 2010 for Rimrock. The Company seeks Commission authority to continue to recover its deferred O&M costs over the approved durations.

Q. Is Staff opposed to the Company's request to fully recover Commission-authorized deferred O&M costs?

A. No. Staff has reviewed the Company's request, and finds that it is reasonable to allow it full recovery of deferred O&M costs. The Company's proposal is consistent with the pertinent Commission decisions authorizing the Step 2 ACRM Surcharges for Casa Grande/Stanfield, Sedona and Rimrock.

Q. What is Staff recommending regarding the Company's deferred ACRM Surcharges?

A. Staff recommends that the Commission authorize the Company to continue recovery of its deferred O&M costs, in accordance with the terms and conditions approved by the Commission, in Decision Nos. 70702, 70834 and 70962.

New ACRM

Q. Does the Company seek Commission approval to retain its existing ACRM, in this proceeding?

A. Yes. The Company seeks Commission approval to continue to implement its existing ACRM for new arsenic remediation plant, being developed for Superstition and Sedona.

Q. Why does the Company seek Commission authority to retain its existing ACRM?

A. The Company claims that it is at various stages of designing and constructing four new arsenic remediation plants, at an estimated cost of $5,000,000. Two arsenic plants are being developed for Sedona, and the other two for Superstition. The Company claims that the existing ACRM will facilitate its ability to timely recover the costs of these proposed arsenic remediation facilities. The Company requests that the Commission authorize it to retain the ACRM approved in Decision No. 66400.

Q. Please comment on the Company's proposal.

A. Staff agrees with the Company that it is appropriate to approve an ACRM for its proposed arsenic facilities for Sedona and Superstition. However, Staff finds that it is more appropriate to approve a new ACRM for Sedona and Superstition. Staff's conclusion is predicated on the fact that the Company's existing ACRMs will terminate at the end of this proceeding, when all used and useful arsenic plants are recognized in rate base, and the related operating and maintenance costs are reflected in revenue requirement. Further, Staff agrees with the Company that it is appropriate to approve a new ACRM for Superstition and Sedona that is consistent with the terms and conditions approved by the Commission in Decision No. 66400.

Also, Staff finds that it will be necessary for the Company to file an application with the Commission, for recovery of new arsenic costs through ACRM Surcharges. Consistent with Decision No. 66400, the Company must file a new application for each step of ACRM Surcharge. Staff concludes that the processes established in Decision No. 66400 remain appropriate for such recovery. As contemplated in Decision No. 66400, the arsenic related plant must be completed, placed in service and inspected by interested parties, including Staff. For each phase of ACRM Surcharge filing, Staff recommends

that the Company submits the same information, stated in Section G of Decision No. 66400, as listed below:

> *" (1) the most current balance sheet at the time of filing; (2) the most current income statement; (3) an earning test schedule (in accordance with the discussion above; (4) a rate review schedule (including the incremental and pro forma effects of the proposed increase); (5) a revenue requirement calculation; (6) a surcharge calculation; (7) an adjusted rate base schedule; (8) a CWIP ledger (for each project showing accumulation of charges by month and paid vendor invoices; (9) calculation of the three factor formula (as requested by Staff); and (10) a typical bill analysis under present and proposed rates."*

Q. What is Staff recommending for ACRM?

A. Staff recommends that Commission approve a new ACRM for Sedona and Superstition based on the conditions approved in Decision No. 66400. Second, Staff recommends that the Company file a new application for each step of ACRM Surcharge based on the processes outlined in Decision No. 66400.

<u>MAP Surcharge</u>

Q. Please comment on the Company's request to retain its existing MAP surcharge.

A. As amply discussed in previous sections of my testimony, Staff is strongly opposed to any form of automatic cost recovery mechanism. However, Staff recognizes that the MAP program is a mandated water testing requirement for small water companies with less than 10,000 customers. Unlike other adjuster mechanisms being sought by the Company, a utility company has absolutely no control over the scope, implementation and cost of MAP programs. Because of these unique characteristics of MAP testing, Staff finds that it is appropriate for the Commission to approve the Company's request to retain its existing MAP Surcharges.

Q. Does Staff recommend retention of the Company's existing MAP surcharges?

A. Yes.

STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF JOEL M. REIKER

REVENUE REQUIREMENT

Q. Has the Company revised its proposed revenue requirement.

A. Yes. The Company in its rebuttal testimony proposes a total revenue requirement of $57,177,176. This is $13,814,571 or 31.86 percent over its reported adjusted test year revenues of $43,362,605. The Company's proposal results in an operating income of $13,490,670 or 9.20 percent rate of return on an Original Cost Rate Base ("OCRB") and Fair Value Rate Base of $146,644,069.

Q. What is Staff recommending for revenue requirement?

A. Staff recommends a revised total revenue requirement of $53,014,233. This is an increase of $9,651,627 over Staff's adjusted test year revenues of $43,362,605. Staff's recommended revenue requirement is $4,162,943 less than the Company's revised proposal. Staff's recommended revenue requirement results in an operating income of $11,717,259 or an 8.10 percent rate of return on Staff's adjusted OCRB of $144,657,521.

Q. Please explain Staff's modification to its recommended revenue requirement.

A. Staff's revised revenue requirement reflects modification to transmission and distribution expenses and pumping expenses for the Superstition system. These two adjustments aggregate to $36,218, which is the increase reflected in Staff's revised revenue requirement. Both adjustments are fully discussed under subsequent sections of this testimony.

OPERATING INCOME EXPENSES

Operating Income Adjustment - Transmission and Distribution Expenses

Tank Maintenance

Q. Please state the Company's criticisms of Staff's recommendation to normalize tank maintenance expense.

A. The Company has several issues with Staff's recommendation to normalize tank maintenance expense. First, the Company argues that Staff's recommendation to normalize tank maintenance expense over three years is at variance with its maintenance program that occurs at an interval of seven to fourteen years. Second, the Company contends that its method for estimating tank maintenance costs accrual has been accepted by the Commission in the last two proceedings. Third, the Company asserts that "Staff also fails to recognize that estimates are not used to determine accrual balances, but that firm, competitively bid prices and actual expenses incurred are the basis of such accrual balances." Reiker Rebuttal at page 29, line 14. Finally, the Company contends that if Staff's recommended tank maintenance expense is approved by the Commission, it will be unable to maintain its tanks.

Q. Please comment on the Company's contentions regarding Staff's recommended tank maintenance expense.

A. The Company's insistence that the Commission approve its projected tank maintenance accrual, in the amount of $630,229, over Staff's recommended $448,090, is not supported by empirical records. The Company's requested tank maintenance accrual is overstated, and well in excess of actual tank maintenance costs incurred between 2001 and 2007. The Company's actual costs of tank maintenance for each year, over the above period, are depicted on the table below.

ACTUAL TANK MAINTENANCE EXPENSE - (2001-2007)		
YEAR		*ACTUAL COST*
2001		$224,228
2002		$297,465
2003		$145,214
2004		$ 73,868
2005		$403,517
2006		$514,672
2007		$426,082
7-Year Average		**$297,864**
5-Year Average		**$312,670**
3-Year Average		**$448,090**

As shown by the above table, Staff's recommended tank maintenance expense is higher than the Company's incurred test year costs, and higher than its recorded five and seven year averages as well. The data also shows that the cost of tank maintenance is not a fixed amount as the Company proposes, but varies from year to year. For example, the Company incurred $73,868 in 2004, $514,672 in 2006 and $426,082 in 2007. Based on the variability of tank maintenance expense, it is certainly appropriate to normalize the cost as recommended by Staff. Reiker rebuttal testimony page 26, lines 20 – 23, confirms variability of its tank maintenance costs.

Q. Could Staff have normalized the Company's tank maintenance expense over seven or fourteen years?

A. Yes. Although the Company argues that it is inappropriate to normalize tank maintenance that occurs at an interval of between seven and fourteen years, over a three year period,

the above data shows that Staff's recommendation is more reasonable, and beneficial to the Company. Based on the Company's record, normalizing tank maintenance expense over five or seven years will result in recognition of lower expense in cost of service.

Q. Please comment on the Company's contention that its method for estimating tank maintenance expense was accepted in previous rate filings.

A. Staff does not dispute that the Company's methodology for estimating tank maintenance accruals was accepted in prior proceedings. Staff contends that the Company's estimate of $630,229 is excessive, and does not correlate with tank maintenance expense incurred over the last seven years. If the Company's proposal is approved by the Commission, its ratepayers will be made to pay $630,229 into an accrual account, in anticipation that the Company will incur, on the average, an annual tank maintenance expense of $630,229. On the contrary, Staff's recommendation reflects cost variability, and compares favorably to the Company's previous tank maintenance costs.

Q. Please comment on the Company's assertion that estimates are not used to determine accrual balances.

A. This assertion supports Staff's recommendation to adopt a more practical approach in estimating tank maintenance expense in this proceeding. Although the Company states that "competitively bid prices and actual expenses incurred are the basis of such accrual balances," its estimated cost is based on a single vendor's estimate, not a competitive bid. Thus, the Company relied on a unit cost that was not subject to competitive bidding, in estimating its requested estimate of $603,229. The Company's approach should be rejected because it over-estimates tank maintenance accrual, relative to actual costs incurred from 2001 through 2007.

Q. Please comment on the Company's contention that Staff's recommended tank maintenance expense for Rimrock and Lakeside is significantly less than its projected cost.

A. Staff's recommendation is based on tank maintenance expense for all its system. If the Company's example of projected tank maintenance costs for Rimrock and Lakeside are examined in isolation, as the Company did, Staff's recommended costs might seem inadequate for a few systems. Staff recognizes that there might be years in which the Company does not incur any tank maintenance expense for some systems. As a result, Staff's recommendation for certain systems, such as Rimrock and Lakeside, might be less than the Company's projected costs. Another factor is that projected costs do not always equal actual costs. In aggregate, Staff's recommended tank maintenance expense is in excess of test year cost, as well as the company's five and seven year average cost.

Q. Please summarize your recommendation for tank maintenance expense.

A. Staff continues to recommend approval of a normalized tank maintenance expense based on actual cost incurred by the Company.

Transmission and Distribution Expenses – Meters and Mains

Q. Does the Company disagree with Staff's recommendation to normalize transmission and distribution expenses, subaccounts 663 and 672?

A. Yes. The Company contends that "averaging three years of historical costs does not reflect known and measurable change to test year." Reiker's rebuttal testimony, page 31. Also, the Company states that Staff failed to reflect 2005 and 2006 maintenance costs, incurred for Superior, in its normalized costs for Superstition.

Q. Please comment on the Company's disagreement with Staff's recommendation to normalize transmission and distribution expenses.

A. The Company is mistaken in assuming that Staff's recommendation to normalize transmission and distribution expenses is intended to establish a "known and measurable change to test year." Normalization of test year costs is necessary when a utility experiences a non-recurring material spike in the test year cost. Thus, normalization is intended to determine cost that is representative of the test year. As previously discussed in my direct testimony, the Company doubled Superstition and Casa Grande's transmission and distribution expenses for subaccounts 663 and 673, during the test year. Based on historic record for 2005 and 2006, test year costs are not representative of normal levels, for subaccounts 663 and 673. Therefore, it is appropriate to normalize test year cost over a three year period, to eliminate the effect of recorded spikes during the test year.

Q. Did the Residential Utility Consumer Office ("RUCO") observe any anomaly in the Company's recorded test year costs?

A. Yes. RUCO as well as Staff observed that, in aggregate, the Company's recorded over-time hours were significantly high during the test year. While Staff determined that these over-time hours were mainly attributable to transmission and distribution expense for Superstition and Casa Grande, RUCO took a broader approach by normalizing the Company's recorded over-time hours, through several income statement adjustments. Staff finds the Company's argument against both adjustments ironic, since it has not provided any evidence that shows its recorded test year over-time hours are reasonable and necessary for provision of service.

Q. Does Staff continue to find that it is appropriate to normalize test year transmission and distribution costs?

A. Yes. For Casa Grande and Superstition, Staff continues to recommend normalizing test year transmission and distribution expenses for subaccounts 663 and 673. Staff's recommendation insures that the Company's test year transmission and distribution costs are not overstated for Casa Grande and Superstition. Second, Staff's recommendation identifies the system responsible for the Company's recorded higher than normal over-time hours.

Q. Please comment on the Company's argument that test year operating costs should not be reduced because conservation and the economic slow-down have negatively impacted its revenues.

A. The Company's argument is contradictory. While the Company argues that its construction water sales and general consumption are in decline due to economic downtown and conservation, it continues to request higher than normal costs of service. If the Company's assertions were accurate, it should have proposed pertinent adjustments to compensate for lower costs of production and distribution. This argument is flawed and should be ignored.

Q. Does the Company dispute Staff's finding regarding transmission and distribution costs for subaccount 663 and 673

A. No. The Company does not dispute that its test year cost doubled for both subaccounts 663 and 673 during the test year. The Company merely argues that Staff did not identify the related invoices billed for major repairs in Casa Grande.

Q. Please comment on the Company's observation that Staff omitted certain costs from normalizing test year cost for Superstition.

A. Staff's review indicates that 2005 and 2006 transmission and distribution expense for Superior, a sub-system of Superstition, were omitted from Staff's normalized test year cost.

Q. Has Staff revised its recommended transmission and distribution expense in this proceeding?

A. Yes. Staff has revised its recommended transmission and distribution expenses to reflect 2005 and 2006 costs incurred for Superior. As shown on Surrebuttal Schedule 5 - Superstition, this revision results in an increase of $24,878 to transmission and distribution expenses.

Q. Please summarize Staff's recommendation.

A. Staff continues to recommend normalizing transmission and distribution expenses for Casa Grande and Superstition. Therefore, the company's arguments against normalization should be rejected. However, Staff has revised its recommended transmission and distribution expense for Superstition System, to reflect costs incurred for Superior in 2005 and 2006.

<u>Operating Income Adjustment – Pumping Expenses</u>

Q. Does the Company request Commission authorization to continue implementing its existing Desert Wells Pump Maintenance Accrual Account for Superstition?

A. Yes. According to the Company, the Commission in Decision No. 66849 authorized it to collect $41,908 per year for the Desert Well Pump Maintenance Accrual Account ("Desert Wells"). The purpose of this account is to enable the Company to recover the cost of

maintaining the pipeline utilized in pumping water from the Desert Well Station pumps to the Town of Superior. Schneider direct testimony, page 26, lines 8 -9. The Company seeks Commission authorization to retain its existing accrual amount of $41,908, and the related accrual account.

Q. Please comment on the Company's proposal to retain the Desert Wells accrual account.

A. This account is very similar to the tank maintenance accrual account, fully discussed above, and in my direct testimony. It authorizes the Company to collect an amount, in this case, $41,908, in anticipation of expending same for maintenance and repairs of the pipeline linking Desert Pump wells to Superior. The Company collects this money, and immediately expenses it, by debiting Pumping Expense (Other) and crediting the related accrual account. In other words, the Company assumes that it will expend the full amount before incurring any costs for maintaining the pipeline.

Q. Has Staff examined the Company's historic cost of maintaining the above pipeline?

A, Yes. The Company incurred $96,510 in 2005, $24,498 in 2006 and $38,738 in 2007 for maintenance of the above pipeline. Staff finds that it is appropriate to normalize this cost over a three year period, at an annual cost of $53,249. Staff's recommended expense is $11,340 higher than the Company's accrual of $41,908.

Q. Is Staff recommending an adjustment to pumping expense maintenance expense?

A. Yes. Staff recommends adoption of $53,529 as an appropriate cost of maintenance for Desert Wells related pipeline. As shown on Schedule AII-6 – Superstition, Staff recommends an adjustment of $11,341 to pumping maintenance expenses-Other.

Q. Does Staff agree with the Company's proposal to retain its existing Desert Wells accrual account?

A. No. Staff finds that it is more appropriate to approve a normalized pipeline maintenance expense, in lieu of the Desert Wells accrual account for Superstition.

Q. Please summarize Staff's recommendation regarding the Desert Wells accrual account.

A. As discussed above, Staff recommends that the Commission approve a normalized level of pipeline maintenance expense for Desert Wells. Further, Staff recommends that the Commission reject the Company's proposal to retain the Desert Wells accrual account for Superstition.

Operating Income Adjustment – General and Administrative Expenses

Q. Has the Company provided satisfactory information in support of its requested conservation adjustment for the Northern Group?

A. No. However, the Company continues to argue for Commission approval of its requested conservation adjustment for the Northern Group.

Q. Why is the Company seeking a conservation adjustment?

A. The Company seeks a conservation adjustment to compensate it for loss of revenue that might result from implementing a tiered rate structure for the Northern Group. The Company contends that a tiered rate structure results in loss of revenue due to conservation.

Q. Is AWC the only utility currently implementing Commission approved tiered rate structure?

A. No. There are several water companies implementing tiered rate structure in Arizona, for which the Commission has never authorized a conservation adjustment. It appears that the Company is contending that it should be regulated differently than other utilities in Arizona. The Company has not demonstrated why it should be allowed a conservation adjustment, an adjustment that is not available to other utilities, operating under the same circumstances.

Q. Does Staff continue to recommend against the Company's proposed conservation adjustment?

A. Yes.

Operating Income Adjustment - Depreciation and Amortization Expense

Q. Did Staff use incorrect CIAC amortization rates in calculating its recommended depreciation and amortization expense?

A. No. The Company is mistaken in assuming that Staff utilized incorrect CIAC amortization rates in calculating depreciation and amortization expense. Amortization of CIAC based on weighted average depreciation rate is employed when a utility cannot identify the specific plant items comprising its CIAC balance. Because the Company is unable to break out the balance of test year CIAC into specific plant accounts, Staff had no alternative but to calculate CIAC amortization based on each system's weighted average depreciation rate.

Q. What is the Company's opposition to Staff's basis for amortizing CIAC?

A. The Company argues that the balance of its test year CIAC should be amortized based on the annual depreciation rate associated with the plant accounts which comprise its test year CIAC. The Company identified such plant accounts as transmission and distribution mains, fire sprinkler taps, services, meters, hydrants. However, the Company cannot identify the specific CIAC balance associated with each plant account per system. The Company erroneously argues for adoption of 2 percent as its weighted CIAC amortization rate, (approved in Decision No. 66849), for all its systems.

Q. What is the error in the Company's assumed amortization rate?

A. The Company assumes that its proposed CIAC amortization rate is constant at 2 percent, irrespective of the CIAC balance, per each system's plant accounts. To the contrary, the amortization rate varies as the composition of plant balances vary from system to system. Therefore, the Company's assumption of a 2 percent CIAC amortization rate for all its systems is erroneous, and should be rejected.

Further, the Company has adopted an amortization rate that was approved for the Eastern Group, as the basis for amortizing CIAC for all its systems. The Company's approach fails to recognize any changes in the plant components of test year CIAC since its last rate filing for the Eastern Group. Also, the Company erroneously assumes that each of the systems within the Northern and Western Groups has identical plant account balances in CIAC. These assumptions are erroneous and should be rejected in this proceeding

Q. Would Staff recommend adoption of CIAC amortization rates that are specific to the related plant accounts?

A. Yes. If the Company provides a break-out of its test year CIAC into the related plant accounts per system, Staff will adopt the related plant depreciation rates for amortizing CIAC. However, Staff's methodology is superior to the Company's proposal, if it cannot breakout CIAC balances to specific plant accounts per system. Staff has utilized a CIAC amortization rate that is specific to each system, and reflects the composition of plant employed in provision of service by the system.

Q. What is Staff's recommendation regarding depreciation and amortization expense?

A. Staff continues to recommends adoption of its CIAC amortization rates for calculating depreciation and amortization expense.

Q. Does this conclude your testimony?

A. Yes.

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Surrebuttal Schedule AII-1
Superstition

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY REBUTTAL ORIGINAL COST	[B] STAFF SURREBUTTAL ORIGINAL COST
1	Adjusted Rate Base	$ 43,223,792	$ 42,812,403
2	Adjusted Operating Income (Loss)	$ 1,921,044	$ 1,970,210
3	Current Rate of Return (L2 / L1)	4.21%	4.60%
4	Required Rate of Return	9.20%	8.10%
5	Required Operating Income (L4 * L1)	$ 3,976,417	$ 3,467,804
6	Operating Income Deficiency (L5 - L2)	$ 2,055,373	$ 1,497,593
7	Gross Revenue Conversion Factor	1.6286	1.6620
8	Required Revenue Increase (L7 * L6)	$ 3,510,314	$ 2,488,987
9	Adjusted Test Year Revenue	$ 11,939,904	$ 11,939,904
10	Proposed Annual Revenue (L8 + L9)	$ 15,450,218	$ 14,428,891
11	Required Increase in Revenue (%)	29.40%	20.85%
12	Rate of Return on Common Equity (%)	12.40%	10.00%

References:
Column (A): Company Schedule RB A-1
Column (B): Staff Surebuttal Schedules AII-2, AII-3, BKB-1 & DCP-1

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
	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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.8312%			
5	Subtotal (L3 - L4)	60.1688%			
6	**Revenue Conversion Factor (L1 / L5)**	1.661990945			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
	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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.3163088			
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 Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-12, L24)	2.0070%			
22	Effective Property Tax Factor (L 21 * L 22)	0.012323205			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.8312%		
24	Required Operating Income (Schedule AII-1, Line 5)	$ 3,467,804			
25	AdjustedTest Year Operating Income (Loss) (Schedule AII-3, Line 30)	$ 1,970,210			
26	Required Increase in Operating Income (L24 - L25)		$ 1,497,593		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 1,221,866			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 280,427			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 941,439		
30	Recommended Revenue Requirement (Schedule AII-1, Line 10)	$ 14,428,891			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue (AII-12, L19)	$ 768,856			
36	Property Tax on Test Year Revenue (AII-12, L 16)	$ 718,902			
37	Increasee in Property Tax Due to Increase in Revenue (AII-12, L22)		$ 49,954		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 2,488,986		
	Calculation of Income Tax:	Test Year		STAFF Recommended	
39	Revenue (Schedule AII-3, Col.[C], Line 4 & Sch. AII-1, Col. [B], Line 10)	$ 11,939,904	$ 2,488,987	$ 14,428,891	
40	Operating Expenses Excluding Income Taxes	$ 9,689,268		$ 9,739,221	
41	Synchronized Interest (L47)	$ 1,524,122		$ 1,524,122	
42	Arizona Taxable Income (L36 - L37- L38)	$ 726,515		$ 3,165,548	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 50,624		$ 220,575
45	Federal Taxable Income (L33 - L35)	$ 675,891		$ 2,944,972	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%				
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%				
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%				
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%				
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 229,803		$ 1,001,291	
51	Total Federal Income Tax		$ 229,803		$ 1,001,291
52	Combined Federal and State Income Tax (L35 + L42)		$ 280,427		$ 1,221,866
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.00%
	Calculation of Interest Synchronization:				
54	Rate Base (Schedule BKB-1, Col. [D])	$ 42,812,403			
55	Weighted Average Cost of Debt (Schedule DCP-1)	3.56%			
56	Synchronized Interest (L45 X L46)	$ 1,524,122			

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Surrebuttal Schedule AII-3
Superstition

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] STAFF DIRECT TEST YEAR AS FILED	[B] STAFF SURREBUTTAL TEST YEAR ADJUSTMENTS	[C] STAFF SURREBUTTAL TEST YEAR ADJUSTED	[D] STAFF SURREBUTTAL AMENDMENTS	[E] STAFF SURREBUTTAL
1	*REVENUES:*					
2	Metered Revenues	$ 11,223,738	$ -	$ 11,223,738	$ 2,488,987	$ 13,712,725
3	Miscellaneous	716,166	$ -	716,166	-	716,166
4	**Total Operating Revenues**	$ 11,939,904	$ -	$ 11,939,904	$ 2,488,987	$ 14,428,891
5						
6	*OPERATING EXPENSES:*					
7	Source of Supply Expenses					
8	Purchased Water	$ 1,019,696	$ -	$ 1,019,696	$ -	$ 1,019,696
9	Other	48,540	$ -	48,540	-	48,540
10	Pumping Expenses		$ -	-		
11	Purchased Power	1,170,704	$ -	1,170,704	-	1,170,704
12	Purchased Gas	-	$ -	-	-	-
13	Other	307,004	$ 11,341	318,345	-	318,345
14	Water Treatment Expenses	389,035	$ -	389,035		389,035
15	Transmission and Distribution Expenses	1,201,607	$ 24,878	1,226,484	-	1,226,484
16	Customer Accounting Expenses	945,427	$ -	945,427	-	945,427
17	Sales Expense	5,489	$ -	5,489	-	5,489
18	Administrative and General Expenses	1,591,413	$ -	1,591,413	-	1,591,413
19	**Total Operation and Maintenance Expense**	$ 6,678,915	$ 36,218	$ 6,715,133	$ -	$ 6,715,133
20						
21	Depreciation and Amortization Expenses	2,118,069	$ -	2,118,069	-	2,118,069
22						
23	Taxes					
24	Federal Income Taxes	241,259	$ -	229,803	771,488	1,001,291
25	State Income Taxes	53,147	$ -	50,624	169,952	220,575
26	Property Taxes	718,902	$ -	718,902	49,954	768,856
27	Other	137,164	$ -	137,164	-	137,164
28	Total Taxes	$ 1,150,472	$ -	$ 1,136,493	$ 991,393	$ 2,127,886
29	**Total Operating Expenses**	$ 9,947,455	$ 36,218	$ 9,969,694	$ 991,393	$ 10,961,087
30	**Operating Income (Loss)**	$ 1,992,449	$ (36,218)	$ 1,970,210	$ 1,497,594	$ 3,467,803

References:
Column [A]: Company Schedule C-1 Pg. 3 of 11
Column [B]: Schedule AII-4
Column [C]: Column [A] + Column [B]
Column [D]: Schedules AII-1 and AII-2
Column [E]: Column [C] + Column [D]

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Surrebuttal Schedule AII-4
Superstition

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] STAFF DIRECT TEST YEAR 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] STAFF SURREBUTTAL TEST YEAR ADJUSTED
1	*Operating Revenues:*										
2	Residential	$ 8,708,170	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,708,170
3	Commercial	2,125,918	-	-	-	-	-	-	-	-	2,125,918
4	Industrial	35,010	-	-	-	-	-	-	-	-	35,010
5	Private Fire Service	8,293	-	-	-	-	-	-	-	-	8,293
6	Other Water Revenues	346,347	-	-	-	-	-	-	-	-	346,347
7	Total Water Revenues	$ 11,223,738	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,223,738
8											
9	Miscellaneous	716,166	-	-	-	-	-	-	-	-	716,166
10	Total Operating Revenues	$ 11,939,904	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,939,904
11											
12	*OPERATING EXPENSES:*										
13	Source of Supply Expenses										
14	Purchased Water	$ 1,019,696	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,019,696
15	Other	48,540	-	-	-	-	-	-	-	-	48,540
16	Pumping Expenses										
17	Purchased Power	1,170,704	-	-	-	-	-	-	-	-	1,170,704
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-
19	Other	307,004	-	11,341	-	-	-	-	-	-	318,345
20	Water Treatment Expenses	389,035	-	-	-	-	-	-	-	-	389,035
21	Transmission and Distribution Expenses	1,201,607	24,878	-	-	-	-	-	-	-	1,226,484
22	Customer Accounting Expenses	945,427	-	-	-	-	-	-	-	-	945,427
23	Sales Expense	5,489	-	-	-	-	-	-	-	-	5,489
24	Administrative and General Expenses	1,591,413	-	-	-	-	-	-	-	-	1,591,413
25	Total Operation and Maintenance Expense	$ 6,678,915	$ 24,878	$ 11,341	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,715,133
26											
27	Depreciation and Amortization Expenses	2,118,069	-	-	-	-	-	-	-	-	2,118,069
28											
29	Taxes										
30	Federal Income Taxes	241,259	-	-	-	-	-	-	-	-	229,803
31	State Income Taxes	53,147	-	-	-	-	-	-	-	-	50,624
32	Property Taxes	718,902	-	-	-	-	-	-	-	-	718,902
33	Other	137,164	-	-	-	-	-	-	-	-	137,164
34	Total Taxes	$ 1,150,472	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,136,493
35											
36	Total Operating Expenses	$ 9,947,455	$ 24,878	$ 11,341	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,969,694
37	Operating Income (Income)	$ 1,992,449	$ (24,878)	$ (11,341)	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,970,211

ADJ #	DESCRIPTION	REFRENCES
1	Transmission & Distribution Expense	Surrebuttal Schedule AII-5

OPERATING INCOME ADJUSTMENT NO. 1 - TRANSMISSION AND DISTRIBUTION EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Transmission and Distribution Expenses	$ 1,201,607	$ (113,210)	$ 1,088,396
2				
3	Normalization of Three Year Actual Tank Maintenance Expense			
4		Year		Expense
5	Tank Maintenance expense	2005		227,332
6	Tank Maintenance expense	2006		54,227
7	Tank Maintenance expense	2007		165,075
8	Total			$ 446,634
9				
10	Normalized Three Year Average			$ 148,878
11	Company Proposed			$ 175,554
12	Staff Adjustment			$ (26,676)
13				
14				
15	Normalization of Transmission and Distribution Expenses for Account Nos. 663 & 673			
16		Year	Account	Expense
17	Transmission & Distribution Expense - Meters	2005	663	$ 267,279
18	Transmission & Distribution Expense - Meters	2006	663	245,080
19	Transmission & Distribution Expense - Meters	2007	663	253,037
20	Total			765,396
21				
22	Normalized over 3 years			255,132
23	Company Proposed			253,037
24	Staff Adjustment			2,095
25				
26	Transmission & Distribution Expense - Meters	2005	673	$ 111,139
27	Transmission & Distribution Expense - Meters	2006	673	$ 141,708
28	Transmission & Distribution Expense - Meters	2007	673	$ 259,368
29	Total			$ 512,215
30				
31	Normalized over 3 years			$ 170,738
32	Company Proposed			$ 259,368
33	Staff Adjustment			$ (88,629)
34				
35	Total (L14 + L26 +L35)			$ (113,210)
36	Direct Testimony Adjustment			$ (138,088)
37	Surrebuttal Testimony Adjustment (L35 - L36)			$ 24,878

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: All Testimony
Col [C]: Col. [A] + Col. [B]

Arizona Water Company - Superstition System
Docket No. W-01445A-08-0440
Test Year December 31, 2007

Surrebuttal Schedule AII-6
Superstition

OPERATING INCOME ADJUSTMENT NO. 2 - PUMPING EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	$ 1,170,704	$ -	$ 1,170,704
2	Purchased Gas	-	-	-
3	Other	307,004	11,341	318,345
4	Total Pumping Expenses	$ 1,477,708	$ 11,341	$ 1,489,049
5				
6		Calculation of Desert Wells Pumping Expense		
7				
8		Year		Actual Expense
9		2005		$ 96,510
10		2006		24,498
11		2007		38,738
12		Total		$ 159,746
13				
14		Normalized over 3 years		53,249
15		Test Year - Acrcrual		41,908
16		Staff Adjustment		$ 11,341

References:
Col [A]: Company Schedeule C-1 Page 3
Col [B]:
Col [C]: Col. [A] + Col. [B]

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 ARIZONA WATER COMPANY, 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-01445A-08-0440

(RATE DESIGN)

DIRECT

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 30, 2009

ALL-STATE LEGAL®
EXHIBIT
S-26

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Eastern Group

Superstition Water System

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Consolidated Typical Residential Bill Analysis – Apache Junction JMM-2
Consolidated Typical Residential Bill Analysis – Superior JMM-2
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Miami Water System

Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2

Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Bisbee Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Sierra Vista Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

San Manuel Water System
Rate Design JMM-1
Typical Residential Bill Analysis JMM-2

Oracle Water System
Rate Design JMM-1
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Winkleman Water System
Rate Design JMM-1
Typical Residential Bill Analysis JMM-2

Northern Group

Lakeside Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Overgaard Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Sedona Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Pinewood Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Rimrock Water System
Consolidated Rate Design JMM-1
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Western Group

Casa Grande Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Stanfield Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

Coolidge Water System
Consolidated Rate Design JMM-1
Consolidated Typical Residential Bill Analysis JMM-2
Stand Alone Rate Design JMM-3
Stand Alone Typical Residential Bill Analysis JMM-4

White Tank Water System
Rate Design JMM-1
Typical Residential Bill Analysis JMM-2

Ajo Water System
Rate Design JMM-1
Typical Residential Bill Analysis JMM-2

Other Service Charges JMM-5

EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-08-0440

Arizona Water Company ("Company") is a certificated Arizona public service corporation that provides Water utility service in various communities throughout the state. On August 22, 2008, the Company filed an application for a permanent rate increase. This filing includes all 17 of the Company's Systems. The Company utilized a test year ended December 31, 2007.

Eastern Group

Superstition Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons living in Apache Junction would experience a $11.25 or a 48.55 percent increase in their monthly bill from $23.18 to $34.43 under the Company's proposed rates and a $6.37 or a 27.49 percent increase in their monthly bill from $23.18 to $29.55 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons living in Superior would experience a $10.00 or a 40.96 percent increase in their monthly bill from $24.43 to $34.43 under the Company's proposed rates and a $4.93 or a 20.18 percent increase in their monthly bill from $24.43 to $29.35 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Miami Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,457 gallons would experience a $1.96 or a 6.65 percent increase in their monthly bill from $29.43 to $31.39 under the Company's proposed rates and a $2.87 or a 9.73 percent decrease in their monthly bill from $29.43 to $26.57 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Bisbee Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 3,638 gallons would experience a $2.60 or a 10.09 percent increase in their monthly bill from $25.76 to $28.36 under the Company's proposed rates and a $0.40 or a 1.57 percent decrease in their monthly bill from $25.76 to $25.35 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Sierra Vista Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,380 gallons would experience a $0.22 or a 0.84 percent increase in their monthly bill from $25.68 to $25.90 under the Company's proposed rates and a $0.41 or a 1.61 percent decrease in their monthly bill from $25.68 to $25.27 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

San Manuel Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,505 gallons would experience a $13.17 or a 42.44 percent increase in their monthly bill from $31.02 to $44.19 under the Company's proposed rates and a $8.17 or a 26.33 percent increase in their monthly bill from $31.02 to $39.19 under Staff's recommended rates.

Oracle Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,339 gallons would experience a $2.24 or a 5.47 percent increase in their monthly bill from $40.94 to $43.18 under the Company's proposed rates and a $4.21 or a 10.28 percent decrease in their monthly bill from $40.94 to $36.73 under Staff's recommended rates.

Winkleman Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 7,329 gallons would experience a $9.12 or a 42.86 percent increase in their monthly bill from $21.28 to $30.40 under the Company's proposed rates and a $5.33 or a 25.06 percent increase in their monthly bill from $21.28 to $26.61 under Staff's recommended rates.

Northern Group

Lakeside Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 2,314 gallons would experience a $2.82 or a 10.14 percent decrease in their monthly bill from $27.76 to $24.94 under the Company's proposed rates and a $7.37 or a 26.54 percent decrease in their monthly bill from $27.76 to $20.39 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Overgaard Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 772 gallons would experience a $4.60 or a 21.08 percent decrease in their monthly bill from $21.84 to $17.23 under the Company's proposed rates and a $6.07 or a 27.80 percent decrease in their monthly bill from $21.84 to $15.77 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Sedona Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,910 gallons would experience a $12.66 or a 46.58 percent increase in their monthly bill from $27.17 to $39.83 under the Company's proposed rates and a $6.81 or a 25.08 percent increase in their monthly bill from $27.17 to $33.98 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Pinewood Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 536 gallons would experience a $2.31 or a 10.60 percent increase in their monthly bill from $21.84 to $24.15 under the Company's proposed rates and a $3.95 or a 18.08 percent decrease in their monthly bill from $21.84 to $17.89 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Rimrock Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,128 gallons would experience a $11.04 or a 41.80 percent increase in their monthly bill from $26.42 to $37.46 under the Company's proposed rates and a $0.97 or a 3.68 percent decrease in their monthly bill from $26.42 to $25.45 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Western Group

Casa Grande Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,075 gallons would experience a $10.17 or a 56.34 percent increase in their monthly bill from $18.05 to $28.22 under the Company's proposed rates and a $4.67 or a 25.90 percent increase in their monthly bill from $18.05 to $22.73 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Coolidge Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,998 gallons would experience a $6.64 or a 31.01 percent increase in their monthly bill from $21.43 to $28.07 under the Company's proposed rates and a $1.15 or a 5.37 percent increase in their monthly bill from $21.43 to $22.58 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Stanfield Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 7,262 gallons would experience a $3.66 or a 11.08 percent increase in their monthly bill from $33.06 to

$36.72 under the Company's proposed rates and a $3.78 or a 11.45 percent decrease in their monthly bill from $33.06 to $29.27 under Staff's recommended rates. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

White Tank Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 10,201 gallons would experience a $16.07 or a 43.30 percent increase in their monthly bill from $37.11 to $53.18 under the Company's proposed rates and a $2.32 or a 6.26 percent increase in their monthly bill from $37.11 to $39.44 under Staff's recommended rates.

Ajo Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 3,754 gallons would experience a $7.89 or a 20.40 percent increase in their monthly bill from $38.69 to $46.58 under the Company's proposed rates and a $3.88 or a 10.03 percent increase in their monthly bill from $38.69 to $42.57 under Staff's recommended rates.

INTRODUCTION

Q. Please state your name, title, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V 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. Briefly describe your responsibilities as a Public Utilities Analyst V.

A. In my capacity as a Public Utilities Analyst V, I analyze and examine accounting, financial, statistical and other information and prepare reports based on my analyses that present Staff's recommendations to the Commission on utility revenue requirements, rate design and other matters. I also provide expert testimony on these same issues.

Q. Please describe your educational background and professional experience.

A. In 2000, I graduated from Idaho State University, receiving a Bachelor of Business Administration Degree in Accounting and Finance, and I am a Certified Public Accountant with the Arizona State Board of Accountancy. I have attended the National Association of Regulatory Utility Commissioners' ("NARUC") Utility Rate School, which presents general regulatory and business issues.

I joined the Commission as a Public Utilities Analyst in May of 2006. Prior to employment with the Commission, I worked four years for the Arizona Office of the Auditor General as a Staff Auditor, and one year in public accounting as a Senior Auditor.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff's analysis and recommendations regarding Arizona Water Company's ("Company" or "Arizona Water") application for a permanent increase in its

rates and charges throughout Arizona. I am presenting testimony and schedules addressing rate design.

Q. What is the basis of your testimony in this case?

A. Based on the adjustments and revenue requirement recommended by Staff, I will present Staff's recommended rate design.

BACKGROUND

Q. Please describe the Company.

A. Arizona Water is a certificated Arizona public service corporation with headquarters located in Phoenix, Arizona. The Company supplies Water to nearly 84,000 customers in eight counties throughout Arizona. The Company is composed of 17 separate Water Systems located in Ajo, Bisbee, Casa Grande, Coolidge, Lakeside, Miami, Oracle, Overgaard, Pinewood, Rimrock, San Manuel, Sedona, SierraVista, Stanfield, Superstition, White Tank, and Winkelman.

RATE DESIGN

Q. Have you prepared a schedule summarizing the present, Company proposed, and Staff recommended rates and service charges?

A. Yes. For comparative purposes Staff has presented each System separately, and has also combined several of the Systems, based on the Company's proposed consolidation. A summary of the present, Company proposed, and Staff recommended rates are presented in the attached schedules.

Q. Has the Company proposed consolidation of several of its Systems in this filing?

A. Yes. The Company proposes five separate consolidations.

Q. Did the Company propose consolidation of the Superstition and Miami Systems?

A. Yes. The Company is proposing full consolidation.

Q. Does Staff agree with the Company's consolidation of the Superstition and Miami Systems?

A. Yes.

Q. Did the Company propose consolidation of the Bisbee and Sierra Vista Systems?

A. Yes, but only partially. The Company is proposing the same monthly minimum rate for both systems. The commodity rates proposed are different and would be adjusted in a future rate case.

Q. Does Staff agree with the Company's consolidation plan?

A. Yes.

Q. Did the Company propose consolidation of the Lakeside and Overgaard Systems?

A. Yes. The Company is proposing full consolidation of the Lakeside and Overgaard Systems.

Q. Does Staff agree with the Company's consolidation of the Lakeside and Overgaard Systems?

A. Yes.

Q. Did the Company propose consolidation of the Sedona, Pinewood and Rimrock Systems?

A. Yes. The Company is proposing full consolidation of the Rimrock and Pinewood Systems. The monthly minimum rate for Sedona would be the same as Rimrock and Pinewood with the commodity rates for the Sedona System set at different rates. The Sedona System's commodity rates would then be adjusted in a future rate case to match the Pinewood and Rimorck Systems' commodity rates.

Q. Does Staff agree with the Company's consolidation plan?

A. No. Staff believes all three Systems should have unified monthly minimum and commodity rates charges, instead of waiting until the next rate case to adjust the commodity charges.

Q. Did the Company propose consolidation of the Casa Grande, Coolidge and Stanfield Systems?

A. Yes. The Company is proposing full consolidation of the Casa Grande and Coolidge Systems since they are interconnected. The monthly minimum rate for Stanfield would be the same as Casa Grande and Coolidge with the commodity rates for the Stanfield System set at different rates. The Stanfield System's commodity rates would then be adjusted in a future rate case to match the Casa Grande and Coolidge Systems' commodity rates.

Q. Does Staff agree with the Company's consolidation plan?

A. No. While, Staff concurs with the Company that all three systems should have a unified monthly minimum. Staff also recommends that the first tier be the same for all three systems. Casa Grande and Coolidge will have the same second and third tier commodity rates, but Stanfield will have different second and third tier commodity rates.

SUPERSTITION AND MIAMI WATER SYSTEMS

Q. Would you please summarize the present rate design for the Superstition Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $12.54; 1-inch $34.30; 2-inch $120.20; 3-inch $236.03; 4-inch $480.25; 6-inch $774.01; 8-inch $926.15; and 10-inch 1,157.69. No gallons are included in the monthly minimum charge. The present commodity rate varies depending on whether you live in Apache Junction or Superior, as these two systems were only partially consolidated in the last rate case. The monthly minimums were consolidated but the commodity rates are different. The residential, commercial, industrial, and construction commodity rate for Apache Junction is $1.9688 per thousand gallons for zero to 10,000 gallons, $2.4610 per thousand gallons for 10,001 to 25,000 gallons, and $2.9532 per thousand gallons for any consumption over 25,000 gallons. The residential, commercial, industrial, and construction commodity rate for Superior is $2.2000 per thousand gallons for zero to 10,000 gallons, $2.7500 per thousand gallons for 10,001 to 25,000 gallons, and $3.3000 per thousand gallons for any consumption over 25,000 gallons. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the present rate design for the Miami Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $15.44; 1-inch $38.87; 2-inch $129.86; 3-inch $248.35; 4-inch $497.76; 6-inch $875.26; 8-inch $1,163.12; and 10-inch $1,305.25. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is $3.1400 per thousand gallons for zero to 10,000 gallons, $3.9250 per thousand

gallons for 10,001 to 25,000 gallons, and $4.7100 per thousand gallons for any consumption over 25,000 gallons. The proposed monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Superstition and Miami Water Systems?

A. The Company's proposed monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $19.00; 1-inch $47.50; 2-inch $152.00; 3-inch $304.00; 4-inch $475.00; 6-inch $950.00; 8-inch $1,520; and 10-inch $3,040.00. Zero gallons are included in the monthly minimum charge. The Company proposes the same commodity rates for both the Apache Junction and Superior Systems. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers of only $2.570 per thousand gallons for zero to 3,000 gallons, $3.2130 per thousand gallons for 3,001 to 10,000 gallons, and $4.0160 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential commodity rate tiers vary by meter size, but are $3.2130 per thousand gallons for the first tier and $4.0160 per thousand gallons for any consumption over the first tier. The other proposed commercial and construction commodity rate tiers vary by meter size, but are $3.4410 per thousand gallons for the first tier and $4.3010 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $3.8500 per 1,000 gallons for industrial customers and a flat commodity rate of $3.8500 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Superstition and Miami Water Systems?

A. Staff's recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $17.00; 1-inch $42.50; 2-inch $136.00; 3-inch $272.00; 4-inch $425.00; 6-inch $850.00; 8-inch $1,360.00; and 10-inch $1,955.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.660 per thousand gallons for zero to 3,000 gallons, $3.1500 per thousand gallons for 3,001 to 10,000 gallons, and $4.1650 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $3.1500 per thousand gallons for the first tier and $4.1650 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $4.1650 per 1,000 gallons for resale water customers and a flat commodity rate of $4.1650 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Apache Junction?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience a $11.25 or a 48.55 percent increase in their monthly bill from $23.18 to $34.43 under the Company's proposed rates and a $6.37 or a 27.49 percent increase in their monthly bill from $23.18 to $29.55 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Superior?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience a $10.00 or a 40.96 percent increase in their monthly bill from $24.43 to $34.43 under the Company's proposed rates and a $4.93 or a 20.18 percent increase in their monthly bill from $24.43 to $29.35 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Miami?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,457 gallons would experience a $1.96 or a 6.65 percent increase in their monthly bill from $29.43 to $31.39 under the Company's proposed rates and a $2.87 or a 9.73 percent decrease in their monthly bill from $29.43 to $26.57 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on the Superstition Water System if the Superstition and Miami Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Superstition stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $16.35; 1-inch $40.88; 2-inch $130.80; 3-inch $261.60; 4-inch $408.75; 6-inch $817.50; 8-inch $1,308.00; and 10-inch $1,880.25. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.9680 per thousand gallons for zero to 3,000 gallons, $2.9590 per thousand gallons for 3,001 to 10,000 gallons, and

$3.5450 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.9590 per thousand gallons for the first tier and $3.5450 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $3.5450 per 1,000 gallons for resale water customers and a flat commodity rate of $3.5450 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design for Apache Junction?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience a $11.25 or a 48.55 percent increase in their monthly bill from $23.18 to $34.43 under the Company's proposed rates and a $6.19 or a 26.69 percent increase in their monthly bill from $23.18 to $29.36 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design for Superior?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience a $10.00 or a 40.96 percent increase in their monthly bill from $24.43 to $34.43 under the Company's proposed rates and a $4.94 or a 20.22 percent increase in their monthly bill from $24.43 to $29.36 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

Q. Did Staff present an alternative rate design to show the rate impact on the Miami Water System if the Superstition and Miami Water Systems were not consolidated?

A. Yes. As an alternative Staff's Miami stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $22.00; 1-inch $55.00; 2-inch $176.00; 3-inch $352.00; 4-inch $550.00; 6-inch $1,100.00; 8-inch $1,760.00; and 10-inch $2,530.00. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $3.5800 per thousand gallons for zero to 3,000 gallons, $5.3630 per thousand gallons for 3,001 to 10,000 gallons, and $6.4250 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $5.3630 per thousand gallons for the first tier and $6.4250 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $6.4250 per 1,000 gallons for resale water customers and a flat commodity rate of $6.4250 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design for Miami?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,457 gallons would experience a $1.96 or a 6.65 percent increase in their monthly bill from $29.43 to $31.39 under the Company's proposed rates and a $11.12 or a 37.77 percent increase in their monthly bill from $29.43 to $40.55 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

BISBEE AND SIERRA VISTA WATER SYSTEMS

Q. Would you please summarize the present rate design for the Bisbee Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $16.32; 1-inch $43.78; 2-inch $141.06; 3-inch $267.25; 4-inch $477.98; 6-inch $662.53; 8-inch $891.27; and 10-inch $1,200.36. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction water commodity rate is $2.5940 per thousand gallons for zero to 10,000 gallons, $3.2420 per thousand gallons for 25,001 to 10,000 gallons, and $3.8900 per thousand gallons for any consumption over 25,000 gallons. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the present rate design for the Sierra Vista Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $15.40; 1-inch $32.71; 2-inch $125.47; 3-inch $284.04; 4-inch $398.10; 6-inch $604.72; 8-inch $725.66; and 10-inch $907.08. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction water commodity rate is $1.6120 per thousand gallons for zero to 10,000 gallons, $2.0150 per thousand gallons for 10,001 to 25,000 gallons, and $2.4180 per thousand gallons for any consumption over 25,000 gallons. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Bisbee and Sierra Vista Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, construction, and resale customers are as follows: 5/8 x 3/4-inch $15.00; 1-inch $37.50; 2-inch $120.00; 3-inch $240.00; 4-inch $375.00; 6-inch $750.00; 8-inch $1,200.00; and 10-inch $2,400.00. The Company's proposed monthly minimum charges by meter size for industrial customers are as follows: 5/8 x 3/4-inch $28.44; 1-inch $71.10; 2-inch $227.52; 3-inch $455.04; 4-inch $711.00; 6-inch $1,422.00; 8-inch $2,275.20; and 10-inch $4,550.40. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $3.5170 per thousand gallons for zero to 3,000 gallons, $4.3960 per thousand gallons for 3,001 to 10,000 gallons, and $5.4950 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rates tiers vary by meter size, but are $4.3960 per thousand gallons for the first tier and $5.4950 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $5.4950 per 1,000 gallons for industrial customers and a flat commodity rate of $5.4950 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Sierra Vista Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, construction, and resale customers are as follows: 5/8 x 3/4-inch $15.00; 1-inch $37.50; 2-inch $120.00; 3-inch $240.00; 4-inch $375.00; 6-inch $750.00; 8-inch

$1,200; and 10-inch $2,400.00. The Company's proposed monthly minimum charges by meter size for industrial customers are as follows: 5/8 x 3/4-inch $28.44; 1-inch $71.10; 2-inch $227.52; 3-inch $455.04; 4-inch $711.00; 6-inch $1,422.00; 8-inch $2,275.20; and 10-inch $4,550.40. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $1.3260 per thousand gallons for zero to 3,000 gallons, $2.0480 per thousand gallons for 3,001 to 10,000 gallons, and $2.5610 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rates tiers vary by meter size, but are $2.0480 per thousand gallons for the first tier and $2.5610 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $5.4950 per 1,000 gallons for industrial customers and a flat commodity rate of $5.4950 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Bisbee and Sierra Vista Water Systems?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $15.00; 1-inch $37.50; 2-inch $120.00; 3-inch $240.00; 4-inch $375.00; 6-inch $750.00; 8-inch $1,200.00; and 10-inch $1,725.00. Zero gallons are included in the monthly minimum charge. For the Bisbee Water System, Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $2.6000 per thousand gallons for zero to 3,000 gallons, $4.0000 per thousand gallons for 3,001 to 10,000 gallons, and $5.3480 per thousand gallons for any consumption over

10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $4.0000 per thousand gallons for the first tier and $5.3480 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $5.3480 per 1,000 gallons for resale water customers and a flat commodity rate of $5.3480 per 1,000 gallons for construction water users. For the Sierra Vista Water System, Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.1700 per thousand gallons for zero to 3,000 gallons, $2.0000 per thousand gallons for 3,001 to 10,000 gallons, and $2.5000 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.0000 per thousand gallons for the first tier and $2.5000 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $2.5000 per 1,000 gallons for resale water customers and a flat commodity rate of $2.5000 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Bisbee?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 3,638 gallons would experience a $2.60 or a 10.09 percent increase in their monthly bill from $25.76 to $28.36 under the Company's proposed rates and a $0.40 or a 1.57 percent decrease in their monthly bill from $25.76 to $25.35 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Sierra Vista?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,380 gallons would experience a $0.22 or a 0.84 percent increase in their monthly bill from $25.68 to $25.90 under the Company's proposed rates and a $0.41 or a 1.61 percent decrease in their monthly bill from $25.68 to $25.27 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on Bisbee if the Bisbee and Sierra Vista Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Bisbee stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $16.00; 1-inch $40.00; 2-inch $128.00; 3-inch $256.00; 4-inch $400.00; 6-inch $800.00; 8-inch $1,280.00; and 10-inch $1,840.00. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $2.9410 per thousand gallons for zero to 3,000 gallons, $4.4260 per thousand gallons for 3,001 to 10,000 gallons, and $5.3140 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $4.4260 per thousand gallons for the first tier and $5.3140 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $5.3140 per 1,000 gallons for resale water customers and a flat commodity rate of $5.3140 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter Bisbee residential customer, using this alternative rate design?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 3,638 gallons would experience a $2.60 or a 10.09 percent increase in their monthly bill from $25.76 to $28.36 under the Company's proposed rates and a $1.89 or a 7.34 percent increase in their monthly bill from $25.76 to $27.65 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

Q. Did Staff present an alternative rate design to show the rate impact on Sierra Vista if the Bisbee and Sierra Vista Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Sierra Vista stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $12.85; 1-inch $32.13; 2-inch $102.80; 3-inch $205.60; 4-inch $321.25; 6-inch $642.50; 8-inch $1,028.00; and 10-inch $1,477.75. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.2720 per thousand gallons for zero to 3,000 gallons, $1.9200 per thousand gallons for 3,001 to 10,000 gallons, and $2.2990 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $1.9200 per thousand gallons for the first tier and $2.2990 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $2.2990 per 1,000 gallons for resale water customers and a flat commodity rate of $2.2990 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter Sierra Vista residential customer, using this alternative rate design?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,380 gallons would experience a $0.22 or a 0.84 percent increase in their monthly bill from $25.68 to $25.90 under the Company's proposed rates and a $2.53 or a 9.85 percent decrease in their monthly bill from $25.68 to $23.16 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

SAN MANUEL WATER SYSTEM

Q. Would you please summarize the present rate design for the San Manuel Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $19.94; 1-inch $42.51; 2-inch $234.67; 3-inch $358.76; 4-inch $453.35; 6-inch $538.19; 8-inch $854.56; and 10-inch $1,228.50. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction water commodity rate is $1.7040 per thousand gallons for zero to 10,000 gallons, $2.1300 per thousand gallons for 10,001 to 25,000 gallons, and $2.5560 per thousand gallons for any consumption over 25,000 gallons. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the San Manuel Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch

$23.40; 1-inch $58.50; 2-inch $187.20; 3-inch $374.40; 4-inch $585.00; 6-inch $1,170.00; 8-inch $1,872.00; and 10-inch $3,744.00. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $2.8170 per thousand gallons for zero to 3,000 gallons, $3.5210 per thousand gallons for 3,001 to 10,000 gallons, and $4.4010 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $3.5210 per thousand gallons for the first tier and $4.4010 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $3.5210 per 1,000 gallons for industrial customers and a flat commodity rate of $3.5210 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the San Manuel Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $22.00; 1-inch $55.00; 2-inch $176.00; 3-inch $352.00; 4-inch $550.00; 6-inch $1,100.00; 8-inch $1,760.00; and 10-inch $2,530.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.7000 per thousand gallons for zero to 3,000 gallons, $3.4500 per thousand gallons for 3,001 to 10,000 gallons, and $4.8510 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $3.4500 per thousand gallons for the first tier and $4.8510 per thousand

gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $4.8510 per 1,000 gallons for resale water customers and a flat commodity rate of $4.8510 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in San Manuel?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,505 gallons would experience a $13.17 or a 42.44 percent increase in their monthly bill from $31.02 to $44.19 under the Company's proposed rates and a $8.17 or a 26.33 percent increase in their monthly bill from $31.02 to $39.19 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

ORACLE WATER SYSTEM

Q. Would you please summarize the present rate design for the Oracle Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $19.31; 1-inch $40.62; 2-inch $166.69; 3-inch $220.51; 4-inch $286.45; 6-inch $341.11; 8-inch $625.36; and 10-inch $837.19. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction water commodity rate is $4.9850 per thousand gallons for zero to 10,000 gallons, $6.2310 per thousand gallons for 10,001 to 25,000 gallons, and $7.4770 per thousand gallons for any consumption over 25,000 gallons. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Oracle Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch $22.16; 1-inch $55.40; 2-inch $177.28; 3-inch $354.56; 4-inch $554.00; 6-inch $1,108.00; 8-inch $1,772.80; and 10-inch $3,545.60. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $4.4970 per thousand gallons for zero to 3,000 gallons, $5.6210 per thousand gallons for 3,001 to 10,000 gallons, and $7.0260 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $5.6210 per thousand gallons for the first tier and $7.0260 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $5.6210 per 1,000 gallons for industrial customers and a flat commodity rate of $5.6210 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Oracle Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $20.50; 1-inch $51.25; 2-inch $164.00; 3-inch $328.00; 4-inch $512.50; 6-inch $1,025.00; 8-inch $1,640.00; and 10-inch $3,280.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $3.0000 per thousand gallons for zero

to 3,000 gallons, $5.4000 per thousand gallons for 3,001 to 10,000 gallons, and $7.3270 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $5.4000 per thousand gallons for the first tier and $7.3270 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $7.3270 per 1,000 gallons for resale water customers and a flat commodity rate of $7.3270 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge per customer meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Oracle?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,339 gallons would experience a $2.24 or a 5.47 percent increase in their monthly bill from $40.94 to $43.18 under the Company's proposed rates and a $4.21 or a 10.28 percent decrease in their monthly bill from $40.94 to $36.73 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

WINKELMAN WATER SYSTEM

Q. Would you please summarize the present rate design for the Winkelman Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $12.95; 1-inch $38.15; 2-inch $81.75; 3-inch $241.28; 4-inch $451.22; 6-inch $616.16; 8-inch $764.18; and 10-inch $935.02. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is $1.1360 per thousand gallons for zero to 10,000 gallons, $1.4200 per thousand gallons for

10,001 to 25,000 gallons, and $1.7040 per thousand gallons for any consumption over 25,000 gallons. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Winkelman Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch $16.19; 1-inch $40.48; 2-inch $129.52; 3-inch $259.04; 4-inch $404.75; 6-inch $809.50; 8-inch $1,295.20; and 10-inch $2,590.40. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customer only of $1.6890 per thousand gallons for zero to 3,000 gallons, $2.1110 per thousand gallons for 3,001 to 10,000 gallons, and $2.6390 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $2.1110 per thousand gallons for the first tier and $2.6390 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $2.4400 per 1,000 gallons for industrial customers and a flat commodity rate of $2.4400 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Winkleman Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $14.50; 1-inch $36.25; 2-inch $116.00; 3-inch $232.00; 4-inch $362.50; 6-inch $725.00; 8-inch $1,160.00; and 10-inch $1,667.50. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.15 per thousand gallons for zero to 3,000 gallons, $2.0000 per thousand gallons for 3,001 to 10,000 gallons, and $2.6050 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.0000 per thousand gallons for the first tier and $2.6050 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $2.6050 per 1,000 gallons for resale water customers and a flat commodity rate of $2.6050 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge per customer meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Winkleman?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 7,329 gallons would experience a $9.12 or a 42.86 percent increase in their monthly bill from $21.28 to $30.40 under the Company's proposed rates and a $5.33 or a 25.06 percent increase in their monthly bill from $21.28 to $26.61 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

LAKESIDE AND OVERGARD WATER SYSTEMS

Q. Would you please summarize the present rate design for the Lakeside Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $17.81; 1-inch $44.53; 2-inch $131.79; 3-inch $219.60; 4-inch $380.24; 6-inch $789.17; 8-inch $1,056.32; and 10-inch $1,485.54. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is a single tier $4.3000 per 1,000 gallons for all usage. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the present rate design for the Overgaard Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $18.40; 1-inch $46.00; 2-inch $136.16; 3-inch $226.88; 4-inch $392.84; 6-inch $815.30; 8-inch $1,091.31; and 10-inch $1,534.75. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is a single tier $4.4500 per 1,000 gallons for all usage. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Lakeside and Overgaard Water Systems?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, construction, and resale customers are as follows: 5/8 x 3/4-inch $13.37; 1-inch $26.74; 2-inch $93.59; 3-inch $213.92; 4-inch $334.25; 6-inch $668.50; 8-inch $1,069.60; and 10-inch $2,139.20. The Company's proposed monthly minimum charges by meter size for industrial customers are as follows: 5/8 x 3/4-inch $20.00; 1-inch $40.00; 2-inch $140.00; 3-inch $320.00; 4-inch $500.00; 6-inch $1,000.00; 8-inch $1,600.00; and 10-inch $3,200.00. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $5.0020 per thousand gallons for zero to 3,000 gallons, $6.0020 per thousand gallons for 3,001 to 10,000 gallons, and $7.2020 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $6.0020 per thousand gallons for the first tier and $7.2020 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $4.3050 per 1,000 gallons for industrial customers and a flat commodity rate of $6.0020 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Lakeside and Overgaard Water Systems?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $13.45; 1-inch $33.63; 2-inch $107.60; 3-inch $215.20; 4-inch $336.25; 6-inch $672.50;

8-inch $1,076.00; and 10-inch $1,546.75. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $3.00 per thousand gallons for zero to 3,000 gallons, $5.2640 per thousand gallons for 3,001 to 10,000 gallons, and $6.8540 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $5.2640 per thousand gallons for the first tier and $6.8540 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $6.8540 per 1,000 gallons for resale water customers and a flat commodity rate of $6.8540 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge per customer meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Lakeside?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 2,314 gallons would experience a $2.82 or a 10.14 percent decrease in their monthly bill from $27.76 to $24.94 under the Company's proposed rates and a $7.37 or a 26.54 percent decrease in their monthly bill from $27.76 to $20.39 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Overgaard?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 772 gallons would experience a $4.60 or a 21.08 percent decrease in their monthly bill from $21.84 to $17.23 under the Company's proposed rates and a $6.07 or a 27.80 percent decrease in

their monthly bill from $21.84 to $15.77 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on Lakeside if the Lakeside and Overgaard Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Lakeside stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $15.50; 1-inch $38.75; 2-inch $124.00; 3-inch $248.00; 4-inch $387.50; 6-inch $775.00; 8-inch $1,240.00; and 10-inch $1,782.50. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $3.2700 per thousand gallons for zero to 3,000 gallons, $4.8950 per thousand gallons for 3,001 to 10,000 gallons, and $5.8910 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $4.8950 per thousand gallons for the first tier and $5.8910 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $5.8910 per 1,000 gallons for resale water customers and a flat commodity rate of $5.8910 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design in Lakeside?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 2,314 gallons would experience a $2.82 or a 10.14 percent decrease in their monthly bill from $27.76 to $24.94 under the Company's proposed rates and a $4.69 or a 16.91 percent

decrease in their monthly bill from $27.76 to $23.07 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

Q. Did Staff present an alternative rate design to show the rate impact on Overgaard if the Lakeside and Overgaard Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Overgaard stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $11.25; 1-inch $28.13; 2-inch $90.00; 3-inch $180.00; 4-inch $281.25; 6-inch $562.50; 8-inch $900.00; and 10-inch $1,293.75. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $3.9300 per thousand gallons for zero to 3,000 gallons, $5.8770 per thousand gallons for 3,001 to 10,000 gallons, and $7.0560 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $5.8770 per thousand gallons for the first tier and $7.0560 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $7.0560 per 1,000 gallons for resale water customers and a flat commodity rate of $7.0560 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design in Overgaard?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 772 gallons would experience a $4.60 or a 21.08 percent decrease in their monthly bill from $21.84 to $17.23 under the Company's proposed rates and a $7.55 or a 34.58 percent decrease in

their monthly bill from $21.84 to $14.28 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

SEDONA WATER SYSTEM

Q. Would you please summarize the present rate design for the Sedona Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $15.70; 1-inch $33.28; 2-inch $97.18; 3-inch $174.58; 4-inch $309.92; 6-inch $591.42; 8-inch $826.92; and 10-inch $1,350.51. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is a single tier $1.6600 per 1,000 gallons for all usage. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Sedona Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch $22.31; 1-inch $55.78; 2-inch $178.48; 3-inch $356.96; 4-inch $557.75; 6-inch $1,115.50; 8-inch $1,784.80; 10-inch $3,569.60. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $2.2210 per thousand gallons for zero to 3,000 gallons, $2.7760 per thousand gallons for 3,001 to 10,000 gallons, and $3.4700 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $2.7760 per thousand gallons for the first tier and $3.4700 per thousand gallons for any consumption

over the first tier. The Company proposes a flat commodity rate of $1.9340 per 1,000 gallons for industrial customers and a flat commodity rate of $2.7760 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Sedona Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $17.00; 1-inch $42.50; 2-inch $136.00; 3-inch $272.00; 4-inch $425.00; 6-inch $850.00; 8-inch $1,360.00; and 10-inch $1,955.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.660 per thousand gallons for zero to 3,000 gallons, $3.0690 per thousand gallons for 3,001 to 10,000 gallons, and $3.8690 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $3.0690 per thousand gallons for the first tier and $3.8690 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $3.8690 per 1,000 gallons for resale water customers and a flat commodity rate of $3.8690 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge per customer meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Sedona?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,910 gallons would experience a $12.66 or a 46.58 percent increase in their monthly bill from $27.17 to $39.83 under the Company's proposed rates and a $6.81 or a 25.08 percent increase in their monthly bill from $27.17 to $33.98 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on Sedona if the Sedona, Pinewood, and Rimrock Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Sedona stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $18.25; 1-inch $45.63; 2-inch $146.00; 3-inch $292.00; 4-inch $456.25; 6-inch $912.50; 8-inch $1,460.00; and 10-inch $2,098.75. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.6550 per thousand gallons for zero to 3,000 gallons, $2.5310 per thousand gallons for 3,001 to 10,000 gallons, and $2.9240 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.5310 per thousand gallons for the first tier and $2.9240 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $2.9240 per 1,000 gallons for resale water customers and a flat commodity rate of $2.9240 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design for Sedona?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,910 gallons would experience a $12.66 or a 46.58 percent increase in their monthly bill from $27.17 to $39.83 under the Company's proposed rates and a $5.94 or a 21.86 percent increase in their monthly bill from $27.17 to $33.11 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

PINEWOOD AND RIMROCK WATER SYSTEMS

Q. Would you please summarize the present rate design for the Pinewood Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $19.86; 1-inch $42.10; 2-inch $122.93; 3-inch $220.84; 4-inch $392.03; 6-inch $748.12; 8-inch $1,046.02; and 10-inch $1,708.36. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is a single tier $3.6900 per 1,000 gallons for all usage. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the present rate design for the Rimrock Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $16.10; 1-inch $34.13; 2-inch $99.66; 3-inch $179.03; 4-inch $317.81; 6-inch $606.48; 8-inch $847.98; and 10-inch $1,384.92. No gallons are included in the monthly minimum charge. The residential, commercial, industrial, and construction commodity rate is a

single tier $2.5000 per 1,000 gallons for all usage. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Pinewood Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch $22.31; 1-inch $55.78; 2-inch $178.48; 3-inch $356.96; 4-inch $557.75; 6-inch $1,115.50; 8-inch $1,784.80; and 10-inch $3,569.60. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $3.4360 per thousand gallons for zero to 3,000 gallons, $4.2950 per thousand gallons for 3,001 to 10,000 gallons, and $5.3688 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $4.2950 per thousand gallons for the first tier and $5.3688 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $4.2950 per 1,000 gallons for industrial customers and a flat commodity rate of $4.2950 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Pinewood and Rimrock Water System?

A. It is the same as the Sedona Water System.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Pinewood?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 536 gallons would experience a $2.31 or a 10.60 percent increase in their monthly bill from $21.84 to $24.15 under the Company's proposed rates and a $3.95 or an 18.08 percent decrease in their monthly bill from $21.84 to $17.89 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Rimrock?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,128 gallons would experience a $11.04 or a 41.80 percent increase in their monthly bill from $26.42 to $37.46 under the Company's proposed rates and a $0.97 or a 3.68 percent decrease in their monthly bill from $26.42 to $25.45 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design for the Pinewood System to show the rate impact if the Sedona, Pinewood, and Rimrock Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Pinewood stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $15.50; 1-inch $38.75; 2-inch $124.00; 3-inch $248.00; 4-inch $387.50; 6-inch $775.00; 8-inch $1,240.00; and 10-inch $1,782.50. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $4.3200 per thousand gallons for zero to 3,000 gallons, $6.4700 per thousand gallons for 3,001 to 10,000 gallons, and $7.7910 per thousand gallons for any consumption over 10,000 gallons. Staff's larger

residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $6.4700 per thousand gallons for the first tier and $7.7910 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $7.7910 per 1,000 gallons for resale water customers and a flat commodity rate of $7.7910 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact of the alternative rate design on a typical 5/8 x 3/4-inch meter residential customer in Pinewood?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 536 gallons would experience a $2.31 or a 10.60 percent increase in their monthly bill from $21.84 to $24.15 under the Company's proposed rates and a $4.02 or a 18.42 percent decrease in their monthly bill from $21.84 to $17.82 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

Q. Did Staff present an alternative rate design for the Rimrock System to show the rate impact if the Sedona, Pinewood, and Rimrock Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Rimrock stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $24.20; 1-inch $60.50; 2-inch $193.60; 3-inch $387.20; 4-inch $605.00; 6-inch $1,210.00; 8-inch $1,936.00; and 10-inch $2,783.00. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $3.8400 per thousand gallons for zero to 3,000 gallons, $5.7600 per thousand gallons for 3,001 to 10,000 gallons, and $6.8870 per thousand gallons for any consumption over 10,000 gallons. Staff's larger

residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $5.7600 per thousand gallons for the first tier and $6.8870 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $6.8870 per 1,000 gallons for resale water customers and a flat commodity rate of $6.8870 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact of the alternative rate design on the typical 5/8 x 3/4-inch meter residential customer in Rimrock?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,128 gallons would experience a $11.04 or a 41.80 percent increase in their monthly bill from $26.42 to $37.46 under the Company's proposed rates and a $15.80 or a 59.79 percent increase in their monthly bill from $26.42 to $42.22 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-4.

CASA GRANDE AND COOLIDGE WATER SYSTEMS

Q. Would you please summarize the present rate design for the Casa Grande Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $10.48; 1-inch $25.20; 2-inch $63.10; 3-inch $105.15; 4-inch $210.25; 6-inch $367.90; 8-inch $367.90; and 10-inch $1,205.20. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch only is $1.000 per thousand gallons for zero to 3,000 gallons, $1.4869 per thousand gallons for 3,001 to 10,000 gallons, and $1.6500 per thousand gallons for any consumption over 10,000 gallons. The larger residential, commercial, industrial, and construction commodity

break-over points vary by meter size, but are $1.4869 per thousand gallons for the first tier and $1.6500 per thousand gallons for any consumption over the first tier. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the present rate design for the Coolidge Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $10.90; 1-inch $27.25; 2-inch $87.20; 3-inch $174.40; 4-inch $272.50; 6-inch $545.00; 8-inch $872.00; and 10-inch $1,253.50. No gallons are included in the monthly minimum charge. The residential, commercial, and industrial water commodity rate for the 5/8 x 3/4-inch only is $1.5500 per thousand gallons for zero to 3,000 gallons, $1.9600 per thousand gallons for 3,001 to 10,000 gallons, and $2.2400 per thousand gallons for any consumption over 10,000 gallons. The larger residential, commercial, industrial, and construction commodity break-over points vary by meter size, but are $1.9600 per thousand gallons for the first tier and $2.2400 per thousand gallons for any consumption over the first tier. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Casa Grande and Coolidge Water Systems?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, construction, and resale customers are as follows: 5/8 x 3/4-inch $17.34; 1-

inch $43.35; 2-inch $138.72; 3-inch $277.44; 4-inch $433.50; 6-inch $867.00; 8-inch $1,387.20; 10-inch $2,774.40. The Company's proposed monthly minimum charges by meter size for industrial customers in Casa Grande are as follows: 5/8 x 3/4-inch $10.48; 1-inch $26.20; 2-inch $83.84; 3-inch $167.68; 4-inch $262.00; 6-inch $524.00; 8-inch $838.40; 10-inch $1,676.80. The Company's proposed monthly minimum charges by meter size for industrial customers in Coolidge are as follows: 5/8 x 3/4-inch $10.48; 1-inch $26.20; 2-inch $83.84; 3-inch $167.68; 4-inch $262.00; 6-inch $524.00; 8-inch $838.40; 10-inch $1,676.80. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $1.5900 per thousand gallons for zero to 3,000 gallons, $1.9880 per thousand gallons for 3,001 to 10,000 gallons, and $2.4850 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $1.9880 per thousand gallons for the first tier and $2.4850 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $1.6430 per 1,000 gallons for industrial customers and a flat commodity rate of $1.6430 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Coolidge Water System?

A. It's the same as the Casa Grande System except the industrial and resale water flat rate is $2.1000.

Q. Would you please summarize Staff's recommended rate design for the Casa Grande and Coolidge Water Systems?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $14.00; 1-inch $35.00; 2-inch $112.00; 3-inch $224.00; 4-inch $350.00; 6-inch $700.00; 8-inch $1,120.00; 10-inch $1,610.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $0.9000 per thousand gallons for zero to 3,000 gallons, $1.9600 per thousand gallons for 3,001 to 10,000 gallons, and $2.4320 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $1.9600 per thousand gallons for the first tier and $2.4320 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $2.4320 per 1,000 gallons for resale water customers and a flat commodity rate of $2.4320 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge per customer meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Casa Grande?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,075 gallons would experience a $10.17 or a 56.34 percent increase in their monthly bill from $18.05 to $28.22 under the Company's proposed rates and a $4.67 or a 25.90 percent increase in their monthly bill from $18.05 to $22.73 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Coolidge?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,998 gallons would experience a $6.64 or a 31.01 percent increase in their monthly bill from $21.43 to $28.07 under the Company's proposed rates and a $1.15 or a 5.37 percent increase in their monthly bill from $21.43 to $22.58 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on Casa Grande if the Casa Grande, Coolidge, and Stanfield Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Casa Grande stand-alone rates and charges are presented on Schedule JMM-3. Staff's minimum charges by meter size are as follows: 5/8 x 3/4-inch $14.00; 1-inch $35.00; 2-inch $112.00; 3-inch $224.00; 4-inch $350.00; 6-inch $700.00; 8-inch $1,120.00; and 10-inch $1,610.00. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $0.9000 per thousand gallons for zero to 3,000 gallons, $1.7500 per thousand gallons for 3,001 to 10,000 gallons, and $2.5220 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $1.7500 per thousand gallons for the first tier and $2.5220 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $2.520 per 1,000 gallons for resale water customers and a flat commodity rate of $2.520 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact of the alternative rate design on the typical 5/8 x 3/4-inch meter residential customer in Casa Grande?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 6,075 gallons would experience a $10.17 or a 56.34 percent increase in their monthly bill from $18.05 to $28.22 under the Company's proposed rates and a $4.03 or a 22.32 percent increase in their monthly bill from $18.05 to $22.08 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-4.

Q. Did Staff present an alternative rate design to show the rate impact on Coolidge if the Casa Grande, Coolidge, and Stanfield Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Coolidge stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $12.50; 1-inch $31.25; 2-inch $100.00; 3-inch $200.00; 4-inch $312.50; 6-inch $625.00; 8-inch $1,000.00; and 10-inch $1,437.50. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.000 per thousand gallons for zero to 3,000 gallons, $2.000 per thousand gallons for 3,001 to 10,000 gallons, and $2.5080 per thousand gallons for any consumption over 10,000 gallons. Staff's residential, commercial and industrial commodity rates have two tiers and vary by meter size, set at $2.0000 per thousand gallons for the first tier and $2.5080 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $2.5080 per 1,000 gallons for resale water customers and a flat commodity rate of $2.5080 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact of the alternative rate design on the typical 5/8 x 3/4-inch meter residential customer in Coolidge?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,998 gallons would experience a $6.64 or a 31.01 percent increase in their monthly bill from $21.43 to $28.07 under the Company's proposed rates and a $0.07 or a 0.33 percent increase in their monthly bill from $21.43 to $21.50 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-4.

STANFIELD WATER SYSTEM

Q. Would you please summarize the present rate design for the Stanfield Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $14.65; 1-inch $36.63; 2-inch $117.20; 3-inch $234.40; 4-inch $366.25; 6-inch $732.50; 8-inch $1,172.00; and 10-inch $1,684.75. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch only rate is $2.0300 per thousand gallons for zero to 3,000 gallons, $2.8900 per thousand gallons for 3,001 to 10,000 gallons, and $3.6000 per thousand gallons for any consumption over 10,000 gallons. The larger residential, commercial, industrial, and construction commodity break-over points vary by meter size, but are $2.8900 per thousand gallons for the first tier and $3.6000 per thousand gallons for any consumption over the first tier. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Stanfield Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch $17.34; 1-inch $43.35; 2-inch $138.72; 3-inch $277.44; 4-inch $433.50; 6-inch $867.00; 8-inch $1,387.20; and 10-inch $2,774.40. The Company's proposed monthly minimum charges by meter size for industrial customers in Stanfield are as follows: 5/8 x 3/4-inch $10.48; 1-inch $26.20; 2-inch $83.84; 3-inch $167.68; 4-inch $262.00; 6-inch $524.00; 8-inch $838.40; 10-inch $1,676.80. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $2.3270 per thousand gallons for zero to 3,000 gallons, $2.9090 per thousand gallons for 3,001 to 10,000 gallons, and $3.6360 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $2.9090 per thousand gallons for the first tier and $3.6360 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $2.9090 per 1,000 gallons for industrial customers and a flat commodity rate of $2.9090 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Stanfield Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $14.00; 1-inch $35.00; 2-inch $112.00; 3-inch $224.00; 4-inch $350.00; 6-inch $700.00;

8-inch $1,120.00; and 10-inch $1,610.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $0.9000 per thousand gallons for zero to 3,000 gallons, $2.9500 per thousand gallons for 3,001 to 10,000 gallons, and $3.7000 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.9500 per thousand gallons for the first tier and $3.7000 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $3.7000 per 1,000 gallons for resale water customers and a flat commodity rate of $3.7000 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Stanfield?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 7,262 gallons would experience a $3.66 or a 11.08 percent increase in their monthly bill from $33.06 to $36.72 under the Company's proposed rates and a $3.78 or a 11.45 percent decrease in their monthly bill from $33.06 to $29.27 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on Stanfield if the Casa Grande, Coolidge, and Stanfield Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Stanfield stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $42.00; 1-inch $105.00; 2-inch $336.00; 3-inch $672.00; 4-inch $1,050.00; 6-

inch $2,100.00; 8-inch $3,360.00; and 10-inch $4,830.00. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $4.1800 per thousand gallons for zero to 3,000 gallons, $6.2800 per thousand gallons for 3,001 to 10,000 gallons, and $7.5190 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $6.2800 per thousand gallons for the first tier and $7.5190 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $7.5190 per 1,000 gallons for resale water customers and a flat commodity rate of $7.5190 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact of the alternative rate design on the typical 5/8 x 3/4-inch meter Stanfield residential customer?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 7,262 gallons would experience a $3.66 or a 11.08 percent increase in their monthly bill from $33.06 to $36.72 under the Company's proposed rates and a $48.25 or a 145.95 percent increase in their monthly bill from $33.06 to $81.31 under Staff's rates. A typical bill analysis is provided on Schedule JMM-4.

WHITE TANK WATER SYSTEM

Q. Would you please summarize the present rate design for the White Tank Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $16.05; 1-inch $31.10; 2-inch $82.85; 3-inch $155.40; 4-inch $401.25; 6-inch $802.50; 8-

inch $1,284.00; and 10-inch $1,845.75. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch only is $1.600 per thousand gallons for zero to 3,000 gallons, $2.2500 per thousand gallons for 3,001 to 10,000 gallons, and $2.5500 per thousand gallons for any consumption over 10,000 gallons. The larger residential, commercial, industrial, and construction commodity break-over points vary by meter size, but are $2.2500 per thousand gallons for the first tier and $2.5500 per thousand gallons for any consumption over the first tier. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the White Tank Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, construction, and resale customers are as follows: 5/8 x 3/4-inch $29.97; 1-inch $74.93; 2-inch $239.76; 3-inch $479.52; 4-inch $749.25; 6-inch $1,498.50; 8-inch $2,397.60; and 10-inch $4,795.20. The Company's proposed monthly minimum charges by meter size for industrial customers are as follows: 5/8 x 3/4-inch $33.00; 1-inch $82.50; 2-inch $264.00; 3-inch $528.00; 4-inch $825.00; 6-inch $1,650.00; 8-inch $2,640.00; and 10-inch $5,280.00. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customers only of $1.9240 per thousand gallons for zero to 3,000 gallons, $2.4050 per thousand gallons for 3,001 to 10,000 gallons, and $3.0060 per thousand gallons for any consumption over 10,000 gallons. The other residential, commercial, and construction commodity rate tiers vary by meter size, but are $2.4050 per thousand gallons for the first tier and $3.0060 per thousand gallons for any consumption over the first tier.

The Company proposes a flat commodity rate of $3.0690 per 1,000 gallons for industrial customers and a flat commodity rate of $3.0690 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the White Tank Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $20.00; 1-inch $50.00; 2-inch $160.00; 3-inch $320.00; 4-inch $500.00; 6-inch $1,000.00; 8-inch $1,600.00; and 10-inch $2,300.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch residential commodity rate of $1.2500 per thousand gallons for zero to 3,000 gallons, $2.1500 per thousand gallons for 3,001 to 10,000 gallons, and $3.1650 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.1500 per thousand gallons for the first tier and $3.1650 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $3.1650 per 1,000 gallons for resale water customers and a flat commodity rate of $3.1650 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in White Tank?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 10,201 gallons would experience a $16.07 or a 43.30 percent increase in their monthly bill from $37.11 to $53.18 under the Company's proposed rates and a $2.32 or a 6.26 percent increase in their monthly bill from $37.11 to $39.44 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

AJO WATER SYSTEM

Q. Would you please summarize the present rate design for the Ajo Water System?

A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $21.04; 1-inch $52.10; 2-inch $170.00; 3-inch $336.34; 4-inch $526.00; 6-inch $1,052.00; 8-inch $1,683.20; and 10-inch $2,419.60. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch only is $4.500 per thousand gallons for zero to 3,000 gallons, $5.500 per thousand gallons for 3,001 to 10,000 gallons, and $6.500 per thousand gallons for any consumption over 10,000 gallons. The larger residential, commercial, industrial, and construction commodity break-over points vary by meter size, but are $5.500 per thousand gallons for the first tier and $6.500 per thousand gallons for any consumption over the first tier. The monthly charge for fire sprinkler service varies by meter size, but is the greater of $5.00 or 1 percent of the monthly minimum charge per meter size. The present rate design also has a monthly minimum charge for construction water based on meter size.

Q. Would you please summarize the Company's proposed rate design for the Ajo Water System?

A. The Company's proposed monthly minimum charges by meter size for residential, commercial, industrial, construction, and resale customers are as follows: 5/8 x 3/4-inch $26.24; 1-inch $65.60; 2-inch $209.92; 3-inch $419.84; 4-inch $656.00; 6-inch $1,312.00; 8-inch $2,099.20; and 10-inch $4,198.40. Zero gallons are included in the monthly minimum charge. The Company proposes a 3-tier inverted residential commodity rate for the 5/8 x 3/4-inch customer only of $5.1590 per thousand gallons for zero to 3,000 gallons, $6.4490 per thousand gallons for 3,001 to 10,000 gallons, and $8.0610 per thousand gallons for any consumption over 10,000 gallons. The other proposed residential, commercial, and construction commodity rate tiers vary by meter size, but are $6.4490 per thousand gallons for the first tier and $8.0610 per thousand gallons for any consumption over the first tier. The Company proposes a flat commodity rate of $6.4490 per 1,000 gallons for industrial customers and a flat commodity rate of $6.4490 per 1,000 gallons for resale water customers. The proposed monthly charge for fire sprinkler service is $25.00 for all meter sizes. The Company's proposed rate design has a monthly minimum charge for construction water and resale water based on meter size.

Q. Would you please summarize Staff's recommended rate design for the Ajo Water System?

A. Staff recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $24.00; 1-inch $60.00; 2-inch $192.00; 3-inch $384.00; 4-inch $600.00; 6-inch $1,200.00; 8-inch $1,920.00; and 10-inch $2,760.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the residential commodity rate of $4.5000 per thousand gallons for zero to 3,000

gallons, $6.7200 per thousand gallons for 3,001 to 10,000 gallons, and $8.0800 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $6.7200 per thousand gallons for the first tier and $8.0800 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $8.0800 per 1,000 gallons for resale water customers and a flat commodity rate of $8.0800 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Ajo?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 3,754 gallons would experience a $7.89 or a 20.40 percent increase in their monthly bill from $38.69 to $46.58 under the Company's proposed rates and a $3.88 or a 10.03 percent increase in their monthly bill from $38.69 to $42.57 under Staff's recommended rates. A typical bill analysis is provided on Schedule JMM-2.

Q. What Water System service lines, meter installation charges, and service charges does Staff recommend?

A. A comparison of the current charges for water system service lines, metered installation charges, and service charges; the Company's proposed changes, and Staff's recommended changes are presented on Schedule JMM-5. Staff's recommended charges are within Staff's experience of what are reasonable and customary charges.

Q. Does this conclude your direct testimony?

A. Yes, it does.

ARIZONA WATER COMPANY
EASTERN GROUP:
SUPERSTITION

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Superstition - Consolidated

Line No.	Customer Class	Basic Service Charge [A] Company Present Rate	[B] Company Proposed Rate	[C] Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge [G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 12.54	$ 20.00	$ 17.00	Tier One Breakover (M Gal):	10	999999	10	varies	$ 3.8500	$ 3.1500
2					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
3					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
4	Industrial 1-inch	34.30	40.00	42.50	Tier One Breakover (M Gal):	10	999999	30	varies	3.8500	3.1500
5					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
6					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Industrial 2-inch	120.20	200.00	136.00	Tier One Breakover (M Gal):	10	999999	115	varies	3.8500	3.1500
8					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
9					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Industrial 3-inch	236.03	320.00	272.00	Tier One Breakover (M Gal):	10	999999	230	varies	3.8500	3.1500
11					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
12					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Industrial 4-inch	480.25	500.00	425.00	Tier One Breakover (M Gal):	10	999999	350	varies	3.8500	3.1500
14					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
15					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Industrial 6-inch	774.01	1,000.00	850.00	Tier One Breakover (M Gal):	10	999999	750	varies	3.8500	3.1500
17					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
18					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Industrial 8-inch	926.15	1,600.00	1,360.00	Tier One Breakover (M Gal):	10	999999	1,000	varies	3.8500	3.1500
20					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
21					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Industrial 10-inch	1,157.69	3,200.00	1,955.00	Tier One Breakover (M Gal):	10	999999	1,500	varies	3.8500	3.1500
23					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.1650
24					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.74	25.00	17.00					n/a	n/a	n/a
31	8-inch service	9.26	25.00	27.20					n/a	n/a	n/a
32	10-inch service	11.58	25.00	39.10					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				89.00	70.8752	72.29
36	Construction Water (2-Inch)	120.20	160.00	-	Tier One Breakover (M Gal):	25	100	999.999	varies	3.4410	4.1650
37					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	4.1650
38					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
39	Construction Water (3-Inch)	236.03	320.00	-	Tier One Breakover (M Gal):	165	200	999.999	varies	3.4410	4.1650
40					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	4.1650
41					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
42	Construction Water (4-Inch)	480.25	500.00	-	Tier One Breakover (M Gal):	325	325	999.999	varies	3.4410	4.1650
43					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	4.1650
44					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.1650
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.1650
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.1650
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.1650
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.1650
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.1650
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Superstition - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 12.54	$ 19.00	$ 17.00	Tier One Breakover (M Gal):	10	3	3	varies	$ 2.5700	$ 1.6600
2					Tier Two Breakover (M Gal):	25	10	10	varies	3.2130	3.1500
3					Tier Three Breakover (M Gal):	999999	999999	999999	varies	4.0160	4.1650
4	Residential 1-inch	34.30	47.50	42.50	Tier One Breakover (M Gal):	10	10	30	varies	3.2130	3.1500
5					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
6					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Residential 2-inch	120.20	152.00	136.00	Tier One Breakover (M Gal):	10	125	115	varies	3.2130	3.1500
8					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
9					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Residential 3-inch	236.03	304.00	272.00	Tier One Breakover (M Gal):	10	300	230	varies	3.2130	3.1500
11					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
12					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Residential 4-inch	480.25	475.00	425.00	Tier One Breakover (M Gal):	10	490	350	varies	3.2130	3.1500
14					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
15					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Residential 6-inch	774.01	950.00	850.00	Tier One Breakover (M Gal):	10	925	750	varies	3.2130	3.1500
17					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
18					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Residential 8-inch	926.15	1,520.00	1,360.00	Tier One Breakover (M Gal):	10	1500	1,000	varies	3.2130	3.1500
20					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
21					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Residential 10-inch	1,157.69	3,040.00	1,955.00	Tier One Breakover (M Gal):	10	3000	1,500	varies	3.2130	3.1500
23					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.1650
24					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	12.54	20.00	17.00	Tier One Breakover (M Gal):	10	10	10	varies	3.4410	3.1500
26					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
27					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
28	Commercial 1-inch	34.30	50.00	42.50	Tier One Breakover (M Gal):	10	40	30	varies	3.4410	3.1500
29					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
30					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
31	Commercial 2-inch	120.20	160.00	136.00	Tier One Breakover (M Gal):	10	125	115	varies	3.4410	3.1500
32					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
33					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
34	Commercial 3-inch	236.03	320.00	272.00	Tier One Breakover (M Gal):	10	300	230	varies	3.4410	3.1500
35					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
36					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
37	Commercial 4-inch	480.25	500.00	425.00	Tier One Breakover (M Gal):	10	490	350	varies	3.4410	3.1500
38					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
39					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
40	Commercial 6-inch	774.01	1,000.00	850.00	Tier One Breakover (M Gal):	10	925	750	varies	3.4410	3.1500
41					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
42					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
43	Commercial 8-inch	926.15	1,600.00	1,360.00	Tier One Breakover (M Gal):	10	1500	1,000	varies	3.4410	3.1500
44					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
45					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
46	Commercial 10-inch	1,157.69	3,200.00	1,955.00	Tier One Breakover (M Gal):	10	3000	1,500	varies	3.4410	3.1500
47					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.1650
48					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Superstition - Consolidated - Apache Junction
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 27.03	$ 40.71	$ 13.69	50.64%
Median Usage	5,403	$ 23.18	$ 34.43	$ 11.25	48.55%
Staff Recommended					
Average Usage	7,358	$ 27.03	$ 35.71	$ 8.68	32.12%
Median Usage	5,403	$ 23.18	$ 29.55	$ 6.37	27.49%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 17.00	35.57%
1,000	14.51	21.57	48.67%	18.66	28.61%
2,000	16.48	24.14	46.50%	20.32	23.32%
3,000	18.45	26.71	44.80%	21.98	19.16%
4,000	20.42	29.92	46.57%	25.13	23.09%
5,000	22.38	33.14	48.03%	28.28	26.34%
6,000	24.35	36.35	49.26%	31.43	29.06%
7,000	26.32	39.56	50.30%	34.58	31.37%
8,000	28.29	42.78	51.20%	37.73	33.37%
9,000	30.26	45.99	51.98%	40.88	35.10%
10,000	32.23	49.20	52.67%	44.03	36.62%
11,000	34.69	53.22	53.41%	48.20	38.93%
12,000	37.15	57.23	54.06%	52.36	40.94%
13,000	39.61	61.25	54.63%	56.53	42.70%
14,000	42.07	65.27	55.13%	60.69	44.25%
15,000	44.53	69.28	55.57%	64.86	45.63%
16,000	46.99	73.30	55.97%	69.02	46.87%
17,000	49.46	77.31	56.33%	73.19	47.98%
18,000	51.92	81.33	56.65%	77.35	48.99%
19,000	54.38	85.35	56.95%	81.52	49.91%
20,000	56.84	89.36	57.22%	85.68	50.74%
25,000	69.14	109.44	58.28%	106.51	54.04%
30,000	83.91	129.52	54.36%	127.33	51.75%
35,000	98.68	149.60	51.61%	148.16	50.14%
40,000	113.44	169.68	49.58%	168.98	48.96%
45,000	128.21	189.76	48.01%	189.81	48.05%
50,000	142.97	209.84	46.77%	210.63	47.32%
75,000	216.80	310.24	43.10%	314.76	45.18%
100,000	290.63	410.64	41.29%	418.88	44.13%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Superstition - Consolidated -Superior
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 28.73	$ 40.71	$ 11.98	41.72%
Median Usage	5,403	$ 24.43	$ 34.43	$ 10.00	40.96%
Staff Recommended					
Average Usage	7,358	$ 28.73	$ 35.35	$ 6.63	23.07%
Median Usage	5,403	$ 24.43	$ 29.35	$ 4.93	20.18%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 17.00	35.57%
1,000	14.74	21.57	46.34%	18.66	26.59%
2,000	16.94	24.14	42.50%	20.32	19.95%
3,000	19.14	26.71	39.55%	21.98	14.84%
4,000	21.34	29.92	40.22%	25.05	17.38%
5,000	23.54	33.14	40.76%	28.12	19.45%
6,000	25.74	36.35	41.22%	31.19	21.16%
7,000	27.94	39.56	41.60%	34.26	22.61%
8,000	30.14	42.78	41.92%	37.33	23.84%
9,000	32.34	45.99	42.20%	40.39	24.90%
10,000	34.54	49.20	42.45%	43.46	25.83%
11,000	37.29	53.22	42.71%	47.63	27.74%
12,000	40.04	57.23	42.94%	51.80	29.38%
13,000	42.79	61.25	43.14%	55.97	30.81%
14,000	45.54	65.27	43.31%	60.14	32.07%
15,000	48.29	69.28	43.47%	64.31	33.18%
16,000	51.04	73.30	43.61%	68.48	34.18%
17,000	53.79	77.31	43.73%	72.65	35.07%
18,000	56.54	81.33	43.84%	76.82	35.87%
19,000	59.29	85.35	43.95%	80.99	36.60%
20,000	62.04	89.36	44.04%	85.16	37.27%
25,000	75.79	109.44	44.40%	106.01	39.88%
30,000	92.29	129.52	40.34%	126.86	37.46%
35,000	108.79	149.60	37.51%	147.71	35.78%
40,000	125.29	169.68	35.43%	168.56	34.54%
45,000	141.79	189.76	33.83%	189.41	33.59%
50,000	158.29	209.84	32.57%	210.26	32.83%
75,000	240.79	310.24	28.84%	314.51	30.62%
100,000	323.29	410.64	27.02%	418.76	29.53%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Superstition										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended		Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 12.54	$ 19.00	$ 16.35		Tier One Breakover (M Gal):	10	3	3		varies	$ 2.5700	$ 1.9680
2						Tier Two Breakover (M Gal):	25	10	10		varies	3.2130	2.9590
3						Tier Three Breakover (M Gal):	999999	999999	999999		varies	4.0160	3.5450
4	Residential 1-inch	34.30	47.50	40.88		Tier One Breakover (M Gal):	10	10	35		varies	3.2130	2.9590
5						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
6						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
7	Residential 2-inch	120.20	152.00	130.80		Tier One Breakover (M Gal):	10	125	125		varies	3.2130	2.9590
8						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
9						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
10	Residential 3-inch	236.03	304.00	261.60		Tier One Breakover (M Gal):	10	300	280		varies	3.2130	2.9590
11						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
12						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
13	Residential 4-inch	480.25	475.00	408.75		Tier One Breakover (M Gal):	10	490	450		varies	3.2130	2.9590
14						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
15						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
16	Residential 6-inch	774.01	950.00	817.50		Tier One Breakover (M Gal):	10	925	925		varies	3.2130	2.9590
17						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
18						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
19	Residential 8-inch	926.15	1,520.00	1,308.00		Tier One Breakover (M Gal):	10	1500	1,500		varies	3.2130	2.9590
20						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
21						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
22	Residential 10-inch	1,157.69	3,040.00	1,880.25		Tier One Breakover (M Gal):	10	3000	2,100		varies	3.2130	2.9590
23						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.0160	3.5450
24						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	12.54	20.00	16.35		Tier One Breakover (M Gal):	10	10	10		varies	3.4410	2.9590
26						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
27						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
28	Commercial 1-inch	34.30	50.00	40.88		Tier One Breakover (M Gal):	10	40	35		varies	3.4410	2.9590
29						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
30						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
31	Commercial 2-inch	120.20	160.00	130.80		Tier One Breakover (M Gal):	10	125	125		varies	3.4410	2.9590
32						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
33						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
34	Commercial 3-inch	236.03	320.00	261.60		Tier One Breakover (M Gal):	10	300	280		varies	3.4410	2.9590
35						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
36						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
37	Commercial 4-inch	480.25	500.00	408.75		Tier One Breakover (M Gal):	10	490	450		varies	3.4410	2.9590
38						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
39						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
40	Commercial 6-inch	774.01	1,000.00	817.50		Tier One Breakover (M Gal):	10	925	925		varies	3.4410	2.9590
41						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
42						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
43	Commercial 8-inch	926.15	1,600.00	1,308.00		Tier One Breakover (M Gal):	10	1500	1,500		varies	3.4410	2.9590
44						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
45						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a
46	Commercial 10-inch	1,157.69	3,200.00	1,880.25		Tier One Breakover (M Gal):	10	3000	2,100		varies	3.4410	2.9590
47						Tier Two Breakover (M Gal):	25	999999	999999		varies	4.3010	3.5450
48						Tier Three Breakover (M Gal):	999999	999999	999999		varies	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
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Superstition

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 12.54	$ 20.00	$ 16.35	Tier One Breakover (M Gal):	10	999999	10	varies	$ 3.8500	$ 2.9590
2					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
3					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
4	Industrial 1-inch	34.30	40.00	40.88	Tier One Breakover (M Gal):	10	999999	35	varies	3.8500	2.9590
5					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
6					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Industrial 2-inch	120.20	200.00	130.80	Tier One Breakover (M Gal):	10	999999	125	varies	3.8500	2.9590
8					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
9					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Industrial 3-inch	236.03	320.00	261.60	Tier One Breakover (M Gal):	10	999999	280	varies	3.8500	2.9590
11					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
12					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Industrial 4-inch	480.25	500.00	408.75	Tier One Breakover (M Gal):	10	999999	450	varies	3.8500	2.9590
14					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
15					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Industrial 6-inch	774.01	1,000.00	817.50	Tier One Breakover (M Gal):	10	999999	925	varies	3.8500	2.9590
17					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
18					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Industrial 8-inch	926.15	1,600.00	1,308.00	Tier One Breakover (M Gal):	10	999999	1,500	varies	3.8500	2.9590
20					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
21					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Industrial 10-inch	1,157.69	3,200.00	1,880.25	Tier One Breakover (M Gal):	10	999999	2,100	varies	3.8500	2.9590
23					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5450
24					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.74	25.00	16.35					n/a	n/a	n/a
31	8-inch service	9.26	25.00	26.16					n/a	n/a	n/a
32	10-inch service	11.58	25.00	37.61					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				89.00	70.8752	76.96
36	Construction Water (2-Inch)	120.20	160.00	-	Tier One Breakover (M Gal):	25	999999	999.999	varies	3.4410	3.5450
37					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	3.5450
38					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
39	Construction Water (3-Inch)	236.03	320.00	-	Tier One Breakover (M Gal):	165	999999	999.999	varies	3.4410	3.5450
40					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	3.5450
41					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
42	Construction Water (4-Inch)	480.25	500.00	-	Tier One Breakover (M Gal):	325	999999	999.999	varies	3.4410	3.5450
43					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	3.5450
44					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	3.5450
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	3.5450
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	3.5450
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	3.5450
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	3.5450
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	3.5450
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Superstition - Apache Junction
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 27.03	$ 40.71	$ 13.69	50.64%
Median Usage	5,403	$ 23.18	$ 34.43	$ 11.25	48.55%
Staff Recommended					
Average Usage	7,358	$ 27.03	$ 35.15	$ 8.12	30.06%
Median Usage	5,403	$ 23.18	$ 29.36	$ 6.19	26.69%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 16.35	30.38%
1,000	14.51	21.57	48.67%	18.32	26.25%
2,000	16.48	24.14	46.50%	20.29	23.11%
3,000	18.45	26.71	44.80%	22.25	20.64%
4,000	20.42	29.92	46.57%	25.21	23.50%
5,000	22.38	33.14	48.03%	28.17	25.86%
6,000	24.35	36.35	49.26%	31.13	27.83%
7,000	26.32	39.56	50.30%	34.09	29.51%
8,000	28.29	42.78	51.20%	37.05	30.96%
9,000	30.26	45.99	51.98%	40.01	32.22%
10,000	32.23	49.20	52.67%	42.97	33.32%
11,000	34.69	53.22	53.41%	46.51	34.08%
12,000	37.15	57.23	54.06%	50.06	34.74%
13,000	39.61	61.25	54.63%	53.60	35.32%
14,000	42.07	65.27	55.13%	57.15	35.83%
15,000	44.53	69.28	55.57%	60.69	36.29%
16,000	46.99	73.30	55.97%	64.24	36.69%
17,000	49.46	77.31	56.33%	67.78	37.06%
18,000	51.92	81.33	56.65%	71.33	37.39%
19,000	54.38	85.35	56.95%	74.87	37.69%
20,000	56.84	89.36	57.22%	78.42	37.97%
25,000	69.14	109.44	58.28%	96.14	39.05%
30,000	83.91	129.52	54.36%	113.87	35.70%
35,000	98.68	149.60	51.61%	131.59	33.36%
40,000	113.44	169.68	49.58%	149.32	31.63%
45,000	128.21	189.76	48.01%	167.04	30.29%
50,000	142.97	209.84	46.77%	184.77	29.23%
75,000	216.80	310.24	43.10%	273.39	26.10%
100,000	290.63	410.64	41.29%	362.02	24.56%

Superstition - Superior
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 28.73	$ 40.71	$ 11.98	41.72%
Median Usage	5,403	$ 24.43	$ 34.43	$ 10.00	40.96%
Staff Recommended					
Average Usage	7,358	$ 28.73	$ 35.15	$ 6.42	22.35%
Median Usage	5,403	$ 24.43	$ 29.36	$ 4.94	20.22%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 16.35	30.38%
1,000	14.74	21.57	46.34%	$ 18.32	24.27%
2,000	16.94	24.14	42.50%	$ 20.29	19.75%
3,000	19.14	26.71	39.55%	$ 22.25	16.27%
4,000	21.34	29.92	40.22%	$ 25.21	18.15%
5,000	23.54	33.14	40.76%	$ 28.17	19.68%
6,000	25.74	36.35	41.22%	$ 31.13	20.94%
7,000	27.94	39.56	41.60%	$ 34.09	22.01%
8,000	30.14	42.78	41.92%	$ 37.05	22.92%
9,000	32.34	45.99	42.20%	$ 40.01	23.71%
10,000	34.54	49.20	42.45%	$ 42.97	24.40%
11,000	37.29	53.22	42.71%	$ 46.51	24.73%
12,000	40.04	57.23	42.94%	$ 50.06	25.02%
13,000	42.79	61.25	43.14%	$ 53.60	25.27%
14,000	45.54	65.27	43.31%	$ 57.15	25.49%
15,000	48.29	69.28	43.47%	$ 60.69	25.68%
16,000	51.04	73.30	43.61%	$ 64.24	25.86%
17,000	53.79	77.31	43.73%	$ 67.78	26.01%
18,000	56.54	81.33	43.84%	$ 71.33	26.15%
19,000	59.29	85.35	43.95%	$ 74.87	26.28%
20,000	62.04	89.36	44.04%	$ 78.42	26.40%
25,000	75.79	109.44	44.40%	$ 96.14	26.85%
30,000	92.29	129.52	40.34%	$ 113.87	23.38%
35,000	108.79	149.60	37.51%	$ 131.59	20.96%
40,000	125.29	169.68	35.43%	$ 149.32	19.18%
45,000	141.79	189.76	33.83%	$ 167.04	17.81%
50,000	158.29	209.84	32.57%	$ 184.77	16.73%
75,000	240.79	310.24	28.84%	$ 273.39	13.54%
100,000	323.29	410.64	27.02%	$ 362.02	11.98%

ARIZONA WATER COMPANY
EASTERN GROUP:
MIAMI

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Miami - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.44	$ 19.00	$ 17.00	Tier One Breakover (M Gal):	10	3	3	$ 3.1400	$ 2.5700	$ 1.6600
2					Tier Two Breakover (M Gal):	25	10	10	3.9250	3.2130	3.1500
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	4.0160	4.1650
4	Residential 1-inch	38.87	47.50	42.50	Tier One Breakover (M Gal):	10	10	30	3.1400	3.2130	3.1500
5					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
7	Residential 2-inch	129.86	152.00	136.00	Tier One Breakover (M Gal):	10	125	115	3.1400	3.2130	3.1500
8					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
10	Residential 3-inch	248.35	304.00	272.00	Tier One Breakover (M Gal):	10	300	230	3.1400	3.2130	3.1500
11					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
13	Residential 4-inch	497.76	475.00	425.00	Tier One Breakover (M Gal):	10	490	350	3.1400	3.2130	3.1500
14					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
16	Residential 6-inch	875.26	950.00	850.00	Tier One Breakover (M Gal):	10	925	750	3.1400	3.2130	3.1500
17					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
19	Residential 8-inch	1,163.12	1,520.00	1,360.00	Tier One Breakover (M Gal):	10	1500	1,000	3.1400	3.2130	3.1500
20					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
22	Residential 10-inch	1,305.25	3,040.00	1,955.00	Tier One Breakover (M Gal):	10	3000	1,500	3.1400	3.2130	3.1500
23					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.1650
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.44	20.00	17.00	Tier One Breakover (M Gal):	10	10	10	3.1400	3.4410	3.1500
26					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
27					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
28	Commercial 1-inch	38.87	50.00	42.50	Tier One Breakover (M Gal):	10	40	30	3.1400	3.4410	3.1500
29					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
30					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
31	Commercial 2-inch	129.86	160.00	136.00	Tier One Breakover (M Gal):	10	125	115	3.1400	3.4410	3.1500
32					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
33					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
34	Commercial 3-inch	248.35	320.00	272.00	Tier One Breakover (M Gal):	10	300	230	3.1400	3.4410	3.1500
35					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
36					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
37	Commercial 4-inch	497.76	500.00	425.00	Tier One Breakover (M Gal):	10	490	350	3.1400	3.4410	3.1500
38					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
39					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
40	Commercial 6-inch	875.26	1,000.00	850.00	Tier One Breakover (M Gal):	10	925	750	3.1400	3.4410	3.1500
41					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
42					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
43	Commercial 8-inch	1,163.12	1,600.00	1,360.00	Tier One Breakover (M Gal):	10	1500	1,000	3.1400	3.4410	3.1500
44					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
45					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
46	Commercial 10-inch	1,305.25	3,200.00	1,955.00	Tier One Breakover (M Gal):	10	3000	1,500	3.1400	3.4410	3.1500
47					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
48					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Miami - Consolidated										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 15.44	$ 20.00	$ 17.00		Tier One Breakover (M Gal):	10	999999	10	$ 3.1400	$ 3.8500	$ 3.1500
2						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
3						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
4	Industrial 1-inch	38.87	40.00	42.50		Tier One Breakover (M Gal):	10	999999	30	3.1400	3.8500	3.1500
5						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
6						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
7	Industrial 2-inch	129.86	200.00	136.00		Tier One Breakover (M Gal):	10	999999	115	3.1400	3.8500	3.1500
8						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
9						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
10	Industrial 3-inch	248.35	320.00	272.00		Tier One Breakover (M Gal):	10	999999	230	3.1400	3.8500	3.1500
11						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
12						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
13	Industrial 4-inch	497.76	500.00	425.00		Tier One Breakover (M Gal):	10	999999	350	3.1400	3.8500	3.1500
14						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
15						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
16	Industrial 6-inch	875.26	1,000.00	850.00		Tier One Breakover (M Gal):	10	999999	750	3.1400	3.8500	3.1500
17						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
18						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
19	Industrial 8-inch	1,163.12	1,600.00	1,360.00		Tier One Breakover (M Gal):	10	999999	1,000	3.1400	3.8500	3.1500
20						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
21						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
22	Industrial 10-inch	1,305.25	3,200.00	1,955.00		Tier One Breakover (M Gal):	10	999999	1,500	3.1400	3.8500	3.1500
23						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.1650
24						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	8.75	25.00	17.00						n/a	n/a	n/a
31	8-inch service	11.63	25.00	27.20						n/a	n/a	n/a
32	10-inch service	13.05	25.00	39.10						n/a	n/a	n/a
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a						n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a		No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	129.86	160.00	-		Tier One Breakover (M Gal):	10	125	999.999	3.1400	3.4410	4.1650
37						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
38						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
39	Construction Water (3-Inch)	248.35	320.00	-		Tier One Breakover (M Gal):	10	300	999.999	3.1400	3.4410	4.1650
40						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
41						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
42	Construction Water (4-Inch)	497.76	500.00	-		Tier One Breakover (M Gal):	10	490	999.999	3.1400	3.4410	4.1650
43						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.1650
44						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.1650
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.1650
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.1650
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.1650
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.1650
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.1650
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Miami - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,995	$ 34.26	$ 36.33	$ 2.07	6.04%
Median Usage	4,457	$ 29.43	$ 31.39	$ 1.96	6.65%
Staff Recommended					
Average Usage	5,995	$ 34.26	$ 31.41	$ (2.85)	-8.32%
Median Usage	4,457	$ 29.43	$ 26.57	$ (2.87)	-9.73%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.44	$ 19.00	23.06%	$ 17.00	10.10%
1,000	18.58	21.57	16.09%	18.66	0.43%
2,000	21.72	24.14	11.14%	20.32	-6.45%
3,000	24.86	26.71	7.44%	21.98	-11.58%
4,000	28.00	29.92	6.87%	25.13	-10.25%
5,000	31.14	33.14	6.41%	28.28	-9.18%
6,000	34.28	36.35	6.04%	31.43	-8.31%
7,000	37.42	39.56	5.72%	34.58	-7.59%
8,000	40.56	42.78	5.46%	37.73	-6.98%
9,000	43.70	45.99	5.24%	40.88	-6.45%
10,000	46.84	49.20	5.04%	44.03	-6.00%
11,000	50.77	53.22	4.83%	48.20	-5.06%
12,000	54.69	57.23	4.65%	52.36	-4.26%
13,000	58.62	61.25	4.49%	56.53	-3.57%
14,000	62.54	65.27	4.36%	60.69	-2.96%
15,000	66.47	69.28	4.24%	64.86	-2.42%
16,000	70.39	73.30	4.13%	69.02	-1.95%
17,000	74.32	77.31	4.03%	73.19	-1.52%
18,000	78.24	81.33	3.95%	77.35	-1.14%
19,000	82.17	85.35	3.87%	81.52	-0.79%
20,000	86.09	89.36	3.80%	85.68	-0.48%
25,000	105.72	109.44	3.52%	106.51	0.75%
30,000	129.27	129.52	0.20%	127.33	-1.50%
35,000	152.82	149.60	-2.10%	148.16	-3.05%
40,000	176.37	169.68	-3.79%	168.98	-4.19%
45,000	199.92	189.76	-5.08%	189.81	-5.06%
50,000	223.47	209.84	-6.10%	210.63	-5.74%
75,000	341.22	310.24	-9.08%	314.76	-7.75%
100,000	458.97	410.64	-10.53%	418.88	-8.73%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Miami								
		[A]	[B]	[C]		[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.44	$ 19.00	$ 22.00	Tier One Breakover (M Gal):	10	3	3	$ 3.1400	$ 2.5700	$ 3.5800
2					Tier Two Breakover (M Gal):	25	10	10	3.9250	3.2130	5.3630
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	4.0160	6.4250
4	Residential 1-inch	38.87	47.50	55.00	Tier One Breakover (M Gal):	10	10	35	3.1400	3.2130	5.3630
5					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
7	Residential 2-inch	129.86	152.00	176.00	Tier One Breakover (M Gal):	10	125	125	3.1400	3.2130	5.3630
8					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
10	Residential 3-inch	248.35	304.00	352.00	Tier One Breakover (M Gal):	10	300	275	3.1400	3.2130	5.3630
11					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
13	Residential 4-inch	497.76	475.00	550.00	Tier One Breakover (M Gal):	10	490	450	3.1400	3.2130	5.3630
14					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
16	Residential 6-inch	875.26	950.00	1,100.00	Tier One Breakover (M Gal):	10	925	900	3.1400	3.2130	5.3630
17					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
19	Residential 8-inch	1,163.12	1,520.00	1,760.00	Tier One Breakover (M Gal):	10	1500	1,400	3.1400	3.2130	5.3630
20					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
22	Residential 10-inch	1,305.25	3,040.00	2,530.00	Tier One Breakover (M Gal):	10	3000	2,000	3.1400	3.2130	5.3630
23					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	6.4250
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.44	20.00	22.00	Tier One Breakover (M Gal):	10	10	10	3.1400	3.4410	5.3630
26					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
27					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
28	Commercial 1-inch	38.87	50.00	55.00	Tier One Breakover (M Gal):	10	40	35	3.1400	3.4410	5.3630
29					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
30					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
31	Commercial 2-inch	129.86	160.00	176.00	Tier One Breakover (M Gal):	10	125	125	3.1400	3.4410	5.3630
32					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
33					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
34	Commercial 3-inch	248.35	320.00	352.00	Tier One Breakover (M Gal):	10	300	275	3.1400	3.4410	5.3630
35					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
36					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
37	Commercial 4-inch	497.76	500.00	550.00	Tier One Breakover (M Gal):	10	490	450	3.1400	3.4410	5.3630
38					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
39					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
40	Commercial 6-inch	875.26	1,000.00	1,100.00	Tier One Breakover (M Gal):	10	925	900	3.1400	3.4410	5.3630
41					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
42					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
43	Commercial 8-inch	1,163.12	1,600.00	1,760.00	Tier One Breakover (M Gal):	10	1500	1,400	3.1400	3.4410	5.3630
44					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
45					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
46	Commercial 10-inch	1,305.25	3,200.00	2,530.00	Tier One Breakover (M Gal):	10	3000	2,000	3.1400	3.4410	5.3630
47					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
48					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Miami										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -Inch	$ 15.44	$ 20.00	$ 22.00		Tier One Breakover (M Gal):	10	999999	10	$ 3.1400	$ 3.8500	$ 5.3630
2						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
3						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
4	Industrial 1-Inch	38.87	40.00	55.00		Tier One Breakover (M Gal):	10	999999	35	3.1400	3.8500	5.3630
5						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
6						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
7	Industrial 2-Inch	129.86	200.00	176.00		Tier One Breakover (M Gal):	10	999999	125	3.1400	3.8500	5.3630
8						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
9						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
10	Industrial 3-Inch	248.35	320.00	352.00		Tier One Breakover (M Gal):	10	999999	275	3.1400	3.8500	5.3630
11						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
12						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
13	Industrial 4-Inch	497.76	500.00	550.00		Tier One Breakover (M Gal):	10	999999	450	3.1400	3.8500	5.3630
14						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
15						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
16	Industrial 6-Inch	875.26	1,000.00	1,100.00		Tier One Breakover (M Gal):	10	999999	900	3.1400	3.8500	5.3630
17						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
18						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
19	Industrial 8-Inch	1,163.12	1,600.00	1,760.00		Tier One Breakover (M Gal):	10	999999	1,400	3.1400	3.8500	5.3630
20						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
21						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
22	Industrial 10-Inch	1,305.25	3,200.00	2,530.00		Tier One Breakover (M Gal):	10	999999	2,000	3.1400	3.8500	5.3630
23						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	6.4250
24						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	8.75	25.00	22.00						n/a	n/a	n/a
31	8-inch service	11.63	25.00	35.20						n/a	n/a	n/a
32	10-inch service	13.05	25.00	50.60						n/a	n/a	n/a
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a						n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a		No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	129.86	160.00	-		Tier One Breakover (M Gal):	10	125	999.999	3.1400	3.4410	6.4250
37						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
38						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
39	Construction Water (3-Inch)	248.35	320.00	-		Tier One Breakover (M Gal):	10	300	999.999	3.1400	3.4410	6.4250
40						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
41						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
42	Construction Water (4-Inch)	497.76	500.00	-		Tier One Breakover (M Gal):	10	490	999.999	3.1400	3.4410	6.4250
43						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	6.4250
44						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	6.4250
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	6.4250
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	6.4250
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	6.4250
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	6.4250
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	6.4250
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Miami
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,995	$ 34.26	$ 36.33	$ 2.07	6.04%
Median Usage	4,457	$ 29.43	$ 31.39	$ 1.96	6.65%
Staff Recommended					
Average Usage	5,995	$ 34.26	$ 48.80	$ 14.54	42.43%
Median Usage	4,457	$ 29.43	$ 40.55	$ 11.12	37.77%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.44	$ 19.00	23.06%	$ 22.00	42.49%
1,000	18.58	21.57	16.09%	25.58	37.67%
2,000	21.72	24.14	11.14%	29.16	34.25%
3,000	24.86	26.71	7.44%	32.74	31.70%
4,000	28.00	29.92	6.87%	38.10	36.08%
5,000	31.14	33.14	6.41%	43.47	39.58%
6,000	34.28	36.35	6.04%	48.83	42.44%
7,000	37.42	39.56	5.72%	54.19	44.82%
8,000	40.56	42.78	5.46%	59.56	46.83%
9,000	43.70	45.99	5.24%	64.92	48.55%
10,000	46.84	49.20	5.04%	70.28	50.04%
11,000	50.77	53.22	4.83%	76.71	51.10%
12,000	54.69	57.23	4.65%	83.13	52.00%
13,000	58.62	61.25	4.49%	89.56	52.79%
14,000	62.54	65.27	4.36%	95.98	53.47%
15,000	66.47	69.28	4.24%	102.41	54.08%
16,000	70.39	73.30	4.13%	108.83	54.61%
17,000	74.32	77.31	4.03%	115.26	55.09%
18,000	78.24	81.33	3.95%	121.68	55.52%
19,000	82.17	85.35	3.87%	128.11	55.91%
20,000	86.09	89.36	3.80%	134.53	56.27%
25,000	105.72	109.44	3.52%	166.66	57.65%
30,000	129.27	129.52	0.20%	198.78	53.78%
35,000	152.82	149.60	-2.10%	230.91	51.10%
40,000	176.37	169.68	-3.79%	263.03	49.14%
45,000	199.92	189.76	-5.08%	295.16	47.64%
50,000	223.47	209.84	-6.10%	327.28	46.46%
75,000	341.22	310.24	-9.08%	487.91	42.99%
100,000	458.97	410.64	-10.53%	648.53	41.30%

ARIZONA WATER COMPANY
EASTERN GROUP:
BISBEE

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Bisbee - Partial Consolidation

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -inch	$ 16.32	$ 15.00	$ 15.00	Tier One Breakover (M Gal):	10	3	3	$ 2.5940	$ 3.5170	$ 2.6000
2					Tier Two Breakover (M Gal):	25	10	10	3.2420	4.3960	4.0000
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	5.4950	5.3480
4	Residential 1-inch	43.78	37.50	37.50	Tier One Breakover (M Gal):	10	10	25	2.5940	4.3960	4.0000
5					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
7	Residential 2-inch	141.06	120.00	120.00	Tier One Breakover (M Gal):	10	80	80	2.5940	4.3960	4.0000
8					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
10	Residential 3-inch	267.25	240.00	240.00	Tier One Breakover (M Gal):	10	175	160	2.5940	4.3960	4.0000
11					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
13	Residential 4-inch	477.98	375.00	375.00	Tier One Breakover (M Gal):	10	290	250	2.5940	4.3960	4.0000
14					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
16	Residential 6-inch	662.53	750.00	750.00	Tier One Breakover (M Gal):	10	625	500	2.5940	4.3960	4.0000
17					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
19	Residential 8-inch	891.27	1,200.00	1,200.00	Tier One Breakover (M Gal):	10	1000	750	2.5940	4.3960	4.0000
20					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
22	Residential 10-inch	1,200.36	2,400.00	1,725.00	Tier One Breakover (M Gal):	10	1200	1,000	2.5940	4.3960	4.0000
23					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	16.32	15.00	15.00	Tier One Breakover (M Gal):	10	10	10	2.5940	4.3960	4.0000
26					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
27					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
28	Commercial 1-inch	43.78	37.50	37.50	Tier One Breakover (M Gal):	10	25	25	2.5940	4.3960	4.0000
29					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
30					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
31	Commercial 2-inch	141.06	120.00	120.00	Tier One Breakover (M Gal):	10	85	80	2.5940	4.3960	4.0000
32					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
33					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
34	Commercial 3-inch	267.25	240.00	240.00	Tier One Breakover (M Gal):	10	175	160	2.5940	4.3960	4.0000
35					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
36					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
37	Commercial 4-inch	477.98	375.00	375.00	Tier One Breakover (M Gal):	10	290	250	2.5940	4.3960	4.0000
38					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
39					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
40	Commercial 6-inch	662.53	750.00	750.00	Tier One Breakover (M Gal):	10	625	500	2.5940	4.3960	4.0000
41					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
42					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
43	Commercial 8-inch	891.27	1,200.00	1,200.00	Tier One Breakover (M Gal):	10	1000	750	2.5940	4.3960	4.0000
44					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
45					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
46	Commercial 10-inch	1,200.36	2,400.00	1,725.00	Tier One Breakover (M Gal):	10	1200	1,000	2.5940	4.3960	4.0000
47					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
48					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Bisbee - Partial Consolidation

Line No.	Customer Class	Basic Service Charge [A] Company Present Rate	[B] Company Proposed Rate	[C] Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge [G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 16.32	$ 28.44	$ 15.00	Tier One Breakover (M Gal):	10	999999	10	$ 2.5940	$ 5.4950	$ 4.0000
2					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
4	Industrial 1-inch	43.78	71.10	37.50	Tier One Breakover (M Gal):	10	999999	25	2.5940	5.4950	4.0000
5					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
7	Industrial 2-inch	141.06	227.52	120.00	Tier One Breakover (M Gal):	10	999999	80	2.5940	5.4950	4.0000
8					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
10	Industrial 3-inch	267.25	455.04	240.00	Tier One Breakover (M Gal):	10	999999	160	2.5940	5.4950	4.0000
11					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
13	Industrial 4-inch	477.98	711.00	375.00	Tier One Breakover (M Gal):	10	999999	250	2.5940	5.4950	4.0000
14					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
16	Industrial 6-inch	662.53	1,422.00	750.00	Tier One Breakover (M Gal):	10	999999	500	2.5940	5.4950	4.0000
17					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
19	Industrial 8-inch	891.27	2,275.20	1,200.00	Tier One Breakover (M Gal):	10	999999	750	2.5940	5.4950	4.0000
20					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
22	Industrial 10-inch	1,200.36	4,550.40	1,725.00	Tier One Breakover (M Gal):	10	999999	1,000	2.5940	5.4950	4.0000
23					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	6.63	25.00	15.00					n/a	n/a	n/a
31	8-inch service	8.91	25.00	24.00					n/a	n/a	n/a
32	10-inch service	12.00	25.00	34.50					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	141.06	120.00	-	Tier One Breakover (M Gal):	10	85	999.999	2.5940	4.3960	5.3480
37					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
39	Construction Water (3-Inch)	267.25	240.00	-	Tier One Breakover (M Gal):	10	175	999.999	2.5940	4.3960	5.3480
40					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
42	Construction Water (4-Inch)	477.98	375.00	-	Tier One Breakover (M Gal):	10	290	999.999	2.5940	4.3960	5.3480
43					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3480
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	120.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	5.3480
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	5.3480
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	240.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	5.3480
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	5.3480
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	750.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	5.3480
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	5.3480
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Bisbee - Partial Consolidation
Typical Bill Analysis
Residential 5/8 & 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,215	$ 29.85	$ 35.29	$ 5.44	18.23%
Median Usage	3,638	$ 25.76	$ 28.36	$ 2.60	10.09%
Staff Recommended					
Average Usage	5,215	$ 29.85	$ 31.66	$ 1.81	6.07%
Median Usage	3,638	$ 25.76	$ 25.35	$ (0.40)	-1.57%

Present & Proposed Rates (Without Taxes)
Residential 5/8 & 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 16.32	$ 15.00	-8.09%	$ 15.00	-8.09%
1,000	18.91	18.52	-2.10%	17.60	-6.95%
2,000	21.51	22.03	2.45%	20.20	-6.08%
3,000	24.10	25.55	6.01%	22.80	-5.40%
4,000	26.70	29.95	12.18%	26.80	0.39%
5,000	29.29	34.34	17.25%	30.80	5.16%
6,000	31.88	38.74	21.50%	34.80	9.15%
7,000	34.48	43.14	25.11%	38.80	12.54%
8,000	37.07	47.53	28.21%	42.80	15.45%
9,000	39.67	51.93	30.91%	46.80	17.99%
10,000	42.26	56.32	33.28%	50.80	20.21%
11,000	45.50	61.82	35.86%	56.15	23.40%
12,000	48.74	67.31	38.09%	61.50	26.16%
13,000	51.99	72.81	40.05%	66.84	28.58%
14,000	55.23	78.30	41.78%	72.19	30.72%
15,000	58.47	83.80	43.32%	77.54	32.62%
16,000	61.71	89.29	44.69%	82.89	34.31%
17,000	64.95	94.79	45.93%	88.24	35.84%
18,000	68.20	100.28	47.05%	93.58	37.23%
19,000	71.44	105.78	48.07%	98.93	38.49%
20,000	74.68	111.27	49.00%	104.28	39.64%
25,000	90.89	138.75	52.65%	131.02	44.15%
30,000	110.34	166.22	50.65%	157.76	42.98%
35,000	129.79	193.70	49.24%	184.50	42.15%
40,000	149.24	221.17	48.20%	211.24	41.54%
45,000	168.69	248.65	47.40%	237.98	41.08%
50,000	188.14	276.12	46.76%	264.72	40.70%
75,000	285.39	413.50	44.89%	398.42	39.61%
100,000	382.64	550.87	43.97%	532.12	39.07%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Bisbee

Line No.	[A] Customer Class	[B] Basic Service Charge: Company Present Rate	[C] Basic Service Charge: Company Proposed Rate	Basic Service Charge: Staff Recommended Rate	[D] Break-Over Points	[E] Company Present	[F] Company Proposed	Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 16.32	$ 15.00	$ 16.00	Tier One Breakover (M Gal):	10	3	3	$ 2.5940	$ 3.5170	$ 2.9410
2					Tier Two Breakover (M Gal):	25	10	10	3.2420	4.3960	4.4260
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	5.4950	5.3140
4	Residential 1-inch	43.78	37.50	40.00	Tier One Breakover (M Gal):	10	10	15	2.5940	4.3960	4.4260
5					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
7	Residential 2-inch	141.06	120.00	128.00	Tier One Breakover (M Gal):	10	80	45	2.5940	4.3960	4.4260
8					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
10	Residential 3-inch	267.25	240.00	256.00	Tier One Breakover (M Gal):	10	175	90	2.5940	4.3960	4.4260
11					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
13	Residential 4-inch	477.98	375.00	400.00	Tier One Breakover (M Gal):	10	290	140	2.5940	4.3960	4.4260
14					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
16	Residential 6-inch	662.53	750.00	800.00	Tier One Breakover (M Gal):	10	625	285	2.5940	4.3960	4.4260
17					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
19	Residential 8-inch	891.27	1,200.00	1,280.00	Tier One Breakover (M Gal):	10	1000	450	2.5940	4.3960	4.4260
20					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
22	Residential 10-inch	1,200.36	2,400.00	1,840.00	Tier One Breakover (M Gal):	10	1200	650	2.5940	4.3960	4.4260
23					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	16.32	15.00	16.00	Tier One Breakover (M Gal):	10	10	10	2.5940	4.3960	4.4260
26					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
27					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
28	Commercial 1-inch	43.78	37.50	40.00	Tier One Breakover (M Gal):	10	25	15	2.5940	4.3960	4.4260
29					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
30					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
31	Commercial 2-inch	141.06	120.00	128.00	Tier One Breakover (M Gal):	10	85	45	2.5940	4.3960	4.4260
32					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
33					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
34	Commercial 3-inch	267.25	240.00	256.00	Tier One Breakover (M Gal):	10	175	90	2.5940	4.3960	4.4260
35					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
36					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
37	Commercial 4-inch	477.98	375.00	400.00	Tier One Breakover (M Gal):	10	290	140	2.5940	4.3960	4.4260
38					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
39					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
40	Commercial 6-inch	662.53	750.00	800.00	Tier One Breakover (M Gal):	10	625	285	2.5940	4.3960	4.4260
41					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
42					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
43	Commercial 8-inch	891.27	1,200.00	1,280.00	Tier One Breakover (M Gal):	10	1000	450	2.5940	4.3960	4.4260
44					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
45					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
46	Commercial 10-inch	1,200.36	2,400.00	1,840.00	Tier One Breakover (M Gal):	10	1200	650	2.5940	4.3960	4.4260
47					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
48					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Bisbee								
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points			Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 16.32	$ 28.44	$ 16.00	Tier One Breakover (M Gal):	10	999999	10	$ 2.5940	$ 5.4950	$ 4.4260
2					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
4	Industrial 1-inch	43.78	71.10	40.00	Tier One Breakover (M Gal):	10	999999	15	2.5940	5.4950	4.4260
5					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
7	Industrial 2-inch	141.06	227.52	128.00	Tier One Breakover (M Gal):	10	999999	45	2.5940	5.4950	4.4260
8					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
10	Industrial 3-inch	267.25	455.04	256.00	Tier One Breakover (M Gal):	10	999999	90	2.5940	5.4950	4.4260
11					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
13	Industrial 4-inch	477.98	711.00	400.00	Tier One Breakover (M Gal):	10	999999	140	2.5940	5.4950	4.4260
14					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
16	Industrial 6-inch	662.53	1,422.00	800.00	Tier One Breakover (M Gal):	10	999999	285	2.5940	5.4950	4.4260
17					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
19	Industrial 8-inch	891.27	2,275.20	1,280.00	Tier One Breakover (M Gal):	10	999999	450	2.5940	5.4950	4.4260
20					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
22	Industrial 10-inch	1,200.36	4,550.40	1,840.00	Tier One Breakover (M Gal):	10	999999	650	2.5940	5.4950	4.4260
23					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	6.63	25.00	16.00					n/a	n/a	n/a
31	8-inch service	8.91	25.00	25.60					n/a	n/a	n/a
32	10-inch service	12.00	25.00	36.80					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	141.06	120.00	-	Tier One Breakover (M Gal):	10	85	999.999	2.5940	4.3960	5.3140
37					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
39	Construction Water (3-Inch)	267.25	240.00	-	Tier One Breakover (M Gal):	10	175	999.999	2.5940	4.3960	5.3140
40					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
42	Construction Water (4-Inch)	477.98	375.00	-	Tier One Breakover (M Gal):	10	290	999.999	2.5940	4.3960	5.3140
43					Tier Two Breakover (M Gal):	25	999999	999999	3.2420	5.4950	5.3140
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.8900	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	120.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	5.3140
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	5.3140
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	240.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	5.3140
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	5.3140
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	750.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	5.3140
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	5.3140
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Bisbee
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,215	$ 29.85	$ 35.29	$ 5.44	18.23%
Median Usage	3,638	$ 25.76	$ 28.36	$ 2.60	10.09%
Staff Recommended					
Average Usage	5,215	$ 29.85	$ 34.63	$ 4.78	16.01%
Median Usage	3,638	$ 25.76	$ 27.65	$ 1.89	7.34%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 16.32	$ 15.00	-8.09%	$ 16.00	-1.96%
1,000	18.91	18.52	-2.10%	18.94	0.14%
2,000	21.51	22.03	2.45%	21.88	1.74%
3,000	24.10	25.55	6.01%	24.82	2.99%
4,000	26.70	29.95	12.18%	29.25	9.56%
5,000	29.29	34.34	17.25%	33.68	14.97%
6,000	31.88	38.74	21.50%	38.10	19.50%
7,000	34.48	43.14	25.11%	42.53	23.35%
8,000	37.07	47.53	28.21%	46.95	26.65%
9,000	39.67	51.93	30.91%	51.38	29.53%
10,000	42.26	56.32	33.28%	55.81	32.05%
11,000	45.50	61.82	35.86%	61.12	34.32%
12,000	48.74	67.31	38.09%	66.43	36.29%
13,000	51.99	72.81	40.05%	71.75	38.01%
14,000	55.23	78.30	41.78%	77.06	39.53%
15,000	58.47	83.80	43.32%	82.38	40.88%
16,000	61.71	89.29	44.69%	87.69	42.09%
17,000	64.95	94.79	45.93%	93.00	43.18%
18,000	68.20	100.28	47.05%	98.32	44.17%
19,000	71.44	105.78	48.07%	103.63	45.06%
20,000	74.68	111.27	49.00%	108.95	45.88%
25,000	90.89	138.75	52.65%	135.52	49.10%
30,000	110.34	166.22	50.65%	162.09	46.90%
35,000	129.79	193.70	49.24%	188.66	45.35%
40,000	149.24	221.17	48.20%	215.23	44.21%
45,000	168.69	248.65	47.40%	241.80	43.34%
50,000	188.14	276.12	46.76%	268.37	42.64%
75,000	285.39	413.50	44.89%	401.22	40.58%
100,000	382.64	550.87	43.97%	534.07	39.57%

ARIZONA WATER COMPANY
EASTERN GROUP:
SIERRA VISTA

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Sierra Vista - Partial Consolidation

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge	[G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.40	$ 15.00	$ 15.00	Tier One Breakover (M Gal):	10	3	3		$ 1.6120	$ 1.3260	$ 1.1700
2					Tier Two Breakover (M Gal):	25	10	10		2.0150	2.0480	2.0000
3					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	2.5610	2.5000
4	Residential 1-inch	32.71	37.50	37.50	Tier One Breakover (M Gal):	10	10	25		1.6120	2.0480	2.0000
5					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
6					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
7	Residential 2-inch	125.47	120.00	120.00	Tier One Breakover (M Gal):	10	80	80		1.6120	2.0480	2.0000
8					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
9					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
10	Residential 3-inch	284.04	240.00	240.00	Tier One Breakover (M Gal):	10	175	160		1.6120	2.0480	2.0000
11					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
12					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
13	Residential 4-inch	398.10	375.00	375.00	Tier One Breakover (M Gal):	10	290	250		1.6120	2.0480	2.0000
14					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
15					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
16	Residential 6-inch	604.72	750.00	750.00	Tier One Breakover (M Gal):	10	625	500		1.6120	2.0480	2.0000
17					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
18					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
19	Residential 8-inch	725.66	1,200.00	1,200.00	Tier One Breakover (M Gal):	10	1000	750		1.6120	2.0480	2.0000
20					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
21					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
22	Residential 10-inch	907.08	2,400.00	1,725.00	Tier One Breakover (M Gal):	10	1200	1,000		1.6120	2.0480	2.0000
23					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5610	2.5000
24					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.40	15.00	15.00	Tier One Breakover (M Gal):	10	10	10		1.6120	2.0480	2.0000
26					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
27					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
28	Commercial 1-inch	32.71	37.50	37.50	Tier One Breakover (M Gal):	10	25	25		1.6120	2.0480	2.0000
29					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
30					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
31	Commercial 2-inch	125.47	120.00	120.00	Tier One Breakover (M Gal):	10	85	80		1.6120	2.0480	2.0000
32					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
33					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
34	Commercial 3-inch	284.04	240.00	240.00	Tier One Breakover (M Gal):	10	175	160		1.6120	2.0480	2.0000
35					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
36					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
37	Commercial 4-inch	398.10	375.00	375.00	Tier One Breakover (M Gal):	10	290	250		1.6120	2.0480	2.0000
38					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
39					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
40	Commercial 6-inch	604.72	750.00	750.00	Tier One Breakover (M Gal):	10	625	500		1.6120	2.0480	2.0000
41					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
42					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
43	Commercial 8-inch	725.66	1,200.00	1,200.00	Tier One Breakover (M Gal):	10	1000	750		1.6120	2.0480	2.0000
44					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
45					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
46	Commercial 10-inch	907.08	2,400.00	1,725.00	Tier One Breakover (M Gal):	10	1200	1,000		1.6120	2.0480	2.0000
47					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.5000
48					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Sierra Vista - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 15.40	$ 28.44	$ 15.00	Tier One Breakover (M Gal):	10	999999	10	$ 1.6120	$ 5.4950	$ 2.0000
2					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
4	Industrial 1-inch	32.71	71.10	37.50	Tier One Breakover (M Gal):	10	999999	25	1.6120	5.4950	2.0000
5					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
7	Industrial 2-inch	125.47	227.52	120.00	Tier One Breakover (M Gal):	10	999999	80	1.6120	5.4950	2.0000
8					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
10	Industrial 3-inch	284.04	455.04	240.00	Tier One Breakover (M Gal):	10	999999	160	1.6120	5.4950	2.0000
11					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
13	Industrial 4-inch	398.10	711.00	375.00	Tier One Breakover (M Gal):	10	999999	250	1.6120	5.4950	2.0000
14					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
16	Industrial 6-inch	604.72	1,422.00	750.00	Tier One Breakover (M Gal):	10	999999	500	1.6120	5.4950	2.0000
17					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
19	Industrial 8-inch	725.66	2,275.20	1,200.00	Tier One Breakover (M Gal):	10	999999	750	1.6120	5.4950	2.0000
20					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
22	Industrial 10-inch	907.08	4,550.40	1,725.00	Tier One Breakover (M Gal):	10	999999	1,000	1.6120	5.4950	2.0000
23					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	5.4950	2.5000
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	6.05	25.00	15.00					n/a	n/a	n/a
31	8-inch service	7.26	25.00	24.00					n/a	n/a	n/a
32	10-inch service	9.07	25.00	34.50							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a					-	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-Inch)	125.47	120.00	-	Tier One Breakover (M Gal):	10	85	999.999	1.6120	2.0480	2.5000
37					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.5600	2.5000
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
39	Construction Water (3-Inch)	284.04	240.00	-	Tier One Breakover (M Gal):	10	175	999.999	1.6120	2.0480	2.5000
40					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.5600	2.5000
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
42	Construction Water (4-Inch)	398.10	375.00	-	Tier One Breakover (M Gal):	10	290	999.999	1.6120	2.0480	2.5000
43					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.5600	2.5000
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	120.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	2.5000
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	2.5000
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	240.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	2.5000
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	2.5000
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	750.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.4950	2.5000
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.4950	2.5000
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Sierra Vista - Parital Consolidation
Typical Bill Analysis
Residential 5/8 & 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,924	$ 29.79	$ 31.11	$ 1.32	4.45%
Median Usage	6,380	$ 25.68	$ 25.90	$ 0.22	0.84%
Staff Recommended					
Average Usage	8,924	$ 29.79	$ 30.36	$ 0.57	1.92%
Median Usage	6,380	$ 25.68	$ 25.27	$ (0.41)	-1.61%

Present & Proposed Rates (Without Taxes)
Residential 5/8 & 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.40	$ 15.00	-2.60%	$ 15.00	-2.60%
1,000	17.01	16.33	-4.03%	16.17	-4.95%
2,000	18.62	17.65	-5.22%	17.34	-6.89%
3,000	20.24	18.98	-6.22%	18.51	-8.53%
4,000	21.85	21.03	-3.76%	20.51	-6.12%
5,000	23.46	23.07	-1.65%	22.51	-4.05%
6,000	25.07	25.12	0.20%	24.51	-2.24%
7,000	26.68	27.17	1.82%	26.51	-0.65%
8,000	28.30	29.22	3.26%	28.51	0.76%
9,000	29.91	31.27	4.54%	30.51	2.01%
10,000	31.52	33.31	5.69%	32.51	3.14%
11,000	33.54	35.88	6.98%	35.01	4.40%
12,000	35.55	38.44	8.12%	37.51	5.51%
13,000	37.57	41.00	9.14%	40.01	6.51%
14,000	39.58	43.56	10.05%	42.51	7.40%
15,000	41.60	46.12	10.88%	45.01	8.21%
16,000	43.61	48.68	11.63%	47.51	8.94%
17,000	45.63	51.24	12.31%	50.01	9.61%
18,000	47.64	53.80	12.93%	52.51	10.22%
19,000	49.66	56.36	13.51%	55.01	10.78%
20,000	51.67	58.92	14.04%	57.51	11.30%
25,000	61.75	71.73	16.17%	70.01	13.39%
30,000	73.84	84.53	14.49%	82.51	11.75%
35,000	85.93	97.34	13.28%	95.01	10.57%
40,000	98.02	110.14	12.37%	107.51	9.69%
45,000	110.11	122.95	11.67%	120.01	9.00%
50,000	122.20	135.75	11.10%	132.51	8.44%
75,000	182.65	199.78	9.38%	195.01	6.77%
100,000	243.10	263.80	8.52%	257.51	5.93%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Sierra Vista

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.40	$ 15.00	$ 12.85	Tier One Breakover (M Gal):	10	3	3	$ 1.6120	$ 1.3260	$ 1.2720
2					Tier Two Breakover (M Gal):	25	10	10	2.0150	2.048	1.9200
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	2.561	2.2990
4	Residential 1-inch	32.71	37.50	32.13	Tier One Breakover (M Gal):	10	10	50	1.6120	2.048	1.9200
5					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
7	Residential 2-inch	125.47	120.00	102.80	Tier One Breakover (M Gal):	10	80	200	1.6120	2.048	1.9200
8					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
10	Residential 3-inch	284.04	240.00	205.60	Tier One Breakover (M Gal):	10	175	450	1.6120	2.048	1.9200
11					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
13	Residential 4-inch	398.10	375.00	321.25	Tier One Breakover (M Gal):	10	290	725	1.6120	2.048	1.9200
14					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
16	Residential 6-inch	604.72	750.00	642.50	Tier One Breakover (M Gal):	10	625	1,500	1.6120	2.048	1.9200
17					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
19	Residential 8-inch	725.66	1,200.00	1,028.00	Tier One Breakover (M Gal):	10	1000	2,400	1.6120	2.048	1.9200
20					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
22	Residential 10-inch	907.08	2,400.00	1,477.75	Tier One Breakover (M Gal):	10	1200	3,500	1.6120	2.048	1.9200
23					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.561	2.2990
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.40	15.00	12.85	Tier One Breakover (M Gal):	10	10	10	1.6120	2.048	1.9200
26					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
28	Commercial 1-inch	32.71	37.50	32.13	Tier One Breakover (M Gal):	10	25	50	1.6120	2.048	1.9200
29					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
31	Commercial 2-inch	125.47	120.00	102.80	Tier One Breakover (M Gal):	10	85	200	1.6120	2.048	1.9200
32					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
34	Commercial 3-inch	284.04	240.00	205.60	Tier One Breakover (M Gal):	10	175	450	1.6120	2.048	1.9200
35					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
37	Commercial 4-inch	398.10	375.00	321.25	Tier One Breakover (M Gal):	10	290	725	1.6120	2.048	1.9200
38					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
40	Commercial 6-inch	604.72	750.00	642.50	Tier One Breakover (M Gal):	10	625	1,500	1.6120	2.048	1.9200
41					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
43	Commercial 8-inch	725.66	1,200.00	1,028.00	Tier One Breakover (M Gal):	10	1000	2,400	1.6120	2.048	1.9200
44					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a
46	Commercial 10-inch	907.08	2,400.00	1,477.75	Tier One Breakover (M Gal):	10	1200	3,500	1.6120	2.048	1.9200
47					Tier Two Breakover (M Gal):	25	999999	999999	2.0150	2.56	2.2990
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.4180	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Sierra Vista										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge			Break-Over Points				Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended		Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 15.40	$ 28.44	$ 12.85	Tier One Breakover (M Gal):	10	999999	10		$ 1.6120	$ 5.4950	$ 1.9200
2					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
3					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
4	Industrial 1-inch	32.71	71.10	32.13	Tier One Breakover (M Gal):	10	999999	50		1.6120	5.4950	1.9200
5					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
6					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
7	Industrial 2-inch	125.47	227.52	102.80	Tier One Breakover (M Gal):	10	999999	200		1.6120	5.4950	1.9200
8					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
9					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
10	Industrial 3-inch	284.04	455.04	205.60	Tier One Breakover (M Gal):	10	999999	450		1.6120	5.4950	1.9200
11					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
12					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
13	Industrial 4-inch	398.10	711.00	321.25	Tier One Breakover (M Gal):	10	999999	725		1.6120	5.4950	1.9200
14					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
15					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
16	Industrial 6-inch	604.72	1,422.00	642.50	Tier One Breakover (M Gal):	10	999999	1,500		1.6120	5.4950	1.9200
17					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
18					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
19	Industrial 8-inch	725.66	2,275.20	1,028.00	Tier One Breakover (M Gal):	10	999999	2,400		1.6120	5.4950	1.9200
20					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
21					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
22	Industrial 10-inch	907.08	4,550.40	1,477.75	Tier One Breakover (M Gal):	10	999999	3,500		1.6120	5.4950	1.9200
23					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	5.4950	2.2990
24					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	6.05	25.00	12.85						n/a	n/a	n/a
31	8-inch service	7.26	25.00	20.56						n/a	n/a	n/a
32	10-inch service	9.07	25.00	29.56						n/a	n/a	n/a
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a						n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)					-	n/a	n/a
36	Construction Water (2-Inch)	125.47	120.00	-	Tier One Breakover (M Gal):	10	85	999.999		1.6120	2.0480	2.2990
37					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.2990
38					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
39	Construction Water (3-Inch)	284.04	240.00	-	Tier One Breakover (M Gal):	10	175	999.999		1.6120	2.0480	2.2990
40					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.2990
41					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
42	Construction Water (4-Inch)	398.10	375.00	-	Tier One Breakover (M Gal):	10	290	999.999		1.6120	2.0480	2.2990
43					Tier Two Breakover (M Gal):	25	999999	999999		2.0150	2.5600	2.2990
44					Tier Three Breakover (M Gal):	999999	999999	999999		2.4180	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	120.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999		n/a	5.4950	2.2990
46					Tier Two Breakover (M Gal):	n/a	999999	999999		n/a	5.4950	2.2990
47					Tier Three Breakover (M Gal):	n/a	999999	999999		n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	240.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999		n/a	5.4950	2.2990
49					Tier Two Breakover (M Gal):	n/a	999999	999999		n/a	5.4950	2.2990
50					Tier Three Breakover (M Gal):	n/a	999999	999999		n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	750.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999		n/a	5.4950	2.2990
52					Tier Two Breakover (M Gal):	n/a	999999	999999		n/a	5.4950	2.2990
53					Tier Three Breakover (M Gal):	n/a	999999	999999		n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Sierra Vista
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,924	$ 29.79	$ 31.11	$ 1.32	4.45%
Median Usage	6,380	$ 25.68	$ 25.90	$ 0.22	0.84%
Staff Recommended					
Average Usage	8,924	$ 29.79	$ 28.04	$ (1.75)	-5.86%
Median Usage	6,380	$ 25.68	$ 23.16	$ (2.53)	-9.85%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.40	$ 15.00	-2.60%	$ 12.85	-16.56%
1,000	17.01	16.33	-4.03%	14.12	-16.99%
2,000	18.62	17.65	-5.22%	15.39	-17.34%
3,000	20.24	18.98	-6.22%	16.67	-17.64%
4,000	21.85	21.03	-3.76%	18.59	-14.93%
5,000	23.46	23.07	-1.65%	20.51	-12.59%
6,000	25.07	25.12	0.20%	22.43	-10.55%
7,000	26.68	27.17	1.82%	24.35	-8.76%
8,000	28.30	29.22	3.26%	26.27	-7.17%
9,000	29.91	31.27	4.54%	28.19	-5.76%
10,000	31.52	33.31	5.69%	30.11	-4.49%
11,000	33.54	35.88	6.98%	32.41	-3.37%
12,000	35.55	38.44	8.12%	34.70	-2.38%
13,000	37.57	41.00	9.14%	37.00	-1.50%
14,000	39.58	43.56	10.05%	39.30	-0.70%
15,000	41.60	46.12	10.88%	41.60	0.01%
16,000	43.61	48.68	11.63%	43.90	0.66%
17,000	45.63	51.24	12.31%	46.20	1.26%
18,000	47.64	53.80	12.93%	48.50	1.80%
19,000	49.66	56.36	13.51%	50.80	2.30%
20,000	51.67	58.92	14.04%	53.10	2.76%
25,000	61.75	71.73	16.17%	64.59	4.61%
30,000	73.84	84.53	14.49%	76.09	3.05%
35,000	85.93	97.34	13.28%	87.58	1.93%
40,000	98.02	110.14	12.37%	99.08	1.08%
45,000	110.11	122.95	11.67%	110.57	0.42%
50,000	122.20	135.75	11.10%	122.07	-0.11%
75,000	182.65	199.78	9.38%	179.54	-1.70%
100,000	243.10	263.80	8.52%	237.02	-2.50%

ARIZONA WATER COMPANY
EASTERN GROUP:
SAN MANUEL

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

San Manuel

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -inch	$ 19.94	$ 23.40	$ 22.00	Tier One Breakover (M Gal):	10	3	3	$ 1.7040	$ 2.8170	$ 1.7000
2					Tier Two Breakover (M Gal):	25	10	10	2.1300	3.521	3.4500
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	4.401	4.8510
4	Residential 1-inch	42.51	58.50	55.00	Tier One Breakover (M Gal):	10	10	30	1.7040	3.521	3.4500
5					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
7	Residential 2-inch	234.67	187.20	176.00	Tier One Breakover (M Gal):	10	80	100	1.7040	3.521	3.4500
8					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
10	Residential 3-inch	358.76	374.40	352.00	Tier One Breakover (M Gal):	10	175	200	1.7040	3.521	3.4500
11					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
13	Residential 4-inch	453.35	585.00	550.00	Tier One Breakover (M Gal):	10	290	340	1.7040	3.521	3.4500
14					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
16	Residential 6-inch	538.19	1,170.00	1,100.00	Tier One Breakover (M Gal):	10	625	730	1.7040	3.521	3.4500
17					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
19	Residential 8-inch	854.56	1,872.00	1,760.00	Tier One Breakover (M Gal):	10	1000	1,200	1.7040	3.521	3.4500
20					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
22	Residential 10-inch	1,228.50	3,744.00	2,530.00	Tier One Breakover (M Gal):	10	1200	1,740	1.7040	3.521	3.4500
23					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	19.94	23.40	22.00	Tier One Breakover (M Gal):	10	10	10	1.7040	3.521	3.4500
26					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
28	Commercial 1-inch	42.51	58.50	55.00	Tier One Breakover (M Gal):	10	25	30	1.7040	3.521	3.4500
29					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
31	Commercial 2-inch	234.67	187.20	176.00	Tier One Breakover (M Gal):	10	85	100	1.7040	3.521	3.4500
32					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
34	Commercial 3-inch	358.76	374.40	352.00	Tier One Breakover (M Gal):	10	175	200	1.7040	3.521	3.4500
35					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
37	Commercial 4-inch	453.35	585.00	550.00	Tier One Breakover (M Gal):	10	290	340	1.7040	3.521	3.4500
38					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
40	Commercial 6-inch	538.19	1,170.00	1,100.00	Tier One Breakover (M Gal):	10	625	730	1.7040	3.521	3.4500
41					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
43	Commercial 8-inch	854.56	1,872.00	1,760.00	Tier One Breakover (M Gal):	10	1000	1,200	1.7040	3.521	3.4500
44					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
46	Commercial 10-inch	1,228.50	3,744.00	2,530.00	Tier One Breakover (M Gal):	10	1200	1,740	1.7040	3.521	3.4500
47					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.401	4.8510
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

San Manuel

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 19.94	$ 23.40	$ 22.00	Tier One Breakover (M Gal):	10	999999	10	$ 1.7040	$ 3.5210	$ 3.4500
2					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
4	Industrial 1-inch	42.51	58.50	55.00	Tier One Breakover (M Gal):	10	999999	30	1.7040	3.5210	3.4500
5					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
7	Industrial 2-inch	234.67	187.20	176.00	Tier One Breakover (M Gal):	10	999999	100	1.7040	3.5210	3.4500
8					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
10	Industrial 3-inch	358.76	374.40	352.00	Tier One Breakover (M Gal):	10	999999	200	1.7040	3.5210	3.4500
11					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
13	Industrial 4-inch	453.35	585.00	550.00	Tier One Breakover (M Gal):	10	999999	340	1.7040	3.5210	3.4500
14					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
16	Industrial 6-inch	538.19	1,170.00	1,100.00	Tier One Breakover (M Gal):	10	999999	730	1.7040	3.5210	3.4500
17					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
19	Industrial 8-inch	854.56	1,872.00	1,760.00	Tier One Breakover (M Gal):	10	999999	1,200	1.7040	3.5210	3.4500
20					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
22	Industrial 10-inch	1,228.50	3,744.00	2,530.00	Tier One Breakover (M Gal):	10	999999	1,740	1.7040	3.5210	3.4500
23					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	3.5210	4.8510
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	5.38	25.00	22.00					n/a	n/a	n/a
31	8-inch service	8.55	25.00	35.20					n/a	n/a	n/a
32	10-inch service	12.29	25.00	50.60					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	234.67	187.20	-	Tier One Breakover (M Gal):	10	85	999.999	1.7040	3.5210	4.8510
37					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.4010	4.8510
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
39	Construction Water (3-Inch)	358.76	374.40	-	Tier One Breakover (M Gal):	10	175	999.999	1.7040	3.5210	4.8510
40					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.4010	4.8510
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
42	Construction Water (4-Inch)	453.35	585.00	-	Tier One Breakover (M Gal):	10	290	999.999	1.7040	3.5210	4.8510
43					Tier Two Breakover (M Gal):	25	999999	999999	2.1300	4.4010	4.8510
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.5560	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	187.20	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.5210	4.8510
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.5210	4.8510
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	374.40	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.5210	4.8510
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.5210	4.8510
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,170.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.5210	4.8510
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.5210	4.8510
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

San Manuel
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,744	$ 34.84	$ 52.08	$ 17.24	49.47%
Median Usage	6,505	$ 31.02	$ 44.19	$ 13.17	42.44%
Staff Recommended					
Average Usage	8,744	$ 34.84	$ 46.92	$ 12.08	34.66%
Median Usage	6,505	$ 31.02	$ 39.19	$ 8.17	26.33%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 19.94	$ 23.40	17.35%	$ 22.00	10.33%
1,000	21.64	26.22	21.13%	23.70	9.50%
2,000	23.35	29.03	24.35%	25.40	8.79%
3,000	25.05	31.85	27.14%	27.10	8.17%
4,000	26.76	35.37	32.20%	30.55	14.18%
5,000	28.46	38.89	36.66%	34.00	19.47%
6,000	30.16	42.41	40.61%	37.45	24.15%
7,000	31.87	45.94	44.14%	40.90	28.34%
8,000	33.57	49.46	47.31%	44.35	32.10%
9,000	35.28	52.98	50.18%	47.80	35.50%
10,000	36.98	56.50	52.78%	51.25	38.59%
11,000	39.11	60.90	55.71%	56.10	43.44%
12,000	41.24	65.30	58.34%	60.95	47.80%
13,000	43.37	69.70	60.71%	65.80	51.72%
14,000	45.50	74.10	62.86%	70.65	55.28%
15,000	47.63	78.50	64.82%	75.51	58.52%
16,000	49.76	82.90	66.61%	80.36	61.49%
17,000	51.89	87.31	68.25%	85.21	64.21%
18,000	54.02	91.71	69.76%	90.06	66.71%
19,000	56.15	96.11	71.16%	94.91	69.03%
20,000	58.28	100.51	72.46%	99.76	71.17%
25,000	68.93	122.51	77.74%	124.02	79.91%
30,000	81.71	144.52	76.87%	148.27	81.46%
35,000	94.49	166.52	76.23%	172.53	82.59%
40,000	107.27	188.53	75.75%	196.78	83.44%
45,000	120.05	210.53	75.37%	221.04	84.12%
50,000	132.83	232.54	75.06%	245.29	84.66%
75,000	196.73	342.56	74.13%	366.57	86.33%
100,000	260.63	452.59	73.65%	487.84	87.18%

ARIZONA WATER COMPANY
EASTERN GROUP:
ORACLE

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Oracle

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 19.31	$ 22.16	$ 20.50	Tier One Breakover (M Gal):	10	3	3	$ 4.9850	$ 4.4970	$ 3.0000
2					Tier Two Breakover (M Gal):	25	10	10	6.2310	5.621	5.4000
3					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	7.026	7.3270
4	Residential 1-inch	40.62	55.40	51.25	Tier One Breakover (M Gal):	10	10	22	4.9850	5.621	5.4000
5					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
6					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
7	Residential 2-inch	166.69	177.28	164.00	Tier One Breakover (M Gal):	10	90	75	4.9850	5.621	5.4000
8					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
9					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
10	Residential 3-inch	220.51	354.56	328.00	Tier One Breakover (M Gal):	10	200	150	4.9850	5.621	5.4000
11					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
12					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
13	Residential 4-inch	286.45	554.00	512.50	Tier One Breakover (M Gal):	10	325	225	4.9850	5.621	5.4000
14					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
15					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
16	Residential 6-inch	341.11	1,108.00	1,025.00	Tier One Breakover (M Gal):	10	675	475	4.9850	5.621	5.4000
17					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
18					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
19	Residential 8-inch	625.36	1,772.80	1,640.00	Tier One Breakover (M Gal):	10	1000	750	4.9850	5.621	5.4000
20					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
21					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
22	Residential 10-inch	837.19	3,545.60	3,280.00	Tier One Breakover (M Gal):	10	2000	1,100	4.9850	5.621	5.4000
23					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
24					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	19.31	22.16	20.50	Tier One Breakover (M Gal):	10	10	10	4.9850	5.621	5.4000
26					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
27					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
28	Commercial 1-inch	40.62	55.40	51.25	Tier One Breakover (M Gal):	10	30	22	4.9850	5.621	5.4000
29					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
30					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
31	Commercial 2-inch	166.69	177.28	164.00	Tier One Breakover (M Gal):	10	90	75	4.9850	5.621	5.4000
32					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
33					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
34	Commercial 3-inch	220.51	354.56	328.00	Tier One Breakover (M Gal):	10	210	150	4.9850	5.621	5.4000
35					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
36					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
37	Commercial 4-inch	286.45	554.00	512.50	Tier One Breakover (M Gal):	10	340	225	4.9850	5.621	5.4000
38					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
39					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
40	Commercial 6-inch	341.11	1,108.00	1,025.00	Tier One Breakover (M Gal):	10	725	475	4.9850	5.621	5.4000
41					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
42					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
43	Commercial 8-inch	625.36	1,772.80	1,640.00	Tier One Breakover (M Gal):	10	1100	750	4.9850	5.621	5.4000
44					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
45					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
46	Commercial 10-inch	837.19	3,545.60	2,357.50	Tier One Breakover (M Gal):	10	2300	1,100	4.9850	5.621	5.4000
47					Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.026	7.3270
48					Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Line No.	Customer Class		Basic Service Charge [A] Company Present Rate	[B] Company Proposed Rate	[C] Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge [G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
							Oracle					
1	Industrial 5/8 x 3/4 -inch		$ 19.31	$ 22.16	$ 20.50	Tier One Breakover (M Gal):	10	999999	10	$ 4.9850	$ 5.6210	$ 5.4000
2						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
3						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
4	Industrial 1-inch		40.62	55.40	51.25	Tier One Breakover (M Gal):	10	999999	22	4.9850	5.6210	5.4000
5						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
6						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
7	Industrial 2-inch		166.69	177.28	164.00	Tier One Breakover (M Gal):	10	999999	75	4.9850	5.6210	5.4000
8						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
9						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
10	Industrial 3-inch		220.51	354.56	328.00	Tier One Breakover (M Gal):	10	999999	150	4.9850	5.6210	5.4000
11						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
12						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
13	Industrial 4-inch		286.45	554.00	512.50	Tier One Breakover (M Gal):	10	999999	225	4.9850	5.6210	5.4000
14						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
15						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
16	Industrial 6-inch		341.11	1,108.00	1,025.00	Tier One Breakover (M Gal):	10	999999	475	4.9850	5.6210	5.4000
17						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
18						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
19	Industrial 8-inch		625.36	1,772.80	1,640.00	Tier One Breakover (M Gal):	10	999999	750	4.9850	5.6210	5.4000
20						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
21						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
22	Industrial 10-inch		837.19	3,545.60	2,357.50	Tier One Breakover (M Gal):	10	999999	1,100	4.9850	5.6210	5.4000
23						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	5.6210	7.3270
24						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
25	Private Fire Service	5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26		1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27		2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28		3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29		4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30		6-inch service	5.00	25.00	20.50					n/a	n/a	n/a
31		8-inch service	6.25	25.00	32.80					n/a	n/a	n/a
32		10-inch service	8.37	25.00	47.15							
33	Other Water Revenues									n/a	n/a	n/a
34	Public Fire Hydrant		n/a	n/a	n/a					-	n/a	n/a
35	Coin Machine		n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-Inch)		166.69	177.28	-	Tier One Breakover (M Gal):	10	90	999.999	4.9850	5.6210	7.3270
37						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.0260	7.3270
38						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
39	Construction Water (3-Inch)		220.51	354.56	-	Tier One Breakover (M Gal):	10	210	999.999	4.9850	5.6210	7.3270
40						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.0260	7.3270
41						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
42	Construction Water (4-Inch)		286.45	554.00	-	Tier One Breakover (M Gal):	10	340	999.999	4.9850	5.6210	7.3270
43						Tier Two Breakover (M Gal):	25	999999	999999	6.2310	7.0260	7.3270
44						Tier Three Breakover (M Gal):	999999	999999	999999	7.4770	n/a	n/a
45	Sales for Resale (2-Inch)		n/a	177.28	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.6210	7.3270
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.6210	7.3270
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)		n/a	354.56	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.6210	7.3270
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.6210	7.3270
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)		n/a	1,108.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	5.6210	7.3270
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	5.6210	7.3270
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Oracle
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,605	$ 47.25	$ 50.29	$ 3.04	6.44%
Median Usage	4,339	$ 40.94	$ 43.18	$ 2.24	5.47%
Staff Recommended					
Average Usage	5,605	$ 47.25	$ 43.57	$ (3.68)	-7.80%
Median Usage	4,339	$ 40.94	$ 36.73	$ (4.21)	-10.28%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 19.31	$ 22.16	14.76%	$ 20.50	6.16%
1,000	24.30	26.66	9.72%	23.50	-3.27%
2,000	29.28	31.15	6.40%	26.50	-9.49%
3,000	34.27	35.65	4.04%	29.50	-13.91%
4,000	39.25	41.27	5.15%	34.90	-11.08%
5,000	44.24	46.89	6.01%	40.30	-8.90%
6,000	49.22	52.51	6.69%	45.70	-7.15%
7,000	54.21	58.14	7.25%	51.10	-5.73%
8,000	59.19	63.76	7.71%	56.50	-4.54%
9,000	64.18	69.38	8.11%	61.90	-3.54%
10,000	69.16	75.00	8.44%	67.30	-2.69%
11,000	75.39	82.02	8.80%	74.63	-1.01%
12,000	81.62	89.05	9.10%	81.95	0.41%
13,000	87.85	96.08	9.36%	89.28	1.63%
14,000	94.08	103.10	9.59%	96.61	2.68%
15,000	100.32	110.13	9.78%	103.94	3.61%
16,000	106.55	117.15	9.96%	111.26	4.43%
17,000	112.78	124.18	10.11%	118.59	5.15%
18,000	119.01	131.21	10.25%	125.92	5.80%
19,000	125.24	138.23	10.37%	133.24	6.39%
20,000	131.47	145.26	10.49%	140.57	6.92%
25,000	162.63	180.39	10.92%	177.21	8.97%
30,000	200.01	215.52	7.75%	213.84	6.91%
35,000	237.40	250.65	5.58%	250.48	5.51%
40,000	274.78	285.78	4.00%	287.11	4.49%
45,000	312.17	320.91	2.80%	323.75	3.71%
50,000	349.55	356.04	1.86%	360.38	3.10%
75,000	536.48	531.69	-0.89%	543.56	1.32%
100,000	723.40	707.34	-2.22%	726.73	0.46%

ARIZONA WATER COMPANY
EASTERN GROUP:
WINKLEMAN

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Winkleman

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -inch	$ 12.95	$ 16.19	$ 14.50	Tier One Breakover (M Gal):	10	3	3	$ 1.1360	$ 1.6890	$ 1.1500
2					Tier Two Breakover (M Gal):	25	10	10	1.4200	2.111	2.0000
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	2.639	2.6050
4	Residential 1-inch	38.15	40.48	36.25	Tier One Breakover (M Gal):	10	10	40	1.1360	2.111	2.0000
5					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
7	Residential 2-inch	81.75	129.52	116.00	Tier One Breakover (M Gal):	10	125	170	1.1360	2.111	2.0000
8					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
10	Residential 3-inch	241.28	259.04	232.00	Tier One Breakover (M Gal):	10	325	350	1.1360	2.111	2.0000
11					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
13	Residential 4-inch	451.22	404.75	362.50	Tier One Breakover (M Gal):	10	500	550	1.1360	2.111	2.0000
14					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
16	Residential 6-inch	616.16	809.50	725.00	Tier One Breakover (M Gal):	10	925	1,100	1.1360	2.111	2.0000
17					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
19	Residential 8-inch	764.18	1,295.20	1,160.00	Tier One Breakover (M Gal):	10	1500	1,800	1.1360	2.111	2.0000
20					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
22	Residential 10-inch	935.02	2,590.40	1,667.50	Tier One Breakover (M Gal):	10	3000	2,500	1.1360	2.111	2.0000
23					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	12.95	16.19	14.50	Tier One Breakover (M Gal):	10	10	10	1.1360	2.111	2.0000
26					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
27					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
28	Commercial 1-inch	38.15	40.48	36.25	Tier One Breakover (M Gal):	10	40	40	1.1360	2.111	2.0000
29					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
30					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
31	Commercial 2-inch	81.75	129.52	116.00	Tier One Breakover (M Gal):	10	125	170	1.1360	2.111	2.0000
32					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
33					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
34	Commercial 3-inch	241.28	259.04	232.00	Tier One Breakover (M Gal):	10	325	350	1.1360	2.111	2.0000
35					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
36					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
37	Commercial 4-inch	451.22	404.75	362.50	Tier One Breakover (M Gal):	10	500	550	1.1360	2.111	2.0000
38					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
39					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
40	Commercial 6-inch	616.16	809.50	725.00	Tier One Breakover (M Gal):	10	925	1,100	1.1360	2.111	2.0000
41					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
42					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
43	Commercial 8-inch	764.18	1,295.20	1,160.00	Tier One Breakover (M Gal):	10	1500	1,800	1.1360	2.111	2.0000
44					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
45					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
46	Commercial 10-inch	935.02	2,590.40	1,667.50	Tier One Breakover (M Gal):	10	3000	2,500	1.1360	2.111	2.0000
47					Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.639	2.6050
48					Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Winkelman									
		[A]	[B]	[C]		[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge				Break-Over Points			Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 12.95	$ 16.19	$ 14.50		Tier One Breakover (M Gal):	10	999999	10	$ 1.1360	$ 2.4400	$ 2.0000
2						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
3						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
4	Industrial 1-inch	38.15	40.48	36.25		Tier One Breakover (M Gal):	10	999999	40	1.1360	2.4400	2.0000
5						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
6						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
7	Industrial 2-inch	81.75	129.52	116.00		Tier One Breakover (M Gal):	10	999999	170	1.1360	2.4400	2.0000
8						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
9						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
10	Industrial 3-inch	241.28	259.04	232.00		Tier One Breakover (M Gal):	10	999999	350	1.1360	2.4400	2.0000
11						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
12						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
13	Industrial 4-inch	451.22	404.75	362.50		Tier One Breakover (M Gal):	10	999999	550	1.1360	2.4400	2.0000
14						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
15						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
16	Industrial 6-inch	616.16	809.50	725.00		Tier One Breakover (M Gal):	10	999999	1,100	1.1360	2.4400	2.0000
17						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
18						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
19	Industrial 8-inch	764.18	1,295.20	1,160.00		Tier One Breakover (M Gal):	10	999999	1,600	1.1360	2.4400	2.0000
20						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
21						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
22	Industrial 10-inch	935.02	2,590.40	1,667.50		Tier One Breakover (M Gal):	10	999999	2,500	1.1360	2.4400	2.0000
23						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.4400	2.6050
24						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	6.16	25.00	14.50						n/a	n/a	n/a
31	8-inch service	7.64	25.00	23.20						n/a	n/a	n/a
32	10-inch service	9.35	25.00	33.35						n/a	n/a	n/a
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a						n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a		No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	81.75	129.52	-		Tier One Breakover (M Gal):	10	125	999.999	1.1360	2.1110	2.6050
37						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.6390	2.6050
38						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
39	Construction Water (3-Inch)	241.28	259.04	-		Tier One Breakover (M Gal):	10	325	999.999	1.1360	2.1110	2.6050
40						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.6390	2.6050
41						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
42	Construction Water (4-Inch)	451.22	404.75	-		Tier One Breakover (M Gal):	10	500	999.999	1.1360	2.1110	2.6050
43						Tier Two Breakover (M Gal):	25	999999	999999	1.4200	2.6390	2.6050
44						Tier Three Breakover (M Gal):	999999	999999	999999	1.7040	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	129.52	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.4400	2.6050
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.4400	2.6050
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	259.04	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.4400	2.6050
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.4400	2.6050
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	809.50	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.4400	2.6050
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.4400	2.6050
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Winkleman
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,549	$ 23.80	$ 35.08	$ 11.28	47.42%
Median Usage	7,329	$ 21.28	$ 30.40	$ 9.12	42.86%
Staff Recommended					
Average Usage	9,549	$ 23.80	$ 31.05	$ 7.25	30.47%
Median Usage	7,329	$ 21.28	$ 26.61	$ 5.33	25.06%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.95	$ 16.19	25.02%	$ 14.50	11.97%
1,000	14.09	17.88	26.93%	15.65	11.10%
2,000	15.22	19.57	28.55%	16.80	10.37%
3,000	16.36	21.26	29.95%	17.95	9.73%
4,000	17.49	23.37	33.58%	19.95	14.04%
5,000	18.63	25.48	36.76%	21.95	17.82%
6,000	19.77	27.59	39.58%	23.95	21.17%
7,000	20.90	29.70	42.10%	25.95	24.15%
8,000	22.04	31.81	44.35%	27.95	26.83%
9,000	23.17	33.92	46.38%	29.95	29.24%
10,000	24.31	36.03	48.23%	31.95	31.43%
11,000	25.73	38.67	50.30%	34.56	34.30%
12,000	27.15	41.31	52.16%	37.16	36.87%
13,000	28.57	43.95	53.84%	39.77	39.18%
14,000	29.99	46.59	55.35%	42.37	41.28%
15,000	31.41	49.23	56.73%	44.98	43.19%
16,000	32.83	51.87	57.99%	47.58	44.93%
17,000	34.25	54.51	59.14%	50.19	46.53%
18,000	35.67	57.15	60.21%	52.79	48.00%
19,000	37.09	59.79	61.19%	55.40	49.35%
20,000	38.51	62.42	62.10%	58.00	50.61%
25,000	45.61	75.62	65.79%	71.03	55.72%
30,000	54.13	88.81	64.08%	84.05	55.27%
35,000	62.65	102.01	62.82%	97.08	54.95%
40,000	71.17	115.20	61.87%	110.10	54.70%
45,000	79.69	128.40	61.12%	123.13	54.50%
50,000	88.21	141.59	60.52%	136.15	54.35%
75,000	130.81	207.57	58.68%	201.28	53.87%
100,000	173.41	273.54	57.74%	266.40	53.62%

ARIZONA WATER COMPANY
NORTHERN GROUP:
LAKESIDE

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Lakeside - Consolidated

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -inch	$ 17.81	$ 13.37	$ 13.45	Tier One Breakover (M Gal):	999999	3	3	$ 4.3000	$ 5.0020	$ 3.0000
2					Tier Two Breakover (M Gal):	999999	10	10	4.3000	6.002	5.2640
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
4	Residential 1-inch	44.53	26.74	33.63	Tier One Breakover (M Gal):	999999	10	20	4.3000	6.002	5.2640
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
7	Residential 2-inch	131.79	93.59	107.60	Tier One Breakover (M Gal):	999999	50	65	4.3000	6.002	5.2640
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
10	Residential 3-inch	219.60	213.92	215.20	Tier One Breakover (M Gal):	999999	125	130	4.3000	6.002	5.2640
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
13	Residential 4-inch	380.24	334.25	336.25	Tier One Breakover (M Gal):	999999	200	200	4.3000	6.002	5.2640
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
16	Residential 6-inch	789.17	668.50	672.50	Tier One Breakover (M Gal):	999999	350	400	4.3000	6.002	5.2640
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
19	Residential 8-inch	1,056.32	1,069.60	1,076.00	Tier One Breakover (M Gal):	999999	650	650	4.3000	6.002	5.2640
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
22	Residential 10-inch	1,485.54	2,139.20	1,546.75	Tier One Breakover (M Gal):	999999	1400	900	4.3000	6.002	5.2640
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	17.81	13.37	13.45	Tier One Breakover (M Gal):	999999	10	10	4.3000	6.002	5.2640
26					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
27					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
28	Commercial 1-inch	44.53	26.74	33.63	Tier One Breakover (M Gal):	999999	15	20	4.3000	6.002	5.2640
29					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
30					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
31	Commercial 2-inch	131.79	93.59	107.60	Tier One Breakover (M Gal):	999999	65	65	4.3000	6.002	5.2640
32					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
33					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
34	Commercial 3-inch	219.60	213.92	215.20	Tier One Breakover (M Gal):	999999	125	130	4.3000	6.002	5.2640
35					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
36					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
37	Commercial 4-inch	380.24	334.25	336.25	Tier One Breakover (M Gal):	999999	200	200	4.3000	6.002	5.2640
38					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
39					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
40	Commercial 6-inch	789.17	668.50	672.50	Tier One Breakover (M Gal):	999999	400	400	4.3000	6.002	5.2640
41					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
42					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
43	Commercial 8-inch	1,056.32	1,069.60	1,076.00	Tier One Breakover (M Gal):	999999	675	650	4.3000	6.002	5.2640
44					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
45					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
46	Commercial 10-inch	1,485.54	2,139.20	1,546.75	Tier One Breakover (M Gal):	999999	1400	900	4.3000	6.002	5.2640
47					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	6.8540
48					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Lakeside - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate		[D] Break-Over Points: Company Present	[E] Break-Over Points: Company Proposed	[F] Break-Over Points: Staff Recommended		[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 17.81	$ 20.00	$ 13.45	Tier One Breakover (M Gal):	999999	999999	10		$ 4.3000	$ 4.3050	$ 5.2640
2					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
3					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
4	Industrial 1-inch	44.53	40.00	33.63	Tier One Breakover (M Gal):	999999	999999	20		4.3000	4.3050	5.2640
5					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
6					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
7	Industrial 2-inch	131.79	140.00	107.60	Tier One Breakover (M Gal):	999999	999999	65		4.3000	4.3050	5.2640
8					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
9					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
10	Industrial 3-inch	219.60	320.00	215.20	Tier One Breakover (M Gal):	999999	999999	130		4.3000	4.3050	5.2640
11					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
12					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
13	Industrial 4-inch	380.24	500.00	336.25	Tier One Breakover (M Gal):	999999	999999	200		4.3000	4.3050	5.2640
14					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
15					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
16	Industrial 6-inch	789.17	1,000.00	672.50	Tier One Breakover (M Gal):	999999	999999	400		4.3000	4.3050	5.2640
17					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
18					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
19	Industrial 8-inch	1,056.32	1,600.00	1,076.00	Tier One Breakover (M Gal):	999999	999999	650		4.3000	4.3050	5.2640
20					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
21					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
22	Industrial 10-inch	1,485.54	3,200.00	1,546.75	Tier One Breakover (M Gal):	999999	999999	900		4.3000	4.3050	5.2640
23					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	4.3050	6.8540
24					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	7.89	25.00	13.45						n/a	n/a	n/a
31	8-inch service	10.56	25.00	21.52						n/a	n/a	n/a
32	10-inch service	14.86	25.00	30.94						n/a	n/a	n/a
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a						n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)					-	n/a	n/a
36	Construction Water (2-Inch)	131.79	93.59	-	Tier One Breakover (M Gal):	999999	65	999999		4.3000	6.0020	6.8540
37					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	7.2020	6.8540
38					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
39	Construction Water (3-Inch)	219.60	213.92	-	Tier One Breakover (M Gal):	999999	125	999999		4.3000	6.0020	6.8540
40					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	7.2020	6.8540
41					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
42	Construction Water (4-Inch)	380.24	334.25	-	Tier One Breakover (M Gal):	999999	200	999999		4.3000	6.0020	6.8540
43					Tier Two Breakover (M Gal):	999999	999999	999999		4.3000	7.2020	6.8540
44					Tier Three Breakover (M Gal):	999999	999999	999999		4.3000	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	140.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999		n/a	6.0020	6.8540
46					Tier Two Breakover (M Gal):	n/a	999999	999999		n/a	6.0020	6.8540
47					Tier Three Breakover (M Gal):	n/a	999999	999999		n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999		n/a	6.0020	6.8540
49					Tier Two Breakover (M Gal):	n/a	999999	999999		n/a	6.0020	6.8540
50					Tier Three Breakover (M Gal):	n/a	999999	999999		n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999		n/a	6.0020	6.8540
52					Tier Two Breakover (M Gal):	n/a	999999	999999		n/a	6.0020	6.8540
53					Tier Three Breakover (M Gal):	n/a	999999	999999		n/a	n/a	n/a

Lakeside - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,312	$ 36.35	$ 36.25	$ (0.10)	-0.28%
Median Usage	2,314	$ 27.76	$ 24.94	$ (2.82)	-10.14%
Staff Recommended					
Average Usage	4,312	$ 36.35	$ 29.36	$ (7.00)	-19.24%
Median Usage	2,314	$ 27.76	$ 20.39	$ (7.37)	-26.54%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 17.81	$ 13.37	-24.93%	$ 13.45	-24.48%
1,000	22.11	18.37	-16.91%	16.45	-25.60%
2,000	26.41	23.37	-11.50%	19.45	-26.35%
3,000	30.71	28.38	-7.60%	22.45	-26.90%
4,000	35.01	34.38	-1.81%	27.71	-20.84%
5,000	39.31	40.38	2.72%	32.98	-16.11%
6,000	43.61	46.38	6.36%	38.24	-12.31%
7,000	47.91	52.38	9.34%	43.51	-9.19%
8,000	52.21	58.39	11.83%	48.77	-6.59%
9,000	56.51	64.39	13.94%	54.03	-4.38%
10,000	60.81	70.39	15.75%	59.30	-2.49%
11,000	65.11	77.59	19.17%	66.15	1.60%
12,000	69.41	84.79	22.16%	73.01	5.18%
13,000	73.71	92.00	24.81%	79.86	8.34%
14,000	78.01	99.20	27.16%	86.71	11.16%
15,000	82.31	106.40	29.27%	93.57	13.68%
16,000	86.61	113.60	31.16%	100.42	15.95%
17,000	90.91	120.80	32.88%	107.28	18.00%
18,000	95.21	128.01	34.45%	114.13	19.87%
19,000	99.51	135.21	35.87%	120.98	21.58%
20,000	103.81	142.41	37.18%	127.84	23.15%
25,000	125.31	178.42	42.38%	162.11	29.37%
30,000	146.81	214.43	46.06%	196.38	33.76%
35,000	168.31	250.44	48.80%	230.65	37.04%
40,000	189.81	286.45	50.91%	264.92	39.57%
45,000	211.31	322.46	52.60%	299.19	41.59%
50,000	232.81	358.47	53.98%	333.46	43.23%
75,000	340.31	538.52	58.24%	504.81	48.34%
100,000	447.81	718.57	60.46%	676.16	50.99%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Lakeside

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Break-Over Points: Company Present	[E] Break-Over Points: Company Proposed	[F] Break-Over Points: Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch -	$ 17.81	$ 13.37	$ 15.50	Tier One Breakover (M Gal):	999999	3	3	$ 4.3000	$ 5.0020	$ 3.2700
2					Tier Two Breakover (M Gal):	999999	10	10	4.3000	6.002	4.8950
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
4	Residential 1-inch	44.53	26.74	38.75	Tier One Breakover (M Gal):	999999	10	20	4.3000	6.002	4.8950
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
7	Residential 2-inch	131.79	93.59	124.00	Tier One Breakover (M Gal):	999999	50	65	4.3000	6.002	4.8950
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
10	Residential 3-inch	219.60	213.92	248.00	Tier One Breakover (M Gal):	999999	125	175	4.3000	6.002	4.8950
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
13	Residential 4-inch	380.24	334.25	387.50	Tier One Breakover (M Gal):	999999	200	300	4.3000	6.002	4.8950
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
16	Residential 6-inch	789.17	668.50	775.00	Tier One Breakover (M Gal):	999999	350	580	4.3000	6.002	4.8950
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
19	Residential 8-inch	1,056.32	1,069.60	1,240.00	Tier One Breakover (M Gal):	999999	650	950	4.3000	6.002	4.8950
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
22	Residential 10-inch	1,485.54	2,139.20	1,782.50	Tier One Breakover (M Gal):	999999	1400	1,300	4.3000	6.002	4.8950
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	17.81	13.37	15.50	Tier One Breakover (M Gal):	999999	10	10	4.3000	6.002	4.8950
26					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
27					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
28	Commercial 1-inch	44.53	26.74	38.75	Tier One Breakover (M Gal):	999999	15	20	4.3000	6.002	4.8950
29					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
30					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
31	Commercial 2-inch	131.79	93.59	124.00	Tier One Breakover (M Gal):	999999	65	65	4.3000	6.002	4.8950
32					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
33					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
34	Commercial 3-inch	219.60	213.92	248.00	Tier One Breakover (M Gal):	999999	125	175	4.3000	6.002	4.8950
35					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
36					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
37	Commercial 4-inch	380.24	334.25	387.50	Tier One Breakover (M Gal):	999999	200	300	4.3000	6.002	4.8950
38					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
39					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
40	Commercial 6-inch	789.17	668.50	775.00	Tier One Breakover (M Gal):	999999	400	580	4.3000	6.002	4.8950
41					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
42					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
43	Commercial 8-inch	1,056.32	1,069.60	1,240.00	Tier One Breakover (M Gal):	999999	675	950	4.3000	6.002	4.8950
44					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
45					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
46	Commercial 10-inch	1,485.54	2,139.20	1,782.50	Tier One Breakover (M Gal):	999999	1400	1,300	4.3000	6.002	4.8950
47					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.202	5.8910
48					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Lakeside									
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	
		Basic Service Charge			Break-Over Points			Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 17.81	$ 20.00	$ 15.50	Tier One Breakover (M Gal):	999999	999999	10	$ 4.3000	$ 4.3050	$ 4.8950
2					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
4	Industrial 1-inch	44.53	40.00	38.75	Tier One Breakover (M Gal):	999999	999999	20	4.3000	4.3050	4.8950
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
7	Industrial 2-inch	131.79	140.00	124.00	Tier One Breakover (M Gal):	999999	999999	65	4.3000	4.3050	4.8950
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
10	Industrial 3-inch	219.60	320.00	248.00	Tier One Breakover (M Gal):	999999	999999	175	4.3000	4.3050	4.8950
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
13	Industrial 4-inch	380.24	500.00	387.50	Tier One Breakover (M Gal):	999999	999999	300	4.3000	4.3050	4.8950
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
16	Industrial 6-inch	789.17	1,000.00	775.00	Tier One Breakover (M Gal):	999999	999999	580	4.3000	4.3050	4.8950
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
19	Industrial 8-inch	1,056.32	1,600.00	1,240.00	Tier One Breakover (M Gal):	999999	999999	950	4.3000	4.3050	4.8950
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
22	Industrial 10-inch	1,485.54	3,200.00	1,782.50	Tier One Breakover (M Gal):	999999	999999	1,300	4.3000	4.3050	4.8950
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	4.3050	5.8910
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.89	25.00	15.50					n/a	n/a	n/a
31	8-inch service	10.56	25.00	24.80					n/a	n/a	n/a
32	10-inch service	14.86	25.00	35.65					n/a	n/a	n/a
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a					-	n/a	46.5213
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-Inch)	131.79	93.59	-	Tier One Breakover (M Gal):	999999	65	999.999	4.3000	6.0020	4.8950
37					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.2020	5.8910
38					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
39	Construction Water (3-Inch)	219.60	213.92	-	Tier One Breakover (M Gal):	999999	125	999.999	4.3000	6.0020	4.8950
40					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.2020	5.8910
41					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
42	Construction Water (4-Inch)	380.24	334.25	-	Tier One Breakover (M Gal):	999999	200	999.999	4.3000	6.0020	4.8950
43					Tier Two Breakover (M Gal):	999999	999999	999999	4.3000	7.2020	5.8910
44					Tier Three Breakover (M Gal):	999999	999999	999999	4.3000	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	140.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	4.8950
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	4.8950
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	4.8950
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	4.8950
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	4.8950
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	4.8950
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Lakeside
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,312	$ 36.35	$ 36.25	$ (0.10)	-0.28%
Median Usage	2,314	$ 27.76	$ 24.94	$ (2.82)	-10.14%
Staff Recommended					
Average Usage	4,312	$ 36.35	$ 31.73	$ (4.62)	-12.71%
Median Usage	2,314	$ 27.76	$ 23.07	$ (4.69)	-16.91%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 17.81	$ 13.37	-24.93%	$ 15.50	-12.97%
1,000	22.11	18.37	-16.91%	18.77	-15.11%
2,000	26.41	23.37	-11.50%	22.04	-16.55%
3,000	30.71	28.38	-7.60%	25.31	-17.58%
4,000	35.01	34.38	-1.81%	30.21	-13.72%
5,000	39.31	40.38	2.72%	35.10	-10.71%
6,000	43.61	46.38	6.36%	40.00	-8.29%
7,000	47.91	52.38	9.34%	44.89	-6.30%
8,000	52.21	58.39	11.83%	49.79	-4.64%
9,000	56.51	64.39	13.94%	54.68	-3.24%
10,000	60.81	70.39	15.75%	59.58	-2.03%
11,000	65.11	77.59	19.17%	65.47	0.55%
12,000	69.41	84.79	22.16%	71.36	2.81%
13,000	73.71	92.00	24.81%	77.25	4.80%
14,000	78.01	99.20	27.16%	83.14	6.57%
15,000	82.31	106.40	29.27%	89.03	8.16%
16,000	86.61	113.60	31.16%	94.92	9.60%
17,000	90.91	120.80	32.88%	100.81	10.89%
18,000	95.21	128.01	34.45%	106.70	12.07%
19,000	99.51	135.21	35.87%	112.59	13.15%
20,000	103.81	142.41	37.18%	118.49	14.14%
25,000	125.31	178.42	42.38%	147.94	18.06%
30,000	146.81	214.43	46.06%	177.40	20.83%
35,000	168.31	250.44	48.80%	206.85	22.90%
40,000	189.81	286.45	50.91%	236.31	24.50%
45,000	211.31	322.46	52.60%	265.76	25.77%
50,000	232.81	358.47	53.98%	295.22	26.81%
75,000	340.31	538.52	58.24%	442.49	30.03%
100,000	447.81	718.57	60.46%	589.77	31.70%

ARIZONA WATER COMPANY
NORTHERN GROUP:
OVERGAARD

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Overgaard - Consolidation

Line No.	Customer Class	Basic Service Charge [A] Company Present Rate	[B] Company Proposed Rate	[C] Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge [G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 18.40	$ 13.37	$ 13.45	Tier One Breakover (M Gal):	999999	3	3	$ 4.4500	$ 5.0020	$ 3.0000
2					Tier Two Breakover (M Gal):	999999	10	10	4.4500	6.002	5.2640
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
4	Residential 1-inch	46.00	26.74	33.63	Tier One Breakover (M Gal):	999999	10	20	4.4500	6.002	5.2640
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
7	Residential 2-inch	136.16	93.59	107.60	Tier One Breakover (M Gal):	999999	50	65	4.4500	6.002	5.2640
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
10	Residential 3-inch	226.88	213.92	215.20	Tier One Breakover (M Gal):	999999	125	130	4.4500	6.002	5.2640
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
13	Residential 4-inch	392.84	334.25	336.25	Tier One Breakover (M Gal):	999999	200	200	4.4500	6.002	5.2640
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
16	Residential 6-inch	815.30	668.50	672.50	Tier One Breakover (M Gal):	999999	350	400	4.4500	6.002	5.2640
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
19	Residential 8-inch	1,091.31	1,069.60	1,076.00	Tier One Breakover (M Gal):	999999	650	650	4.4500	6.002	5.2640
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
22	Residential 10-inch	1,534.75	2,139.20	1,546.75	Tier One Breakover (M Gal):	999999	1400	900	4.4500	6.002	5.2640
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	18.40	13.37	13.45	Tier One Breakover (M Gal):	999999	10	10	4.4500	6.002	5.2640
26					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
27					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
28	Commercial 1-inch	46.00	26.74	33.63	Tier One Breakover (M Gal):	999999	15	20	4.4500	6.002	5.2640
29					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
30					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
31	Commercial 2-inch	136.16	93.59	107.60	Tier One Breakover (M Gal):	999999	65	65	4.4500	6.002	5.2640
32					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
33					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
34	Commercial 3-inch	226.88	213.92	215.20	Tier One Breakover (M Gal):	999999	125	130	4.4500	6.002	5.2640
35					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
36					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
37	Commercial 4-inch	392.84	334.25	336.25	Tier One Breakover (M Gal):	999999	200	200	4.4500	6.002	5.2640
38					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
39					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
40	Commercial 6-inch	815.30	668.50	672.50	Tier One Breakover (M Gal):	999999	400	400	4.4500	6.002	5.2640
41					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
42					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
43	Commercial 8-inch	1,091.31	1,069.60	1,076.00	Tier One Breakover (M Gal):	999999	675	650	4.4500	6.002	5.2640
44					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
45					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
46	Commercial 10-inch	1,534.75	2,139.20	1,546.75	Tier One Breakover (M Gal):	999999	1400	900	4.4500	6.002	5.2640
47					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	6.8540
48					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a

Arizona Water Company
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		Overgaard - Consolidation										
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]		
		Basic Service Charge			Break-Over Points				Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate	
1	Industrial 5/8 x 3/4 -inch	$ 18.40	$ 20.00	$ 13.45	Tier One Breakover (M Gal):	999999	999999	10	$ 4.4500	$ 4.3050	$ 5.2640	
2					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
4	Industrial 1-inch	46.00	40.00	33.63	Tier One Breakover (M Gal):	999999	999999	20	4.4500	4.3050	5.2640	
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
7	Industrial 2-inch	136.16	140.00	107.60	Tier One Breakover (M Gal):	999999	999999	65	4.4500	4.3050	5.2640	
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
10	Industrial 3-inch	226.88	320.00	215.20	Tier One Breakover (M Gal):	999999	999999	130	4.4500	4.3050	5.2640	
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
13	Industrial 4-inch	392.84	500.00	336.25	Tier One Breakover (M Gal):	999999	999999	200	4.4500	4.3050	5.2640	
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
16	Industrial 6-inch	815.30	1,000.00	672.50	Tier One Breakover (M Gal):	999999	999999	400	4.4500	4.3050	5.2640	
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
19	Industrial 8-inch	1,091.31	1,600.00	1,076.00	Tier One Breakover (M Gal):	999999	999999	650	4.4500	4.3050	5.2640	
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
22	Industrial 10-inch	1,534.75	3,200.00	1,546.75	Tier One Breakover (M Gal):	999999	999999	900	4.4500	4.3050	5.2640	
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	6.8540	
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
30	6-inch service	8.15	25.00	13.45					n/a	n/a	n/a	
31	8-inch service	10.91	25.00	21.52					n/a	n/a	n/a	
32	10-inch service	15.35	25.00	30.94					n/a	n/a	n/a	
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a	
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a	
36	Construction Water (2-Inch)	136.16	93.59	-	Tier One Breakover (M Gal):	999999	65	999.999	4.4500	6.0020	6.8540	
37					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.2020	6.8540	
38					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
39	Construction Water (3-Inch)	226.88	213.92	-	Tier One Breakover (M Gal):	999999	125	999.999	4.4500	6.0020	6.8540	
40					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.2020	6.8540	
41					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
42	Construction Water (4-Inch)	392.84	334.25	-	Tier One Breakover (M Gal):	999999	200	999.999	4.4500	6.0020	6.8540	
43					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.2020	6.8540	
44					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a	
45	Sales for Resale (2-Inch)	n/a	140.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	6.8540	
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	6.8540	
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a	
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	6.8540	
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	6.8540	
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a	
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	6.8540	
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	6.8540	
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a	

Arizona Water Company
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Schedule JMM-2

Overgard - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	2,765	$ 30.70	$ 27.20	$ (3.50)	-11.41%
Median Usage	772	$ 21.84	$ 17.23	$ (4.60)	-21.08%
Staff Recommended					
Average Usage	2,765	$ 30.70	$ 21.75	$ (8.96)	-29.18%
Median Usage	772	$ 21.84	$ 15.77	$ (6.07)	-27.80%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 18.40	$ 13.37	-27.34%	$ 13.45	-26.90%
1,000	22.85	18.37	-19.60%	16.45	-28.01%
2,000	27.30	23.37	-14.38%	19.45	-28.75%
3,000	31.75	28.38	-10.63%	22.45	-29.29%
4,000	36.20	34.38	-5.03%	27.71	-23.44%
5,000	40.65	40.38	-0.66%	32.98	-18.87%
6,000	45.10	46.38	2.84%	38.24	-15.21%
7,000	49.55	52.38	5.72%	43.51	-12.20%
8,000	54.00	58.39	8.12%	48.77	-9.69%
9,000	58.45	64.39	10.16%	54.03	-7.56%
10,000	62.90	70.39	11.91%	59.30	-5.73%
11,000	67.35	77.59	15.21%	66.15	-1.78%
12,000	71.80	84.79	18.10%	73.01	1.68%
13,000	76.25	92.00	20.65%	79.86	4.73%
14,000	80.70	99.20	22.92%	86.71	7.45%
15,000	85.15	106.40	24.96%	93.57	9.89%
16,000	89.60	113.60	26.79%	100.42	12.08%
17,000	94.05	120.80	28.45%	107.28	14.06%
18,000	98.50	128.01	29.96%	114.13	15.87%
19,000	102.95	135.21	31.33%	120.98	17.52%
20,000	107.40	142.41	32.60%	127.84	19.03%
25,000	129.65	178.42	37.62%	162.11	25.04%
30,000	151.90	214.43	41.17%	196.38	29.28%
35,000	174.15	250.44	43.81%	230.65	32.44%
40,000	196.40	286.45	45.85%	264.92	34.89%
45,000	218.65	322.46	47.48%	299.19	36.83%
50,000	240.90	358.47	48.80%	333.46	38.42%
75,000	352.15	538.52	52.92%	504.81	43.35%
100,000	463.40	718.57	55.06%	676.16	45.91%

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Overgaard

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 18.40	$ 13.37	$ 11.25	Tier One Breakover (M Gal):	999999	3	3	$ 4.4500	$ 5.0020	$ 3.9300
2					Tier Two Breakover (M Gal):	999999	10	10	4.4500	6.002	5.8770
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
4	Residential 1-inch	46.00	26.74	28.13	Tier One Breakover (M Gal):	999999	10	20	4.4500	6.002	5.8770
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
7	Residential 2-inch	136.16	93.59	90.00	Tier One Breakover (M Gal):	999999	50	65	4.4500	6.002	5.8770
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
10	Residential 3-inch	226.88	213.92	180.00	Tier One Breakover (M Gal):	999999	125	135	4.4500	6.002	5.8770
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
13	Residential 4-inch	392.84	334.25	281.25	Tier One Breakover (M Gal):	999999	200	215	4.4500	6.002	5.8770
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
16	Residential 6-inch	815.30	668.50	562.50	Tier One Breakover (M Gal):	999999	350	430	4.4500	6.002	5.8770
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
19	Residential 8-inch	1,091.31	1,069.60	900.00	Tier One Breakover (M Gal):	999999	650	690	4.4500	6.002	5.8770
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
22	Residential 10-inch	1,534.75	2,139.20	1,293.75	Tier One Breakover (M Gal):	999999	1400	1,000	4.4500	6.002	5.8770
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	18.40	13.37	11.25	Tier One Breakover (M Gal):	999999	10	10	4.4500	6.002	5.8770
26					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
27					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
28	Commercial 1-inch	46.00	26.74	28.13	Tier One Breakover (M Gal):	999999	15	20	4.4500	6.002	5.8770
29					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
30					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
31	Commercial 2-inch	136.16	93.59	90.00	Tier One Breakover (M Gal):	999999	65	65	4.4500	6.002	5.8770
32					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
33					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
34	Commercial 3-inch	226.88	213.92	180.00	Tier One Breakover (M Gal):	999999	125	135	4.4500	6.002	5.8770
35					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
36					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
37	Commercial 4-inch	392.84	334.25	281.25	Tier One Breakover (M Gal):	999999	200	215	4.4500	6.002	5.8770
38					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
39					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
40	Commercial 6-inch	815.30	668.50	562.50	Tier One Breakover (M Gal):	999999	400	430	4.4500	6.002	5.8770
41					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
42					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
43	Commercial 8-inch	1,091.31	1,069.60	900.00	Tier One Breakover (M Gal):	999999	675	690	4.4500	6.002	5.8770
44					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
45					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
46	Commercial 10-inch	1,534.75	2,139.20	1,293.75	Tier One Breakover (M Gal):	999999	1400	1,000	4.4500	6.002	5.8770
47					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.202	7.0560
48					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a

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Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 18.40	$ 20.00	$ 11.25	Tier One Breakover (M Gal):	999999	999999	10	$ 4.4500	$ 4.3050	$ 5.8770
2					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
4	Industrial 1-inch	46.00	40.00	28.13	Tier One Breakover (M Gal):	999999	999999	20	4.4500	4.3050	5.8770
5					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
7	Industrial 2-inch	136.16	140.00	90.00	Tier One Breakover (M Gal):	999999	999999	65	4.4500	4.3050	5.8770
8					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
10	Industrial 3-inch	226.88	320.00	180.00	Tier One Breakover (M Gal):	999999	999999	135	4.4500	4.3050	5.8770
11					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
13	Industrial 4-inch	392.84	500.00	281.25	Tier One Breakover (M Gal):	999999	999999	215	4.4500	4.3050	5.8770
14					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
16	Industrial 6-inch	815.30	1,000.00	562.50	Tier One Breakover (M Gal):	999999	999999	430	4.4500	4.3050	5.8770
17					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
19	Industrial 8-inch	1,091.31	1,600.00	900.00	Tier One Breakover (M Gal):	999999	999999	690	4.4500	4.3050	5.8770
20					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
22	Industrial 10-inch	1,534.75	3,200.00	1,293.75	Tier One Breakover (M Gal):	999999	999999	1,000	4.4500	4.3050	5.8770
23					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	4.3050	7.0560
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	8.15	25.00	11.25					n/a	n/a	n/a
31	8-inch service	10.91	25.00	18.00					n/a	n/a	n/a
32	10-inch service	15.35	25.00	25.88					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	136.16	93.59	-	Tier One Breakover (M Gal):	999999	65	999.999	4.4500	6.0020	7.0560
37					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.2020	7.0560
38					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
39	Construction Water (3-Inch)	226.88	213.92	-	Tier One Breakover (M Gal):	999999	125	999.999	4.4500	6.0020	7.0560
40					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.2020	7.0560
41					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
42	Construction Water (4-Inch)	392.84	334.25	-	Tier One Breakover (M Gal):	999999	200	999.999	4.4500	6.0020	7.0560
43					Tier Two Breakover (M Gal):	999999	999999	999999	4.4500	7.2020	7.0560
44					Tier Three Breakover (M Gal):	999999	999999	999999	4.4500	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	140.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	7.0560
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	7.0560
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	7.0560
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	7.0560
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.0020	7.0560
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.0020	7.0560
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Overgard
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	2,765	$ 30.70	$ 27.20	$ (3.50)	-11.41%
Median Usage	772	$ 21.84	$ 17.23	$ (4.60)	-21.08%
Staff Recommended					
Average Usage	2,765	$ 30.70	$ 22.12	$ (8.59)	-27.97%
Median Usage	772	$ 21.84	$ 14.28	$ (7.55)	-34.58%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 18.40	$ 13.37	-27.34%	$ 11.25	-38.86%
1,000	22.85	18.37	-19.60%	15.18	-33.57%
2,000	27.30	23.37	-14.38%	19.11	-30.00%
3,000	31.75	28.38	-10.63%	23.04	-27.43%
4,000	36.20	34.38	-5.03%	28.92	-20.12%
5,000	40.65	40.38	-0.66%	34.79	-14.41%
6,000	45.10	46.38	2.84%	40.67	-9.82%
7,000	49.55	52.38	5.72%	46.55	-6.06%
8,000	54.00	58.39	8.12%	52.43	-2.92%
9,000	58.45	64.39	10.16%	58.30	-0.25%
10,000	62.90	70.39	11.91%	64.18	2.03%
11,000	67.35	77.59	15.21%	71.24	5.77%
12,000	71.80	84.79	18.10%	78.29	9.04%
13,000	76.25	92.00	20.65%	85.35	11.93%
14,000	80.70	99.20	22.92%	92.40	14.50%
15,000	85.15	106.40	24.96%	99.46	16.80%
16,000	89.60	113.60	26.79%	106.52	18.88%
17,000	94.05	120.80	28.45%	113.57	20.76%
18,000	98.50	128.01	29.96%	120.63	22.46%
19,000	102.95	135.21	31.33%	127.68	24.02%
20,000	107.40	142.41	32.60%	134.74	25.46%
25,000	129.65	178.42	37.62%	170.02	31.14%
30,000	151.90	214.43	41.17%	205.30	35.15%
35,000	174.15	250.44	43.81%	240.58	38.14%
40,000	196.40	286.45	45.85%	275.86	40.46%
45,000	218.65	322.46	47.48%	311.14	42.30%
50,000	240.90	358.47	48.80%	346.42	43.80%
75,000	352.15	538.52	52.92%	522.82	48.46%
100,000	463.40	718.57	55.06%	699.22	50.89%

ARIZONA WATER COMPANY
NORTHERN GROUP:
SEDONA

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Sedona - Consolidated											
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]	
		Basic Service Charge				Break-Over Points				Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended		Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.70	$ 22.31	$ 17.00		Tier One Breakover (M Gal):	999999	3	3		$ 1.6600	$ 2.2210	$ 1.6600
2						Tier Two Breakover (M Gal):	999999	10	10		1.6600	2.7760	3.0690
3						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
4	Residential 1-inch	33.28	55.78	42.50		Tier One Breakover (M Gal):	999999	10	40		1.6600	2.7760	3.0690
5						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
6						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
7	Residential 2-inch	97.18	178.48	136.00		Tier One Breakover (M Gal):	999999	125	125		1.6600	2.7760	3.0690
8						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
9						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
10	Residential 3-inch	174.58	356.96	272.00		Tier One Breakover (M Gal):	999999	325	290		1.6600	2.7760	3.0690
11						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
12						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
13	Residential 4-inch	309.92	557.75	425.00		Tier One Breakover (M Gal):	999999	500	480		1.6600	2.7760	3.0690
14						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
15						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
16	Residential 6-inch	591.42	1,115.50	850.00		Tier One Breakover (M Gal):	999999	925	1,000		1.6600	2.7760	3.0690
17						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
18						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
19	Residential 8-inch	826.92	1,784.80	1,360.00		Tier One Breakover (M Gal):	999999	1500	1,600		1.6600	2.7760	3.0690
20						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
21						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
22	Residential 10-inch	1,350.51	3,569.60	1,955.00		Tier One Breakover (M Gal):	999999	3000	2,300		1.6600	2.7760	3.0690
23						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
24						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.70	22.31	17.00		Tier One Breakover (M Gal):	999999	10	10		1.6600	2.7760	3.0690
26						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
27						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
28	Commercial 1-inch	33.28	55.78	42.50		Tier One Breakover (M Gal):	999999	40	40		1.6600	2.7760	3.0690
29						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
30						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
31	Commercial 2-inch	97.18	178.48	136.00		Tier One Breakover (M Gal):	999999	125	125		1.6600	2.7760	3.0690
32						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
33						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
34	Commercial 3-inch	174.58	356.96	272.00		Tier One Breakover (M Gal):	999999	325	290		1.6600	2.7760	3.0690
35						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
36						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
37	Commercial 4-inch	309.92	557.75	425.00		Tier One Breakover (M Gal):	999999	500	480		1.6600	2.7760	3.0690
38						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
39						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
40	Commercial 6-inch	591.42	1,115.50	850.00		Tier One Breakover (M Gal):	999999	925	1,000		1.6600	2.7760	3.0690
41						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
42						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
43	Commercial 8-inch	826.92	1,784.80	1,360.00		Tier One Breakover (M Gal):	999999	1500	1,600		1.6600	2.7760	3.0690
44						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
45						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a
46	Commercial 10-inch	1,350.51	3,569.60	1,955.00		Tier One Breakover (M Gal):	999999	3000	2,300		1.6600	2.7760	3.0690
47						Tier Two Breakover (M Gal):	999999	999999	999999		1.6600	3.4700	3.8690
48						Tier Three Breakover (M Gal):	999999	999999	999999		1.6600	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Sedona - Consolidated											
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 15.70	$ 22.31	$ 17.00		Tier One Breakover (M Gal):	999999	999999	10	$ 1.6600	$ 1.9340	$ 3.0690
2						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
3						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
4	Industrial 1-inch	33.28	55.78	42.50		Tier One Breakover (M Gal):	999999	999999	40	1.6600	1.9340	3.0690
5						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
6						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
7	Industrial 2-inch	97.18	178.48	136.00		Tier One Breakover (M Gal):	999999	999999	125	1.6600	1.9340	3.0690
8						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
9						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
10	Industrial 3-inch	174.58	356.96	272.00		Tier One Breakover (M Gal):	999999	999999	290	1.6600	1.9340	3.0690
11						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
12						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
13	Industrial 4-inch	309.92	557.75	425.00		Tier One Breakover (M Gal):	999999	999999	480	1.6600	1.9340	3.0690
14						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
15						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
16	Industrial 6-inch	591.42	1,115.50	850.00		Tier One Breakover (M Gal):	999999	999999	1,000	1.6600	1.9340	3.0690
17						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
18						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
19	Industrial 8-inch	826.92	1,784.80	1,360.00		Tier One Breakover (M Gal):	999999	999999	1,600	1.6600	1.9340	3.0690
20						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
21						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
22	Industrial 10-inch	1,350.51	3,569.60	1,955.00		Tier One Breakover (M Gal):	999999	999999	2,300	1.6600	1.9340	3.0690
23						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	3.8690
24						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	5.91	25.00	17.00						n/a	n/a	n/a
31	8-inch service	8.27	25.00	27.20						n/a	n/a	n/a
32	10-inch service	13.51	25.00	39.10								
33	Other Water Revenues									n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a								
35	Coin Machine	n/a	n/a	n/a		No. Gallons / $ .25 (quarter)				123.00	82.0324	74.20
36	Construction Water (2-Inch)	97.18	178.48	-		Tier One Breakover (M Gal):	999999	125	999.999	1.6600	2.7760	3.8690
37						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	3.8690
38						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
39	Construction Water (3-Inch)	174.58	356.96	-		Tier One Breakover (M Gal):	999999	325	999.999	1.6600	2.7760	3.8690
40						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	3.8690
41						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
42	Construction Water (4-Inch)	309.92	557.75	-		Tier One Breakover (M Gal):	999999	500	999.999	1.6600	2.7760	3.8690
43						Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	3.8690
44						Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	178.48	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.7760	3.8690
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.7760	3.8690
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	356.96	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.7760	3.8690
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.7760	3.8690
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,115.50	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.7760	3.8690
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.7760	3.8690
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Sedona - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	10,264	$ 32.74	$ 49.32	$ 16.58	50.65%
Median Usage	6,910	$ 27.17	$ 39.83	$ 12.66	46.58%
Staff Recommended					
Average Usage	10,264	$ 32.74	$ 44.49	$ 11.75	35.89%
Median Usage	6,910	$ 27.17	$ 33.98	$ 6.81	25.08%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.70	$ 22.31	42.10%	$ 17.00	8.29%
1,000	17.36	24.53	41.31%	18.66	7.50%
2,000	19.02	26.75	40.65%	20.32	6.85%
3,000	20.68	28.97	40.10%	21.98	6.31%
4,000	22.34	31.75	42.12%	25.05	12.14%
5,000	24.00	34.53	43.85%	28.12	17.18%
6,000	25.66	37.30	45.37%	31.19	21.55%
7,000	27.32	40.08	46.69%	34.26	25.40%
8,000	28.98	42.85	47.87%	37.33	28.81%
9,000	30.64	45.63	48.92%	40.40	31.85%
10,000	32.30	48.41	49.86%	43.47	34.57%
11,000	33.96	51.88	52.75%	47.34	39.38%
12,000	35.62	55.35	55.38%	51.20	43.75%
13,000	37.28	58.82	57.77%	55.07	47.72%
14,000	38.94	62.29	59.95%	58.94	51.36%
15,000	40.60	65.76	61.96%	62.81	54.70%
16,000	42.26	69.23	63.81%	66.68	57.77%
17,000	43.92	72.70	65.52%	70.54	60.62%
18,000	45.58	76.17	67.10%	74.41	63.25%
19,000	47.24	79.64	68.58%	78.28	65.70%
20,000	48.90	83.11	69.95%	82.15	67.99%
25,000	57.20	100.46	75.62%	101.49	77.42%
30,000	65.50	117.81	79.85%	120.83	84.47%
35,000	73.80	135.16	83.14%	140.17	89.93%
40,000	82.10	152.51	85.76%	159.51	94.28%
45,000	90.40	169.86	87.89%	178.85	97.84%
50,000	98.70	187.21	89.67%	198.19	100.80%
75,000	140.20	273.96	95.40%	294.89	110.33%
100,000	181.70	360.71	98.52%	391.59	115.51%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Sedona									
		[A]	[B]	[C]		[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.70	$ 22.31	$ 18.25	Tier One Breakover (M Gal):	999999	3	3	$ 1.6600	$ 2.2210	$ 1.6550
2					Tier Two Breakover (M Gal):	999999	10	10	1.6600	2.7760	2.5310
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
4	Residential 1-inch	33.28	55.78	45.63	Tier One Breakover (M Gal):	999999	10	65	1.6600	2.7760	2.5310
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
7	Residential 2-inch	97.18	178.48	146.00	Tier One Breakover (M Gal):	999999	125	275	1.6600	2.7760	2.5310
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
10	Residential 3-inch	174.58	356.96	292.00	Tier One Breakover (M Gal):	999999	325	575	1.6600	2.7760	2.5310
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
13	Residential 4-inch	309.92	557.75	456.25	Tier One Breakover (M Gal):	999999	500	900	1.6600	2.7760	2.5310
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
16	Residential 6-inch	591.42	1,115.50	912.50	Tier One Breakover (M Gal):	999999	925	1,900	1.6600	2.7760	2.5310
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
19	Residential 8-inch	826.92	1,784.80	1,460.00	Tier One Breakover (M Gal):	999999	1500	3,000	1.6600	2.7760	2.5310
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
22	Residential 10-inch	1,350.51	3,569.60	2,098.75	Tier One Breakover (M Gal):	999999	3000	4,000	1.6600	2.7760	2.5310
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.70	22.31	18.25	Tier One Breakover (M Gal):	999999	10	10	1.6600	2.7760	2.5310
26					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
27					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
28	Commercial 1-inch	33.28	55.78	45.63	Tier One Breakover (M Gal):	999999	40	65	1.6600	2.7760	2.5310
29					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
30					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
31	Commercial 2-inch	97.18	178.48	146.00	Tier One Breakover (M Gal):	999999	125	275	1.6600	2.7760	2.5310
32					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
33					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
34	Commercial 3-inch	174.58	356.96	292.00	Tier One Breakover (M Gal):	999999	325	575	1.6600	2.7760	2.5310
35					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
36					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
37	Commercial 4-inch	309.92	557.75	456.25	Tier One Breakover (M Gal):	999999	500	900	1.6600	2.7760	2.5310
38					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
39					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
40	Commercial 6-inch	591.42	1,115.50	912.50	Tier One Breakover (M Gal):	999999	925	1,900	1.6600	2.7760	2.5310
41					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
42					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
43	Commercial 8-inch	826.92	1,784.80	1,460.00	Tier One Breakover (M Gal):	999999	1500	3,000	1.6600	2.7760	2.5310
44					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
45					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a
46	Commercial 10-inch	1,350.51	3,569.60	2,098.75	Tier One Breakover (M Gal):	999999	3000	4,000	1.6600	2.7760	2.5310
47					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240
48					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Sedona										
		[A]	[B]	[C]		[D]	[E]	[F]	[G]	[H]	[I]	
		Basic Service Charge			Break-Over Points				Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate	
1	Industrial 5/8 x 3/4 -inch	$ 15.70	$ 22.31	$ 18.25	Tier One Breakover (M Gal):	999999	999999	10	$ 1.6600	$ 1.9340	$ 2.5310	
2					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
4	Industrial 1-inch	33.28	55.78	45.63	Tier One Breakover (M Gal):	999999	999999	65	1.6600	1.9340	2.5310	
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
7	Industrial 2-inch	97.18	178.48	146.00	Tier One Breakover (M Gal):	999999	999999	275	1.6600	1.9340	2.5310	
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
10	Industrial 3-inch	174.58	356.96	292.00	Tier One Breakover (M Gal):	999999	999999	575	1.6600	1.9340	2.5310	
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
13	Industrial 4-inch	309.92	557.75	456.25	Tier One Breakover (M Gal):	999999	999999	900	1.6600	1.9340	2.5310	
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
16	Industrial 6-inch	591.42	1,115.50	912.50	Tier One Breakover (M Gal):	999999	999999	1,900	1.6600	1.9340	2.5310	
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
19	Industrial 8-inch	826.92	1,784.80	1,460.00	Tier One Breakover (M Gal):	999999	999999	3,000	1.6600	1.9340	2.5310	
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
22	Industrial 10-inch	1,350.51	3,569.60	2,098.75	Tier One Breakover (M Gal):	999999	999999	4,000	1.6600	1.9340	2.5310	
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	1.9340	2.9240	
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a	
30	6-inch service	5.91	25.00	18.25					n/a	n/a	n/a	
31	8-inch service	8.27	25.00	29.20					n/a	n/a	n/a	
32	10-inch service	13.51	25.00	41.98								
33	Other Water Revenues								n/a	n/a	n/a	
34	Public Fire Hydrant	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				123.00	82.0324	89.97	
35	Coin Machine	n/a	n/a	n/a	Tier One Breakover (M Gal):	999999	125	999.999	1.6600	2.7760	2.9240	
36	Construction Water (2-Inch)	97.18	178.48	-	Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240	
37					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
38	Construction Water (3-Inch)	174.58	356.96	-	Tier One Breakover (M Gal):	999999	325	999.999	1.6600	2.7760	2.9240	
39					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240	
40					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
41	Construction Water (4-Inch)	309.92	557.75	-	Tier One Breakover (M Gal):	999999	500	999.999	1.6600	2.7760	2.9240	
42					Tier Two Breakover (M Gal):	999999	999999	999999	1.6600	3.4700	2.9240	
43					Tier Three Breakover (M Gal):	999999	999999	999999	1.6600	n/a	n/a	
44	Sales for Resale (2-Inch)	n/a	178.48	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.7760	2.9240	
45					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.7760	2.9240	
46					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a	
47	Sales for Resale (3-Inch)	n/a	356.96	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.7760	2.9240	
48					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.7760	2.9240	
49					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a	
50	Sales for Resale (6-Inch)	n/a	1,115.50	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.7760	2.9240	
51					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.7760	2.9240	
52					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a	
53												

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Sedona
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	10,264	$ 32.74	$ 49.32	$ 16.58	50.65%
Median Usage	6,910	$ 27.17	$ 39.83	$ 12.66	46.58%
Staff Recommended					
Average Usage	10,264	$ 32.74	$ 41.70	$ 8.97	27.39%
Median Usage	6,910	$ 27.17	$ 33.11	$ 5.94	21.86%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.70	$ 22.31	42.10%	$ 18.25	16.24%
1,000	17.36	24.53	41.31%	19.91	14.66%
2,000	19.02	26.75	40.65%	21.56	13.35%
3,000	20.68	28.97	40.10%	23.22	12.26%
4,000	22.34	31.75	42.12%	25.75	15.25%
5,000	24.00	34.53	43.85%	28.28	17.82%
6,000	25.66	37.30	45.37%	30.81	20.06%
7,000	27.32	40.08	46.69%	33.34	22.03%
8,000	28.98	42.85	47.87%	35.87	23.78%
9,000	30.64	45.63	48.92%	38.40	25.33%
10,000	32.30	48.41	49.86%	40.93	26.72%
11,000	33.96	51.88	52.75%	43.86	29.14%
12,000	35.62	55.35	55.38%	46.78	31.33%
13,000	37.28	58.82	57.77%	49.70	33.33%
14,000	38.94	62.29	59.95%	52.63	35.15%
15,000	40.60	65.76	61.96%	55.55	36.83%
16,000	42.26	69.23	63.81%	58.48	38.37%
17,000	43.92	72.70	65.52%	61.40	39.80%
18,000	45.58	76.17	67.10%	64.32	41.12%
19,000	47.24	79.64	68.58%	67.25	42.35%
20,000	48.90	83.11	69.95%	70.17	43.50%
25,000	57.20	100.46	75.62%	84.79	48.24%
30,000	65.50	117.81	79.85%	99.41	51.77%
35,000	73.80	135.16	83.14%	114.03	54.51%
40,000	82.10	152.51	85.76%	128.65	56.70%
45,000	90.40	169.86	87.89%	143.27	58.49%
50,000	98.70	187.21	89.67%	157.89	59.97%
75,000	140.20	273.96	95.40%	230.99	64.76%
100,000	181.70	360.71	98.52%	304.09	67.36%

ARIZONA WATER COMPANY
NORTHERN GROUP:
PINEWOOD

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Pinewood - Consolidated										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 19.86	$ 22.31	$ 17.00		Tier One Breakover (M Gal):	999999	3	3	$ 3.6900	$ 3.4360	$ 1.6600
2						Tier Two Breakover (M Gal):	999999	10	10	3.6900	4.2950	3.0690
3						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
4	Residential 1-inch	42.10	55.78	42.50		Tier One Breakover (M Gal):	999999	10	40	3.6900	4.2950	3.0690
5						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
6						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
7	Residential 2-inch	122.93	178.48	136.00		Tier One Breakover (M Gal):	999999	125	125	3.6900	4.2950	3.0690
8						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
9						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
10	Residential 3-inch	220.84	356.96	272.00		Tier One Breakover (M Gal):	999999	325	290	3.6900	4.2950	3.0690
11						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
12						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
13	Residential 4-inch	392.03	557.75	425.00		Tier One Breakover (M Gal):	999999	500	480	3.6900	4.2950	3.0690
14						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
15						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
16	Residential 6-inch	748.12	1,115.50	850.00		Tier One Breakover (M Gal):	999999	925	1,000	3.6900	4.2950	3.0690
17						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
18						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
19	Residential 8-inch	1,046.02	1,784.80	1,360.00		Tier One Breakover (M Gal):	999999	1500	1,600	3.6900	4.2950	3.0690
20						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
21						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
22	Residential 10-inch	1,708.36	3,569.60	1,955.00		Tier One Breakover (M Gal):	999999	3000	2,300	3.6900	4.2950	3.0690
23						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
24						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	19.86	22.31	17.00		Tier One Breakover (M Gal):	999999	10	10	3.6900	4.2950	3.0690
26						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
27						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
28	Commercial 1-inch	42.10	55.78	42.50		Tier One Breakover (M Gal):	999999	40	40	3.6900	4.2950	3.0690
29						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
30						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
31	Commercial 2-inch	122.93	178.48	136.00		Tier One Breakover (M Gal):	999999	125	125	3.6900	4.2950	3.0690
32						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
33						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
34	Commercial 3-inch	220.84	356.96	272.00		Tier One Breakover (M Gal):	999999	325	290	3.6900	4.2950	3.0690
35						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
36						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
37	Commercial 4-inch	392.03	557.75	425.00		Tier One Breakover (M Gal):	999999	500	480	3.6900	4.2950	3.0690
38						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
39						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
40	Commercial 6-inch	748.12	1,115.50	850.00		Tier One Breakover (M Gal):	999999	925	1,000	3.6900	4.2950	3.0690
41						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
42						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
43	Commercial 8-inch	1,046.02	1,784.80	1,360.00		Tier One Breakover (M Gal):	999999	1500	1,600	3.6900	4.2950	3.0690
44						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
45						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
46	Commercial 10-inch	1,708.36	3,569.60	1,955.00		Tier One Breakover (M Gal):	999999	3000	2,300	3.6900	4.2950	3.0690
47						Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
48						Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
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Pinewood - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 19.86	$ 22.31	$ 17.00	Tier One Breakover (M Gal):	999999	999999	10	$ 3.6900	$ 4.2950	$ 3.0690
2					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
4	Industrial 1-inch	42.10	55.78	42.50	Tier One Breakover (M Gal):	999999	999999	40	3.6900	4.2950	3.0690
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
7	Industrial 2-inch	122.93	178.48	136.00	Tier One Breakover (M Gal):	999999	999999	125	3.6900	4.2950	3.0690
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
10	Industrial 3-inch	220.84	356.96	272.00	Tier One Breakover (M Gal):	999999	999999	290	3.6900	4.2950	3.0690
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
13	Industrial 4-inch	392.03	557.75	425.00	Tier One Breakover (M Gal):	999999	999999	480	3.6900	4.2950	3.0690
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
16	Industrial 6-inch	748.12	1,115.50	850.00	Tier One Breakover (M Gal):	999999	999999	1,000	3.6900	4.2950	3.0690
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
19	Industrial 8-inch	1,046.02	1,784.80	1,360.00	Tier One Breakover (M Gal):	999999	999999	1,600	3.6900	4.2950	3.0690
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
22	Industrial 10-inch	1,708.36	3,569.60	1,955.00	Tier One Breakover (M Gal):	999999	999999	2,300	3.6900	4.2950	3.0690
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	3.8690
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.48	25.00	17.00					n/a	n/a	n/a
31	8-inch service	10.46	25.00	27.20					n/a	n/a	n/a
32	10-inch service	17.08	25.00	39.10					n/a	n/a	n/a
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a					-	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-Inch)	122.93	178.48	-	Tier One Breakover (M Gal):	999999	125	999,999	3.6900	4.2950	3.8690
37					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
39	Construction Water (3-Inch)	220.84	356.96	-	Tier One Breakover (M Gal):	999999	325	999,999	3.6900	4.2950	3.8690
40					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
42	Construction Water (4-Inch)	392.03	557.75	-	Tier One Breakover (M Gal):	999999	500	999,999	3.6900	4.2950	3.8690
43					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	3.8690
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	178.48	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	4.2950	3.8690
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	3.8690
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	356.96	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	4.2950	3.8690
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	3.8690
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,115.50	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	4.2950	3.8690
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	3.8690
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Pinewood - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	2,407	$ 28.74	$ 30.58	$ 1.84	6.40%
Median Usage	536	$ 21.84	$ 24.15	$ 2.31	10.60%
Staff Recommended					
Average Usage	2,407	$ 28.74	$ 21.00	$ (7.74)	-26.94%
Median Usage	536	$ 21.84	$ 17.89	$ (3.95)	-18.08%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 19.86	$ 22.31	12.34%	$ 17.00	-14.40%
1,000	23.55	25.75	9.32%	18.66	-20.76%
2,000	27.24	29.18	7.13%	20.32	-25.40%
3,000	30.93	32.62	5.46%	21.98	-28.93%
4,000	34.62	36.91	6.62%	25.05	-27.64%
5,000	38.31	41.21	7.56%	28.12	-26.60%
6,000	42.00	45.50	8.34%	31.19	-25.74%
7,000	45.69	49.80	8.99%	34.26	-25.02%
8,000	49.38	54.09	9.54%	37.33	-24.41%
9,000	53.07	58.39	10.02%	40.40	-23.88%
10,000	56.76	62.68	10.44%	43.47	-23.42%
11,000	60.45	68.05	12.58%	47.33	-21.70%
12,000	64.14	73.42	14.47%	51.20	-20.17%
13,000	67.83	78.79	16.16%	55.07	-18.81%
14,000	71.52	84.16	17.67%	58.94	-17.59%
15,000	75.21	89.53	19.04%	62.81	-16.49%
16,000	78.90	94.90	20.27%	66.67	-15.50%
17,000	82.59	100.26	21.40%	70.54	-14.59%
18,000	86.28	105.63	22.43%	74.41	-13.76%
19,000	89.97	111.00	23.38%	78.28	-13.00%
20,000	93.66	116.37	24.25%	82.15	-12.29%
25,000	112.11	143.21	27.74%	101.49	-9.48%
30,000	130.56	170.06	30.25%	120.83	-7.46%
35,000	149.01	196.90	32.14%	140.17	-5.94%
40,000	167.46	223.75	33.61%	159.51	-4.75%
45,000	185.91	250.59	34.79%	178.85	-3.80%
50,000	204.36	277.43	35.76%	198.19	-3.02%
75,000	296.61	411.65	38.79%	294.89	-0.58%
100,000	388.86	545.87	40.38%	391.59	0.70%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Pinewood

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate		[D] Break-Over Points: Company Present	[E] Break-Over Points: Company Proposed	[F] Break-Over Points: Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 19.86	$ 22.31	$ 15.50	Tier One Breakover (M Gal):	999999	3	3	$ 3.6900	$ 3.4360	$ 4.3200
2					Tier Two Breakover (M Gal):	999999	10	10	3.6900	4.2950	6.4700
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
4	Residential 1-inch	42.10	55.78	38.75	Tier One Breakover (M Gal):	999999	10	25	3.6900	4.2950	6.4700
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
7	Residential 2-inch	122.93	178.48	124.00	Tier One Breakover (M Gal):	999999	125	88	3.6900	4.2950	6.4700
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
10	Residential 3-inch	220.84	356.96	248.00	Tier One Breakover (M Gal):	999999	325	180	3.6900	4.2950	6.4700
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
13	Residential 4-inch	392.03	557.75	387.50	Tier One Breakover (M Gal):	999999	500	284	3.6900	4.2950	6.4700
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
16	Residential 6-inch	748.12	1,115.50	775.00	Tier One Breakover (M Gal):	999999	925	575	3.6900	4.2950	6.4700
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
19	Residential 8-inch	1,046.02	1,784.80	1,240.00	Tier One Breakover (M Gal):	999999	1500	925	3.6900	4.2950	6.4700
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
22	Residential 10-inch	1,708.36	3,569.60	1,782.50	Tier One Breakover (M Gal):	999999	3000	1,300	3.6900	4.2950	6.4700
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	19.86	22.31	15.50	Tier One Breakover (M Gal):	999999	10	10	3.6900	4.2950	6.4700
26					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
27					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
28	Commercial 1-inch	42.10	55.78	38.75	Tier One Breakover (M Gal):	999999	40	25	3.6900	4.2950	6.4700
29					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
30					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
31	Commercial 2-inch	122.93	178.48	124.00	Tier One Breakover (M Gal):	999999	125	88	3.6900	4.2950	6.4700
32					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
33					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
34	Commercial 3-inch	220.84	356.96	248.00	Tier One Breakover (M Gal):	999999	325	180	3.6900	4.2950	6.4700
35					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
36					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
37	Commercial 4-inch	392.03	557.75	387.50	Tier One Breakover (M Gal):	999999	500	284	3.6900	4.2950	6.4700
38					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
39					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
40	Commercial 6-inch	748.12	1,115.50	775.00	Tier One Breakover (M Gal):	999999	925	575	3.6900	4.2950	6.4700
41					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
42					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
43	Commercial 8-inch	1,046.02	1,784.80	1,240.00	Tier One Breakover (M Gal):	999999	1500	925	3.6900	4.2950	6.4700
44					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
45					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
46	Commercial 10-inch	1,708.36	3,569.60	1,782.50	Tier One Breakover (M Gal):	999999	3000	1,300	3.6900	4.2950	6.4700
47					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
48					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Pinewood								
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points			Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 19.86	$ 22.31	$ 15.50	Tier One Breakover (M Gal):	999999	999999	10	$ 3.6900	$ 4.2950	$ 6.4700
2					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
4	Industrial 1-inch	42.10	55.78	38.75	Tier One Breakover (M Gal):	999999	999999	25	3.6900	4.2950	6.4700
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
7	Industrial 2-inch	122.93	178.48	124.00	Tier One Breakover (M Gal):	999999	999999	88	3.6900	4.2950	6.4700
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
10	Industrial 3-inch	220.84	356.96	248.00	Tier One Breakover (M Gal):	999999	999999	180	3.6900	4.2950	6.4700
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
13	Industrial 4-inch	392.03	557.75	387.50	Tier One Breakover (M Gal):	999999	999999	284	3.6900	4.2950	6.4700
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
16	Industrial 6-inch	748.12	1,115.50	775.00	Tier One Breakover (M Gal):	999999	999999	575	3.6900	4.2950	6.4700
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
19	Industrial 8-inch	1,046.02	1,784.80	1,240.00	Tier One Breakover (M Gal):	999999	999999	925	3.6900	4.2950	6.4700
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
22	Industrial 10-inch	1,708.36	3,569.60	1,782.50	Tier One Breakover (M Gal):	999999	999999	1,300	3.6900	4.2950	6.4700
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	4.2950	7.7910
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.48	25.00	15.50					n/a	n/a	n/a
31	8-inch service	10.46	25.00	24.80					n/a	n/a	n/a
32	10-inch service	17.08	25.00	35.65							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a					-	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-inch)	122.93	178.48	-	Tier One Breakover (M Gal):	999999	125	999.999	3.6900	4.2950	7.7910
37					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
39	Construction Water (3-inch)	220.84	356.96	-	Tier One Breakover (M Gal):	999999	325	999.999	3.6900	4.2950	7.7910
40					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
42	Construction Water (4-inch)	392.03	557.75	-	Tier One Breakover (M Gal):	999999	500	999.999	3.6900	4.2950	7.7910
43					Tier Two Breakover (M Gal):	999999	999999	999999	3.6900	5.3688	7.7910
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.6900	n/a	n/a
45	Sales for Resale (2-inch)	n/a	178.48	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	7.7910
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	7.7910
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-inch)	n/a	356.96	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	7.7910
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	7.7910
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-inch)	n/a	1,115.50	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	7.7910
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	7.7910
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Pinewood
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	2,407	$ 28.74	$ 30.58	$ 1.84	6.40%
Median Usage	536	$ 21.84	$ 24.15	$ 2.31	10.60%
Staff Recommended					
Average Usage	2,407	$ 28.74	$ 25.90	$ (2.84)	-9.89%
Median Usage	536	$ 21.84	$ 17.82	$ (4.02)	-18.42%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 19.86	$ 22.31	12.34%	$ 15.50	-21.95%
1,000	23.55	25.75	9.32%	19.82	-15.84%
2,000	27.24	29.18	7.13%	24.14	-11.38%
3,000	30.93	32.62	5.46%	28.46	-7.99%
4,000	34.62	36.91	6.62%	34.93	0.90%
5,000	38.31	41.21	7.56%	41.40	8.07%
6,000	42.00	45.50	8.34%	47.87	13.98%
7,000	45.69	49.80	8.99%	54.34	18.93%
8,000	49.38	54.09	9.54%	60.81	23.15%
9,000	53.07	58.39	10.02%	67.28	26.78%
10,000	56.76	62.68	10.44%	73.75	29.93%
11,000	60.45	68.05	12.58%	81.54	34.89%
12,000	64.14	73.42	14.47%	89.33	39.28%
13,000	67.83	78.79	16.16%	97.12	43.19%
14,000	71.52	84.16	17.67%	104.91	46.69%
15,000	75.21	89.53	19.04%	112.71	49.85%
16,000	78.90	94.90	20.27%	120.50	52.72%
17,000	82.59	100.26	21.40%	128.29	55.33%
18,000	86.28	105.63	22.43%	136.08	57.72%
19,000	89.97	111.00	23.38%	143.87	59.91%
20,000	93.66	116.37	24.25%	151.66	61.93%
25,000	112.11	143.21	27.74%	190.62	70.02%
30,000	130.56	170.06	30.25%	229.57	75.83%
35,000	149.01	196.90	32.14%	268.53	80.21%
40,000	167.46	223.75	33.61%	307.48	83.61%
45,000	185.91	250.59	34.79%	346.44	86.35%
50,000	204.36	277.43	35.76%	385.39	88.58%
75,000	296.61	411.65	38.79%	580.17	95.60%
100,000	388.86	545.87	40.38%	774.94	99.29%

ARIZONA WATER COMPANY
NORTHERN GROUP:
RIMROCK

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Rimrock - Consolidated

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -Inch	$ 16.10	$ 22.31	$ 17.00	Tier One Breakover (M Gal):	999999	3	3	$ 2.5000	$ 3.4360	$ 1.6600
2					Tier Two Breakover (M Gal):	999999	10	10	2.5000	4.2950	3.0690
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
4	Residential 1-Inch	34.13	55.78	42.50	Tier One Breakover (M Gal):	999999	10	40	2.5000	4.2950	3.0690
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
7	Residential 2-Inch	99.66	178.48	136.00	Tier One Breakover (M Gal):	999999	125	125	2.5000	4.2950	3.0690
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
10	Residential 3-Inch	179.03	356.96	272.00	Tier One Breakover (M Gal):	999999	325	290	2.5000	4.2950	3.0690
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
13	Residential 4-Inch	317.81	557.75	425.00	Tier One Breakover (M Gal):	999999	500	480	2.5000	4.2950	3.0690
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
16	Residential 6-Inch	606.48	1,115.50	850.00	Tier One Breakover (M Gal):	999999	925	1,000	2.5000	4.2950	3.0690
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
19	Residential 8-Inch	847.98	1,784.80	1,360.00	Tier One Breakover (M Gal):	999999	1500	1,600	2.5000	4.2950	3.0690
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
22	Residential 10-Inch	1,384.92	3,569.60	1,955.00	Tier One Breakover (M Gal):	999999	3000	2,300	2.5000	4.2950	3.0690
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
25	Commercial 5/8 x 3/4 -Inch	16.10	22.31	17.00	Tier One Breakover (M Gal):	999999	10	10	2.5000	4.2950	3.0690
26					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
28	Commercial 1-Inch	34.13	55.78	42.50	Tier One Breakover (M Gal):	999999	40	40	2.5000	4.2950	3.0690
29					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
31	Commercial 2-Inch	99.66	178.48	136.00	Tier One Breakover (M Gal):	999999	125	125	2.5000	4.2950	3.0690
32					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
34	Commercial 3-Inch	179.03	356.96	272.00	Tier One Breakover (M Gal):	999999	325	290	2.5000	4.2950	3.0690
35					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
37	Commercial 4-Inch	317.81	557.75	425.00	Tier One Breakover (M Gal):	999999	500	480	2.5000	4.2950	3.0690
38					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
40	Commercial 6-Inch	606.48	1,115.50	850.00	Tier One Breakover (M Gal):	999999	925	1,000	2.5000	4.2950	3.0690
41					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
43	Commercial 8-Inch	847.98	1,784.80	1,360.00	Tier One Breakover (M Gal):	999999	1500	1,600	2.5000	4.2950	3.0690
44					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
46	Commercial 10-Inch	1,384.92	3,569.60	1,955.00	Tier One Breakover (M Gal):	999999	3000	2,300	2.5000	4.2950	3.0690
47					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Rimrock - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 16.10	$ 22.31	$ 17.00	Tier One Breakover (M Gal):	999999	999999	10	$ 2.5000	$ 4.2950	$ 3.0690
2					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
4	Industrial 1-inch	34.13	55.78	42.50	Tier One Breakover (M Gal):	999999	999999	40	2.5000	4.2950	3.0690
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
7	Industrial 2-inch	99.66	178.48	136.00	Tier One Breakover (M Gal):	999999	999999	125	2.5000	4.2950	3.0690
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
10	Industrial 3-inch	179.03	356.96	272.00	Tier One Breakover (M Gal):	999999	999999	290	2.5000	4.2950	3.0690
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
13	Industrial 4-inch	317.81	557.75	425.00	Tier One Breakover (M Gal):	999999	999999	480	2.5000	4.2950	3.0690
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
16	Industrial 6-inch	606.48	1,115.50	850.00	Tier One Breakover (M Gal):	999999	999999	1,000	2.5000	4.2950	3.0690
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
19	Industrial 8-inch	847.98	1,784.80	1,360.00	Tier One Breakover (M Gal):	999999	999999	1,600	2.5000	4.2950	3.0690
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
22	Industrial 10-inch	1,384.92	3,569.60	1,955.00	Tier One Breakover (M Gal):	999999	999999	2,300	2.5000	4.2950	3.0690
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	3.8690
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	6.06	25.00	17.00					n/a	n/a	n/a
31	8-inch service	8.48	25.00	27.20					n/a	n/a	n/a
32	10-inch service	13.85	25.00	39.10					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	99.66	178.48	-	Tier One Breakover (M Gal):	999999	125	999.999	2.5000	4.2950	3.8690
37					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
39	Construction Water (3-Inch)	179.03	356.96	-	Tier One Breakover (M Gal):	999999	325	999.999	2.5000	4.2950	3.8690
40					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
42	Construction Water (4-Inch)	317.81	557.75	-	Tier One Breakover (M Gal):	999999	500	999.999	2.5000	4.2950	3.8690
43					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	3.8690
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	178.48	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	3.8690
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	3.8690
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	356.96	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	3.8690
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	3.8690
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,115.50	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	3.8690
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	3.8690
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Rimrock - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,165	$ 31.51	$ 46.21	$ 14.70	46.65%
Median Usage	4,128	$ 26.42	$ 37.46	$ 11.04	41.80%
Staff Recommended					
Average Usage	6,165	$ 31.51	$ 31.70	$ 0.19	0.59%
Median Usage	4,128	$ 26.42	$ 25.45	$ (0.97)	-3.68%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 16.10	$ 22.31	38.57%	$ 17.00	5.59%
1,000	18.60	25.75	38.42%	18.66	0.33%
2,000	21.10	29.18	38.30%	20.32	-3.68%
3,000	23.60	32.62	38.21%	21.99	-6.84%
4,000	26.10	36.91	41.43%	25.06	-4.00%
5,000	28.60	41.21	44.08%	28.12	-1.66%
6,000	31.10	45.50	46.31%	31.19	0.30%
7,000	33.60	49.80	48.21%	34.26	1.97%
8,000	36.10	54.09	49.84%	37.33	3.41%
9,000	38.60	58.39	51.26%	40.40	4.66%
10,000	41.10	62.68	52.51%	43.47	5.76%
11,000	43.60	68.05	56.08%	47.34	8.57%
12,000	46.10	73.42	59.26%	51.21	11.07%
13,000	48.60	78.79	62.12%	55.07	13.32%
14,000	51.10	84.16	64.69%	58.94	15.34%
15,000	53.60	89.53	67.03%	62.81	17.18%
16,000	56.10	94.90	69.15%	66.68	18.85%
17,000	58.60	100.26	71.10%	70.55	20.38%
18,000	61.10	105.63	72.89%	74.41	21.79%
19,000	63.60	111.00	74.53%	78.28	23.08%
20,000	66.10	116.37	76.05%	82.15	24.28%
25,000	78.60	143.21	82.21%	101.49	29.12%
30,000	91.10	170.06	86.67%	120.83	32.63%
35,000	103.60	196.90	90.06%	140.17	35.30%
40,000	116.10	223.75	92.72%	159.51	37.39%
45,000	128.60	250.59	94.86%	178.85	39.07%
50,000	141.10	277.43	96.62%	198.19	40.46%
75,000	203.60	411.65	102.19%	294.89	44.84%
100,000	266.10	545.87	105.14%	391.59	47.16%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Rimrock									
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	
		Basic Service Charge			Break-Over Points			Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -Inch	$ 16.10	$ 22.31	$ 24.20	Tier One Breakover (M Gal):	999999	3	3	$ 2.5000	$ 3.4360	$ 3.8400
2					Tier Two Breakover (M Gal):	999999	10	10	2.5000	4.2950	5.7600
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
4	Residential 1-Inch	34.13	55.78	60.50	Tier One Breakover (M Gal):	999999	10	35	2.5000	4.2950	5.7600
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
7	Residential 2-Inch	99.66	178.48	193.60	Tier One Breakover (M Gal):	999999	125	125	2.5000	4.2950	5.7600
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
10	Residential 3-Inch	179.03	356.96	387.20	Tier One Breakover (M Gal):	999999	325	280	2.5000	4.2950	5.7600
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
13	Residential 4-Inch	317.81	557.75	605.00	Tier One Breakover (M Gal):	999999	500	450	2.5000	4.2950	5.7600
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
16	Residential 6-Inch	606.48	1,115.50	1,210.00	Tier One Breakover (M Gal):	999999	925	925	2.5000	4.2950	5.7600
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
19	Residential 8-Inch	847.98	1,784.80	1,936.00	Tier One Breakover (M Gal):	999999	1500	1,500	2.5000	4.2950	5.7600
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
22	Residential 10-Inch	1,384.92	3,569.60	2,783.00	Tier One Breakover (M Gal):	999999	3000	2,100	2.5000	4.2950	5.7600
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
25	Commercial 5/8 x 3/4 -Inch	16.10	22.31	24.20	Tier One Breakover (M Gal):	999999	10	10	2.5000	4.2950	5.7600
26					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
28	Commercial 1-Inch	34.13	55.78	60.50	Tier One Breakover (M Gal):	999999	40	35	2.5000	4.2950	5.7600
29					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
31	Commercial 2-Inch	99.66	178.48	193.60	Tier One Breakover (M Gal):	999999	125	125	2.5000	4.2950	5.7600
32					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
34	Commercial 3-Inch	179.03	356.96	387.20	Tier One Breakover (M Gal):	999999	325	280	2.5000	4.2950	5.7600
35					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
37	Commercial 4-Inch	317.81	557.75	605.00	Tier One Breakover (M Gal):	999999	500	450	2.5000	4.2950	5.7600
38					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
40	Commercial 6-Inch	606.48	1,115.50	1,210.00	Tier One Breakover (M Gal):	999999	925	925	2.5000	4.2950	5.7600
41					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
43	Commercial 8-Inch	847.98	1,784.80	1,936.00	Tier One Breakover (M Gal):	999999	1500	1,500	2.5000	4.2950	5.7600
44					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
46	Commercial 10-Inch	1,384.92	3,569.60	2,783.00	Tier One Breakover (M Gal):	999999	3000	2,100	2.5000	4.2950	5.7600
47					Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Rimrock											
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 16.10	$ 22.31	$ 24.20		Tier One Breakover (M Gal):	999999	999999	10	$ 2.5000	$ 4.2950	$ 5.7600
2						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
3						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
4	Industrial 1-inch	34.13	55.78	60.50		Tier One Breakover (M Gal):	999999	999999	35	2.5000	4.2950	5.7600
5						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
6						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
7	Industrial 2-inch	99.66	178.48	193.60		Tier One Breakover (M Gal):	999999	999999	125	2.5000	4.2950	5.7600
8						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
9						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
10	Industrial 3-inch	179.03	356.96	387.20		Tier One Breakover (M Gal):	999999	999999	280	2.5000	4.2950	5.7600
11						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
12						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
13	Industrial 4-inch	317.81	557.75	605.00		Tier One Breakover (M Gal):	999999	999999	450	2.5000	4.2950	5.7600
14						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
15						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
16	Industrial 6-inch	606.48	1,115.50	1,210.00		Tier One Breakover (M Gal):	999999	999999	925	2.5000	4.2950	5.7600
17						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
18						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
19	Industrial 8-inch	847.98	1,784.80	1,936.00		Tier One Breakover (M Gal):	999999	999999	1,500	2.5000	4.2950	5.7600
20						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
21						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
22	Industrial 10-inch	1,384.92	3,569.60	2,783.00		Tier One Breakover (M Gal):	999999	999999	2,100	2.5000	4.2950	5.7600
23						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	4.2950	6.8870
24						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	6.06	25.00	24.20						n/a	n/a	n/a
31	8-inch service	8.48	25.00	38.72						n/a	n/a	n/a
32	10-inch service	13.85	25.00	55.66								
33	Other Water Revenues									n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a								
35	Coin Machine	n/a	n/a	n/a		No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	99.66	178.48	-		Tier One Breakover (M Gal):	999999	125	999.999	2.5000	4.2950	6.8870
37						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
38						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
39	Construction Water (3-Inch)	179.03	356.96	-		Tier One Breakover (M Gal):	999999	325	999.999	2.5000	4.2950	6.8870
40						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
41						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
42	Construction Water (4-Inch)	317.81	557.75	-		Tier One Breakover (M Gal):	999999	500	999.999	2.5000	4.2950	6.8870
43						Tier Two Breakover (M Gal):	999999	999999	999999	2.5000	5.3688	6.8870
44						Tier Three Breakover (M Gal):	999999	999999	999999	2.5000	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	178.48	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	6.8870
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	6.8870
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	356.96	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	6.8870
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	6.8870
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,115.50	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	4.2950	6.8870
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	4.2950	6.8870
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Rimrock
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,165	$ 31.51	$ 46.21	$ 14.70	46.65%
Median Usage	4,128	$ 26.42	$ 37.46	$ 11.04	41.80%
Staff Recommended					
Average Usage	6,165	$ 31.51	$ 53.95	$ 22.44	71.20%
Median Usage	4,128	$ 26.42	$ 42.22	$ 15.80	59.79%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 16.10	$ 22.31	38.57%	$ 24.20	50.31%
1,000	18.60	25.75	38.42%	28.04	50.75%
2,000	21.10	29.18	38.30%	31.88	51.09%
3,000	23.60	32.62	38.21%	35.72	51.36%
4,000	26.10	36.91	41.43%	41.48	58.93%
5,000	28.60	41.21	44.08%	47.24	65.17%
6,000	31.10	45.50	46.31%	53.00	70.42%
7,000	33.60	49.80	48.21%	58.76	74.88%
8,000	36.10	54.09	49.84%	64.52	78.73%
9,000	38.60	58.39	51.26%	70.28	82.07%
10,000	41.10	62.68	52.51%	76.04	85.01%
11,000	43.60	68.05	56.08%	82.93	90.20%
12,000	46.10	73.42	59.26%	89.81	94.82%
13,000	48.60	78.79	62.12%	96.70	98.97%
14,000	51.10	84.16	64.69%	103.59	102.72%
15,000	53.60	89.53	67.03%	110.48	106.11%
16,000	56.10	94.90	69.15%	117.36	109.20%
17,000	58.60	100.26	71.10%	124.25	112.03%
18,000	61.10	105.63	72.89%	131.14	114.63%
19,000	63.60	111.00	74.53%	138.02	117.02%
20,000	66.10	116.37	76.05%	144.91	119.23%
25,000	78.60	143.21	82.21%	179.35	128.17%
30,000	91.10	170.06	86.67%	213.78	134.67%
35,000	103.60	196.90	90.06%	248.22	139.59%
40,000	116.10	223.75	92.72%	282.65	143.45%
45,000	128.60	250.59	94.86%	317.09	146.57%
50,000	141.10	277.43	96.62%	351.52	149.13%
75,000	203.60	411.65	102.19%	523.70	157.22%
100,000	266.10	545.87	105.14%	695.87	161.51%

ARIZONA WATER COMPANY
WESTERN GROUP:
CASA GRANDE

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Casa Grande - Consolidated

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -inch	$ 10.48	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 1.0000	$ 1.5900	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	1.4869	1.9880	1.9600
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
4	Residential 1-inch	25.20	43.35	35.00	Tier One Breakover (M Gal):	67	10	37	1.4869	1.9880	1.9600
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
7	Residential 2-inch	63.10	138.72	112.00	Tier One Breakover (M Gal):	296	125	140	1.4869	1.9880	1.9600
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
10	Residential 3-inch	105.15	277.44	224.00	Tier One Breakover (M Gal):	552	325	285	1.4869	1.9880	1.9600
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
13	Residential 4-inch	210.25	433.50	350.00	Tier One Breakover (M Gal):	1195	500	460	1.4869	1.9880	1.9600
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
16	Residential 6-inch	367.90	867.00	700.00	Tier One Breakover (M Gal):	2160	925	950	1.4869	1.9880	1.9600
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
19	Residential 8-inch	367.90	1,387.20	1,120.00	Tier One Breakover (M Gal):	2160	1500	1,500	1.4869	1.9880	1.9600
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
22	Residential 10-inch	1,205.20	2,774.40	1,610.00	Tier One Breakover (M Gal):	7292	3000	2,000	1.4869	1.9880	1.9600
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	10.48	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	1.0000	1.9880	1.9600
26					Tier Two Breakover (M Gal):	10	999999	999999	1.4869	2.4850	2.4320
27					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
28	Commercial 1-inch	25.20	43.35	35.00	Tier One Breakover (M Gal):	67	40	37	1.4869	1.9880	1.9600
29					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
30					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
31	Commercial 2-inch	63.10	138.72	112.00	Tier One Breakover (M Gal):	296	125	140	1.4869	1.9880	1.9600
32					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
33					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
34	Commercial 3-inch	105.15	277.44	224.00	Tier One Breakover (M Gal):	552	325	285	1.4869	1.9880	1.9600
35					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
36					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
37	Commercial 4-inch	210.25	433.50	350.00	Tier One Breakover (M Gal):	1195	500	460	1.4869	1.9880	1.9600
38					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
39					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
40	Commercial 6-inch	367.90	867.00	700.00	Tier One Breakover (M Gal):	2160	925	950	1.4869	1.9880	1.9600
41					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
42					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
43	Commercial 8-inch	367.90	1,387.20	1,120.00	Tier One Breakover (M Gal):	2160	1500	1,500	1.4869	1.9880	1.9600
44					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
45					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
46	Commercial 10-inch	1,205.20	2,774.40	1,610.00	Tier One Breakover (M Gal):	7292	3000	2,000	1.4869	1.9880	1.9600
47					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
48					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Casa Grande - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate		[D] Break-Over Points: Company Present	[E] Break-Over Points: Company Proposed	[F] Break-Over Points: Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 10.48	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 1.0000	$ 1.6430	$ 1.9600
2					Tier Two Breakover (M Gal):	10	999999	999999	1.4869	1.6430	2.4320
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
4	Industrial 1-inch	25.20	26.20	35.00	Tier One Breakover (M Gal):	67	999999	37	1.4869	1.6430	1.9600
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
7	Industrial 2-inch	63.10	83.84	112.00	Tier One Breakover (M Gal):	296	999999	140	1.4869	1.6430	1.9600
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
10	Industrial 3-inch	105.15	167.68	224.00	Tier One Breakover (M Gal):	552	999999	285	1.4869	1.6430	1.9600
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
13	Industrial 4-inch	210.25	262.00	350.00	Tier One Breakover (M Gal):	1195	999999	460	1.4869	1.6430	1.9600
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
16	Industrial 6-inch	367.90	524.00	700.00	Tier One Breakover (M Gal):	2160	999999	950	1.4869	1.6430	1.9600
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
19	Industrial 8-inch	367.90	838.40	1,120.00	Tier One Breakover (M Gal):	2160	999999	1,500	1.4869	1.6430	1.9600
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
22	Industrial 10-inch	1,205.20	1,676.80	1,610.00	Tier One Breakover (M Gal):	7292	999999	2,000	1.4869	1.6430	1.9600
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.4320
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	5.00	25.00	14.00					n/a	n/a	n/a
31	8-inch service	5.00	25.00	22.40					n/a	n/a	n/a
32	10-inch service	12.05	25.00	32.20							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a					-	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-Inch)	63.10	138.72	-	Tier One Breakover (M Gal):	296	125	999999	1.4869	1.9880	2.4320
37					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
38					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
39	Construction Water (3-Inch)	105.15	277.44	-	Tier One Breakover (M Gal):	552	325	999999	1.4869	1.9880	2.4320
40					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
41					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
42	Construction Water (4-Inch)	210.25	433.50	-	Tier One Breakover (M Gal):	1195	500	999999	1.4869	1.9880	2.4320
43					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.4320
44					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	1.6430	2.4320
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.4320
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	1.6430	2.4320
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.4320
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	1.6430	2.4320
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.4320
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Casa Grande - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,843	$ 22.17	$ 33.73	$ 11.56	52.14%
Median Usage	6,075	$ 18.05	$ 28.22	$ 10.17	56.34%
Staff Recommended					
Average Usage	8,843	$ 22.17	$ 28.15	$ 5.98	27.00%
Median Usage	6,075	$ 18.05	$ 22.73	$ 4.67	25.90%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 10.48	$ 17.34	65.46%	$ 14.00	33.59%
1,000	11.48	18.93	64.90%	14.90	29.79%
2,000	12.48	20.52	64.42%	15.80	26.60%
3,000	13.48	22.11	64.02%	16.70	23.89%
4,000	14.97	24.10	61.01%	18.66	24.68%
5,000	16.45	26.09	58.54%	20.62	25.32%
6,000	17.94	28.07	56.48%	22.58	25.86%
7,000	19.43	30.06	54.74%	24.54	26.32%
8,000	20.91	32.05	53.24%	26.50	26.71%
9,000	22.40	34.04	51.95%	28.46	27.05%
10,000	23.89	36.03	50.81%	30.42	27.34%
11,000	25.54	38.51	50.80%	32.85	28.64%
12,000	27.19	41.00	50.79%	35.28	29.78%
13,000	28.84	43.48	50.78%	37.72	30.78%
14,000	30.49	45.97	50.77%	40.15	31.68%
15,000	32.14	48.45	50.76%	42.58	32.49%
16,000	33.79	50.94	50.75%	45.01	33.22%
17,000	35.44	53.42	50.74%	47.44	33.88%
18,000	37.09	55.91	50.74%	49.88	34.48%
19,000	38.74	58.39	50.73%	52.31	35.03%
20,000	40.39	60.88	50.73%	54.74	35.53%
25,000	48.64	73.30	50.71%	66.90	37.55%
30,000	56.89	85.73	50.69%	79.06	38.97%
35,000	65.14	98.15	50.68%	91.22	40.04%
40,000	73.39	110.58	50.67%	103.38	40.87%
45,000	81.64	123.00	50.67%	115.54	41.53%
50,000	89.89	135.43	50.66%	127.70	42.07%
75,000	131.14	197.55	50.64%	188.50	43.74%
100,000	172.39	259.68	50.63%	249.30	44.62%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Casa Grande

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 10.48	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 1.0000	$ 1.5900	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	1.4869	1.9880	1.7500
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
4	Residential 1-inch	25.20	43.35	35.00	Tier One Breakover (M Gal):	67	10	34	1.4869	1.9880	1.7500
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
7	Residential 2-inch	63.10	138.72	112.00	Tier One Breakover (M Gal):	296	125	125	1.4869	1.9880	1.7500
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
10	Residential 3-inch	105.15	277.44	224.00	Tier One Breakover (M Gal):	552	325	260	1.4869	1.9880	1.7500
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
13	Residential 4-inch	210.25	433.50	350.00	Tier One Breakover (M Gal):	1195	500	403	1.4869	1.9880	1.7500
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
16	Residential 6-inch	367.90	867.00	700.00	Tier One Breakover (M Gal):	2160	925	820	1.4869	1.9880	1.7500
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
19	Residential 8-inch	367.90	1,387.20	1,120.00	Tier One Breakover (M Gal):	2160	1500	1,300	1.4869	1.9880	1.7500
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
22	Residential 10-inch	1,205.20	2,774.40	1,610.00	Tier One Breakover (M Gal):	7292	3000	1,800	1.4869	1.9880	1.7500
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	10.48	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	1.0000	1.9880	1.7500
26					Tier Two Breakover (M Gal):	10	999999	999999	1.4869	2.4850	2.5220
27					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
28	Commercial 1-inch	25.20	43.35	35.00	Tier One Breakover (M Gal):	67	40	34	1.4869	1.9880	1.7500
29					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
30					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
31	Commercial 2-inch	63.10	138.72	112.00	Tier One Breakover (M Gal):	296	125	125	1.4869	1.9880	1.7500
32					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
33					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
34	Commercial 3-inch	105.15	277.44	224.00	Tier One Breakover (M Gal):	552	325	260	1.4869	1.9880	1.7500
35					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
36					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
37	Commercial 4-inch	210.25	433.50	350.00	Tier One Breakover (M Gal):	1195	500	403	1.4869	1.9880	1.7500
38					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
39					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
40	Commercial 6-inch	367.90	867.00	700.00	Tier One Breakover (M Gal):	2160	925	820	1.4869	1.9880	1.7500
41					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
42					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
43	Commercial 8-inch	367.90	1,387.20	1,120.00	Tier One Breakover (M Gal):	2160	1500	1,300	1.4869	1.9880	1.7500
44					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
45					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
46	Commercial 10-inch	1,205.20	2,774.40	1,610.00	Tier One Breakover (M Gal):	7292	3000	1,800	1.4869	1.9880	1.7500
47					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220
48					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a

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		Casa Grande											
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]			
		Basic Service Charge			Break-Over Points			Commodity Charge					
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		
1	Industrial 5/8 x 3/4 -inch	$ 10.48	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 1.0000	$ 1.6430	$ 1.7500		
2					Tier Two Breakover (M Gal):	10	999999	999999	1.4869	1.6430	2.5220		
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
4	Industrial 1-inch	25.20	25.15	35.00	Tier One Breakover (M Gal):	67	999999	34	1.4869	1.6430	1.7500		
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
7	Industrial 2-inch	63.10	62.88	112.00	Tier One Breakover (M Gal):	296	999999	125	1.4869	1.6430	1.7500		
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
10	Industrial 3-inch	105.15	104.80	224.00	Tier One Breakover (M Gal):	552	999999	260	1.4869	1.6430	1.7500		
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
13	Industrial 4-inch	210.25	209.60	350.00	Tier One Breakover (M Gal):	1195	999999	403	1.4869	1.6430	1.7500		
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
16	Industrial 6-inch	367.90	366.80	700.00	Tier One Breakover (M Gal):	2160	999999	820	1.4869	1.6430	1.7500		
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
19	Industrial 8-inch	367.90	366.80	1,120.00	Tier One Breakover (M Gal):	2160	999999	1,300	1.4869	1.6430	1.7500		
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
22	Industrial 10-inch	1,205.20	1,676.80	1,610.00	Tier One Breakover (M Gal):	7292	999999	1,800	1.4869	1.6430	1.7500		
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.5220		
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a		
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a		
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a		
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a		
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a		
30	6-inch service	5.00	25.00	14.00					n/a	n/a	n/a		
31	8-inch service	5.00	25.00	22.40					n/a	n/a	n/a		
32	10-inch service	12.05	25.00	32.20									
33	Other Water Revenues								n/a	n/a	n/a		
34	Public Fire Hydrant	n/a	n/a	n/a					-	n/a	n/a		
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)								
36	Construction Water (2-Inch)	63.10	138.72	-	Tier One Breakover (M Gal):	296	125	999999	1.4869	1.9880	2.5220		
37					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220		
38					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
39	Construction Water (3-Inch)	105.15	277.44	-	Tier One Breakover (M Gal):	552	325	999999	1.4869	1.9880	2.5220		
40					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220		
41					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
42	Construction Water (4-Inch)	210.25	433.50	-	Tier One Breakover (M Gal):	1195	500	999999	1.4869	1.9880	2.5220		
43					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.5220		
44					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a		
45	Sales for Resale (2-Inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	1.6430	2.5220		
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.5220		
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a		
48	Sales for Resale (3-Inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	1.6430	2.5220		
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.5220		
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a		
51	Sales for Resale (6-Inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	1.6430	2.5220		
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.5220		
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a		

Arizona Water Company
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Casa Grande
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,843	$ 22.17	$ 33.73	$ 11.56	52.14%
Median Usage	6,075	$ 18.05	$ 28.22	$ 10.17	56.34%
Staff Recommended					
Average Usage	8,843	$ 22.17	$ 26.93	$ 4.76	21.46%
Median Usage	6,075	$ 18.05	$ 22.08	$ 4.03	22.32%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 10.48	$ 17.34	65.46%	$ 14.00	33.59%
1,000	11.48	18.93	64.90%	14.90	29.79%
2,000	12.48	20.52	64.42%	15.80	26.60%
3,000	13.48	22.11	64.02%	16.70	23.89%
4,000	14.97	24.10	61.01%	18.45	23.27%
5,000	16.45	26.09	58.54%	20.20	22.77%
6,000	17.94	28.07	56.48%	21.95	22.35%
7,000	19.43	30.06	54.74%	23.70	21.99%
8,000	20.91	32.05	53.24%	25.45	21.69%
9,000	22.40	34.04	51.95%	27.20	21.42%
10,000	23.89	36.03	50.81%	28.95	21.19%
11,000	25.54	38.51	50.80%	31.47	23.23%
12,000	27.19	41.00	50.79%	33.99	25.03%
13,000	28.84	43.48	50.78%	36.52	26.62%
14,000	30.49	45.97	50.77%	39.04	28.04%
15,000	32.14	48.45	50.76%	41.56	29.32%
16,000	33.79	50.94	50.75%	44.08	30.47%
17,000	35.44	53.42	50.74%	46.60	31.51%
18,000	37.09	55.91	50.74%	49.13	32.46%
19,000	38.74	58.39	50.73%	51.65	33.33%
20,000	40.39	60.88	50.73%	54.17	34.12%
25,000	48.64	73.30	50.71%	66.78	37.30%
30,000	56.89	85.73	50.69%	79.39	39.55%
35,000	65.14	98.15	50.68%	92.00	41.24%
40,000	73.39	110.58	50.67%	104.61	42.54%
45,000	81.64	123.00	50.67%	117.22	43.58%
50,000	89.89	135.43	50.66%	129.83	44.43%
75,000	131.14	197.55	50.64%	192.88	47.08%
100,000	172.39	259.68	50.63%	255.93	48.46%

ARIZONA WATER COMPANY
WESTERN GROUP:
COOLIDGE

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Coolidge - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 10.90	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 1.5500	$ 1.5900	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	1.9600	1.9880	1.9600
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
4	Residential 1-inch	27.25	43.35	35.00	Tier One Breakover (M Gal):	47	10	37	1.9600	1.9880	1.9600
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
7	Residential 2-inch	87.20	138.72	112.00	Tier One Breakover (M Gal):	258	125	140	1.9600	1.9880	1.9600
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
10	Residential 3-inch	174.40	277.44	224.00	Tier One Breakover (M Gal):	568	325	285	1.9600	1.9880	1.9600
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
13	Residential 4-inch	272.50	433.50	350.00	Tier One Breakover (M Gal):	917	500	460	1.9600	1.9880	1.9600
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
16	Residential 6-inch	545.00	867.00	700.00	Tier One Breakover (M Gal):	1889	925	950	1.9600	1.9880	1.9600
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
19	Residential 8-inch	872.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	3055	1500	1,500	1.9600	1.9880	1.9600
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
22	Residential 10-inch	1,253.50	2,774.40	1,610.00	Tier One Breakover (M Gal):	4416	3000	2,000	1.9600	1.9880	1.9600
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	10.90	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	1.5500	1.9880	1.9600
26					Tier Two Breakover (M Gal):	10	999999	999999	1.9600	2.4850	2.4320
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
28	Commercial 1-inch	27.25	43.35	35.00	Tier One Breakover (M Gal):	47	40	37	1.9600	1.9880	1.9600
29					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
31	Commercial 2-inch	87.20	138.72	112.00	Tier One Breakover (M Gal):	258	125	140	1.9600	1.9880	1.9600
32					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
34	Commercial 3-inch	174.40	277.44	224.00	Tier One Breakover (M Gal):	568	325	285	1.9600	1.9880	1.9600
35					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
37	Commercial 4-inch	272.50	433.50	350.00	Tier One Breakover (M Gal):	917	500	460	1.9600	1.9880	1.9600
38					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
40	Commercial 6-inch	545.00	867.00	700.00	Tier One Breakover (M Gal):	1889	925	950	1.9600	1.9880	1.9600
41					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
43	Commercial 8-inch	872.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	3055	1500	1,500	1.9600	1.9880	1.9600
44					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
46	Commercial 10-inch	1,253.50	2,774.40	1,610.00	Tier One Breakover (M Gal):	4416	3000	2,000	1.9600	1.9880	1.9600
47					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Coolidge - Consolidated

Line No.	[A] Customer Class	[B] Basic Service Charge: Company Present Rate	[C] Basic Service Charge: Company Proposed Rate	Basic Service Charge: Staff Recommended Rate	[D] Break-Over Points	[E] Company Present	[F] Company Proposed	Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 10.90	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 1.5500	$ 2.1000	$ 1.9600
2					Tier Two Breakover (M Gal):	10	999999	999999	1.9600	2.1000	2.4320
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
4	Industrial 1-inch	27.25	26.20	35.00	Tier One Breakover (M Gal):	47	999999	37	1.9600	2.1000	1.9600
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
7	Industrial 2-inch	87.20	83.84	112.00	Tier One Breakover (M Gal):	258	999999	140	1.9600	2.1000	1.9600
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
10	Industrial 3-inch	174.40	167.68	224.00	Tier One Breakover (M Gal):	568	999999	285	1.9600	2.1000	1.9600
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
13	Industrial 4-inch	272.50	262.00	350.00	Tier One Breakover (M Gal):	917	999999	460	1.9600	2.1000	1.9600
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
16	Industrial 6-inch	545.00	524.00	700.00	Tier One Breakover (M Gal):	1889	999999	950	1.9600	2.1000	1.9600
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
19	Industrial 8-inch	872.00	838.40	1,120.00	Tier One Breakover (M Gal):	3055	999999	1,500	1.9600	2.1000	1.9600
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
22	Industrial 10-inch	1,253.50	1,676.80	1,610.00	Tier One Breakover (M Gal):	4416	999999	2,000	1.9600	2.1000	1.9600
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.4320
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	5.45	25.00	14.00					n/a	n/a	n/a
31	8-inch service	8.72	25.00	22.40					n/a	n/a	n/a
32	10-inch service	12.54	25.00	32.20							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a					104.00	114.5483	116.18
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)						
36	Construction Water (2-Inch)	87.20	138.72	-	Tier One Breakover (M Gal):	258	125	999999	1.9600	1.9880	2.4320
37					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
39	Construction Water (3-Inch)	174.40	277.44	-	Tier One Breakover (M Gal):	568	325	999999	1.9600	1.9880	2.4320
40					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
42	Construction Water (4-Inch)	272.50	433.50	-	Tier One Breakover (M Gal):	917	500	999999	1.9600	1.9880	2.4320
43					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.4320
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.1000	2.4320
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.4320
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.1000	2.4320
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.4320
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.1000	2.4320
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.4320
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Coolidge - Consolidated
Typical Bill Analysis
Residential 5/8x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,134	$ 25.61	$ 32.32	$ 6.70	26.17%
Median Usage	5,998	$ 21.43	$ 28.07	$ 6.64	31.01%
Staff Recommended					
Average Usage	8,134	$ 25.61	$ 26.76	$ 1.15	4.49%
Median Usage	5,998	$ 21.43	$ 22.58	$ 1.15	5.37%

Present & Proposed Rates (Without Taxes)
Residential 5/8x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 10.90	$ 17.34	59.08%	$ 14.00	28.44%
1,000	12.45	18.93	52.05%	14.90	19.68%
2,000	14.00	20.52	46.57%	15.80	12.86%
3,000	15.55	22.11	42.19%	16.70	7.40%
4,000	17.51	24.10	37.62%	18.66	6.57%
5,000	19.47	26.09	33.98%	20.62	5.91%
6,000	21.43	28.07	31.00%	22.58	5.37%
7,000	23.39	30.06	28.53%	24.54	4.92%
8,000	25.35	32.05	26.43%	26.50	4.54%
9,000	27.31	34.04	24.64%	28.46	4.21%
10,000	29.27	36.03	23.08%	30.42	3.93%
11,000	31.51	38.51	22.22%	32.85	4.26%
12,000	33.75	41.00	21.47%	35.28	4.55%
13,000	35.99	43.48	20.81%	37.72	4.80%
14,000	38.23	45.97	20.24%	40.15	5.02%
15,000	40.47	48.45	19.72%	42.58	5.21%
16,000	42.71	50.94	19.26%	45.01	5.39%
17,000	44.95	53.42	18.85%	47.44	5.55%
18,000	47.19	55.91	18.47%	49.88	5.69%
19,000	49.43	58.39	18.13%	52.31	5.82%
20,000	51.67	60.88	17.82%	54.74	5.94%
25,000	62.87	73.30	16.59%	66.90	6.41%
30,000	74.07	85.73	15.74%	79.06	6.74%
35,000	85.27	98.15	15.11%	91.22	6.98%
40,000	96.47	110.58	14.62%	103.38	7.16%
45,000	107.67	123.00	14.24%	115.54	7.31%
50,000	118.87	135.43	13.93%	127.70	7.43%
75,000	174.87	197.55	12.97%	188.50	7.79%
100,000	230.87	259.68	12.48%	249.30	7.98%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Coolidge								
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points			Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 10.90	$ 17.34	$ 12.50	Tier One Breakover (M Gal):	3	3	3	$ 1.5500	$ 1.5900	$ 1.0000
2					Tier Two Breakover (M Gal):	10	10	10	1.9600	1.9880	2.0000
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
4	Residential 1-inch	27.25	43.35	31.25	Tier One Breakover (M Gal):	47	10	40	1.9600	1.9880	2.0000
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
7	Residential 2-inch	87.20	138.72	100.00	Tier One Breakover (M Gal):	258	125	150	1.9600	1.9880	2.0000
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
10	Residential 3-inch	174.40	277.44	200.00	Tier One Breakover (M Gal):	568	325	300	1.9600	1.9880	2.0000
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
13	Residential 4-inch	272.50	433.50	312.50	Tier One Breakover (M Gal):	917	500	480	1.9600	1.9880	2.0000
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
16	Residential 6-inch	545.00	867.00	625.00	Tier One Breakover (M Gal):	1889	925	1,000	1.9600	1.9880	2.0000
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
19	Residential 8-inch	872.00	1,387.20	1,000.00	Tier One Breakover (M Gal):	3055	1500	1,600	1.9600	1.9880	2.0000
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
22	Residential 10-inch	1,253.50	2,774.40	1,437.50	Tier One Breakover (M Gal):	4416	3000	2,300	1.9600	1.9880	2.0000
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	10.90	17.34	12.50	Tier One Breakover (M Gal):	3	10	10	1.5500	1.9880	2.0000
26					Tier Two Breakover (M Gal):	10	999999	999999	1.9600	2.4850	2.5080
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
28	Commercial 1-inch	27.25	43.35	31.25	Tier One Breakover (M Gal):	47	40	40	1.9600	1.9880	2.0000
29					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
31	Commercial 2-inch	87.20	138.72	100.00	Tier One Breakover (M Gal):	258	125	150	1.9600	1.9880	2.0000
32					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
34	Commercial 3-inch	174.40	277.44	200.00	Tier One Breakover (M Gal):	568	325	300	1.9600	1.9880	2.0000
35					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
37	Commercial 4-inch	272.50	433.50	312.50	Tier One Breakover (M Gal):	917	500	480	1.9600	1.9880	2.0000
38					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
40	Commercial 6-inch	545.00	867.00	625.00	Tier One Breakover (M Gal):	1889	925	1,000	1.9600	1.9880	2.0000
41					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
43	Commercial 8-inch	872.00	1,387.20	1,000.00	Tier One Breakover (M Gal):	3055	1500	1,600	1.9600	1.9880	2.0000
44					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
46	Commercial 10-inch	1,253.50	2,774.40	1,437.50	Tier One Breakover (M Gal):	4416	3000	2,300	1.9600	1.9880	2.0000
47					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Coolidge

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 10.90	$ 10.48	$ 12.50	Tier One Breakover (M Gal):	3	999999	10	$ 1.5500	$ 2.1000	$ 2.0000
2					Tier Two Breakover (M Gal):	10	999999	999999	1.9600	2.1000	2.5080
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
4	Industrial 1-inch	27.25	26.20	31.25	Tier One Breakover (M Gal):	47	999999	40	1.9600	2.1000	2.0000
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
7	Industrial 2-inch	87.20	83.84	100.00	Tier One Breakover (M Gal):	258	999999	150	1.9600	2.1000	2.0000
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
10	Industrial 3-inch	174.40	167.68	200.00	Tier One Breakover (M Gal):	568	999999	300	1.9600	2.1000	2.0000
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
13	Industrial 4-inch	272.50	262.00	312.50	Tier One Breakover (M Gal):	917	999999	480	1.9600	2.1000	2.0000
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
16	Industrial 6-inch	545.00	524.00	625.00	Tier One Breakover (M Gal):	1889	999999	1,000	1.9600	2.1000	2.0000
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
19	Industrial 8-inch	872.00	838.40	1,000.00	Tier One Breakover (M Gal):	3055	999999	1,600	1.9600	2.1000	2.0000
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
22	Industrial 10-inch	1,253.50	1,676.80	1,437.50	Tier One Breakover (M Gal):	4416	999999	2,300	1.9600	2.1000	2.0000
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.5080
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	5.45	25.00	12.50					n/a	n/a	n/a
31	8-inch service	8.72	25.00	20.00					n/a	n/a	n/a
32	10-inch service	12.54	25.00	28.75					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				104.00	114.5483	113.86
35	Coin Machine	n/a	n/a	n/a							
36	Construction Water (2-Inch)	87.20	138.72	-	Tier One Breakover (M Gal):	258	125	999999	1.9600	1.9880	2.5080
37					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
39	Construction Water (3-Inch)	174.40	277.44	-	Tier One Breakover (M Gal):	568	325	999999	1.9600	1.9880	2.5080
40					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
42	Construction Water (4-Inch)	272.50	433.50	-	Tier One Breakover (M Gal):	917	500	999999	1.9600	1.9880	2.5080
43					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.5080
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.1000	2.5080
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.5080
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.1000	2.5080
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.5080
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.1000	2.5080
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.5080
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-4

Coolidge
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,134	$ 25.61	$ 32.32	$ 6.70	26.17%
Median Usage	5,998	$ 21.43	$ 28.07	$ 6.64	31.01%
Staff Recommended					
Average Usage	8,134	$ 25.61	$ 25.77	$ 0.16	0.61%
Median Usage	5,998	$ 21.43	$ 21.50	$ 0.07	0.33%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 10.90	$ 17.34	59.08%	$ 12.50	14.68%
1,000	12.45	18.93	52.05%	13.50	8.43%
2,000	14.00	20.52	46.57%	14.50	3.57%
3,000	15.55	22.11	42.19%	15.50	-0.32%
4,000	17.51	24.10	37.62%	17.50	-0.06%
5,000	19.47	26.09	33.98%	19.50	0.15%
6,000	21.43	28.07	31.00%	21.50	0.33%
7,000	23.39	30.06	28.53%	23.50	0.47%
8,000	25.35	32.05	26.43%	25.50	0.59%
9,000	27.31	34.04	24.64%	27.50	0.70%
10,000	29.27	36.03	23.08%	29.50	0.79%
11,000	31.51	38.51	22.22%	32.01	1.58%
12,000	33.75	41.00	21.47%	34.52	2.27%
13,000	35.99	43.48	20.81%	37.02	2.87%
14,000	38.23	45.97	20.24%	39.53	3.41%
15,000	40.47	48.45	19.72%	42.04	3.88%
16,000	42.71	50.94	19.26%	44.55	4.30%
17,000	44.95	53.42	18.85%	47.06	4.69%
18,000	47.19	55.91	18.47%	49.56	5.03%
19,000	49.43	58.39	18.13%	52.07	5.34%
20,000	51.67	60.88	17.82%	54.58	5.63%
25,000	62.87	73.30	16.59%	67.12	6.76%
30,000	74.07	85.73	15.74%	79.66	7.55%
35,000	85.27	98.15	15.11%	92.20	8.13%
40,000	96.47	110.58	14.62%	104.74	8.57%
45,000	107.67	123.00	14.24%	117.28	8.93%
50,000	118.87	135.43	13.93%	129.82	9.21%
75,000	174.87	197.55	12.97%	192.52	10.09%
100,000	230.87	259.68	12.48%	255.22	10.55%

ARIZONA WATER COMPANY
WESTERN GROUP:
STANFIELD

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Stanfield - Consolidated											
		[A]	[B]	[C]		[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 14.65	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 2.0300	$ 2.3270	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	2.8900	2.9090	2.9500
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
4	Residential 1-inch	36.63	43.35	35.00	Tier One Breakover (M Gal):	29	10	37	2.8900	2.9090	2.9500
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
7	Residential 2-inch	117.20	138.72	112.00	Tier One Breakover (M Gal):	139	125	135	2.8900	2.9090	2.9500
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
10	Residential 3-inch	234.40	277.44	224.00	Tier One Breakover (M Gal):	303	325	280	2.8900	2.9090	2.9500
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
13	Residential 4-inch	366.25	433.50	350.00	Tier One Breakover (M Gal):	487	500	440	2.8900	2.9090	2.9500
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
16	Residential 6-inch	732.50	867.00	700.00	Tier One Breakover (M Gal):	1002	925	900	2.8900	2.9090	2.9500
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
19	Residential 8-inch	1,172.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	1620	1500	1,450	2.8900	2.9090	2.9500
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
22	Residential 10-inch	1,684.75	2,774.40	1,610.00	Tier One Breakover (M Gal):	2341	3000	2,000	2.8900	2.9090	2.9500
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	14.65	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	2.0300	2.9090	2.9500
26					Tier Two Breakover (M Gal):	10	999999	999999	2.8900	3.6360	3.7000
27					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
28	Commercial 1-inch	36.63	43.35	35.00	Tier One Breakover (M Gal):	29	40	37	2.8900	2.9090	2.9500
29					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
30					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
31	Commercial 2-inch	117.20	138.72	112.00	Tier One Breakover (M Gal):	139	125	135	2.8900	2.9090	2.9500
32					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
33					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
34	Commercial 3-inch	234.40	277.44	224.00	Tier One Breakover (M Gal):	303	325	280	2.8900	2.9090	2.9500
35					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
36					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
37	Commercial 4-inch	366.25	433.50	350.00	Tier One Breakover (M Gal):	487	500	440	2.8900	2.9090	2.9500
38					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
39					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
40	Commercial 6-inch	732.50	867.00	700.00	Tier One Breakover (M Gal):	1002	925	900	2.8900	2.9090	2.9500
41					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
42					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
43	Commercial 8-inch	1,172.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	1620	1500	1,450	2.8900	2.9090	2.9500
44					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
45					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
46	Commercial 10-inch	1,684.75	2,774.40	1,610.00	Tier One Breakover (M Gal):	2341	3000	2,000	2.8900	2.9090	2.9500
47					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
48					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Stanfield - Consolidated								
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points			Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 14.65	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 2.0300	$ 2.9090	$ 2.9500
2					Tier Two Breakover (M Gal):	10	999999	999999	2.8900	2.9090	3.7000
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
4	Industrial 1-inch	36.63	26.20	35.00	Tier One Breakover (M Gal):	29	999999	37	2.8900	2.9090	2.9500
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
7	Industrial 2-inch	117.20	83.84	112.00	Tier One Breakover (M Gal):	139	999999	135	2.8900	2.9090	2.9500
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
10	Industrial 3-inch	234.40	167.68	224.00	Tier One Breakover (M Gal):	303	999999	280	2.8900	2.9090	2.9500
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
13	Industrial 4-inch	366.25	262.00	350.00	Tier One Breakover (M Gal):	487	999999	440	2.8900	2.9090	2.9500
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
16	Industrial 6-inch	732.50	524.00	700.00	Tier One Breakover (M Gal):	1002	999999	900	2.8900	2.9090	2.9500
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
19	Industrial 8-inch	1,172.00	838.40	1,120.00	Tier One Breakover (M Gal):	1620	999999	1,450	2.8900	2.9090	2.9500
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
22	Industrial 10-inch	1,684.75	1,676.80	1,610.00	Tier One Breakover (M Gal):	2341	999999	2,000	2.8900	2.9090	2.9500
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.33	25.00	14.00					n/a	n/a	n/a
31	8-inch service	11.72	25.00	22.40					n/a	n/a	n/a
32	10-inch service	16.85	25.00	32.20							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a							
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				65.00	78.2819	77.19
36	Construction Water (2-Inch)	117.20	138.72	-	Tier One Breakover (M Gal):	139	125	999.999	2.8900	2.9090	3.7000
37					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
39	Construction Water (3-Inch)	234.40	277.44	-	Tier One Breakover (M Gal):	303	325	999.999	2.8900	2.9090	3.7000
40					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
42	Construction Water (4-Inch)	366.25	433.50	-	Tier One Breakover (M Gal):	487	500	999.999	2.8900	2.9090	3.7000
43					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	3.7000
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	3.7000
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	3.7000
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	3.7000
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	3.7000
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	3.7000
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-2

Stanfield -Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,162	$ 38.55	$ 42.25	$ 3.70	9.59%
Median Usage	7,262	$ 33.06	$ 36.72	$ 3.66	11.08%
Staff Recommended					
Average Usage	9,162	$ 38.55	$ 34.88	$ (3.67)	-9.52%
Median Usage	7,262	$ 33.06	$ 29.27	$ (3.78)	-11.45%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 14.65	$ 17.34	18.36%	$ 14.00	-4.44%
1,000	16.68	19.67	17.91%	14.90	-10.67%
2,000	18.71	21.99	17.55%	15.80	-15.55%
3,000	20.74	24.32	17.27%	16.70	-19.48%
4,000	23.63	27.23	15.23%	19.65	-16.84%
5,000	26.52	30.14	13.65%	22.60	-14.78%
6,000	29.41	33.05	12.37%	25.55	-13.12%
7,000	32.30	35.96	11.32%	28.50	-11.76%
8,000	35.19	38.87	10.45%	31.45	-10.63%
9,000	38.08	41.78	9.70%	34.40	-9.66%
10,000	40.97	44.68	9.07%	37.35	-8.84%
11,000	44.57	48.32	8.41%	41.05	-7.90%
12,000	48.17	51.96	7.86%	44.75	-7.10%
13,000	51.77	55.59	7.38%	48.45	-6.41%
14,000	55.37	59.23	6.97%	52.15	-5.82%
15,000	58.97	62.86	6.60%	55.85	-5.29%
16,000	62.57	66.50	6.28%	59.55	-4.83%
17,000	66.17	70.14	5.99%	63.25	-4.41%
18,000	69.77	73.77	5.74%	66.95	-4.04%
19,000	73.37	77.41	5.50%	70.65	-3.71%
20,000	76.97	81.04	5.29%	74.35	-3.40%
25,000	94.97	99.22	4.48%	92.85	-2.23%
30,000	112.97	117.40	3.92%	111.35	-1.43%
35,000	130.97	135.58	3.52%	129.85	-0.86%
40,000	148.97	153.76	3.22%	148.35	-0.42%
45,000	166.97	171.94	2.98%	166.85	-0.07%
50,000	184.97	190.12	2.79%	185.35	0.21%
75,000	274.97	281.02	2.20%	277.85	1.05%
100,000	364.97	371.92	1.91%	370.35	1.47%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Stanfield										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 14.65	$ 17.34	$ 42.00		Tier One Breakover (M Gal):	3	3	3	$ 2.0300	$ 2.3270	$ 4.1800
2						Tier Two Breakover (M Gal):	10	10	10	2.8900	2.9090	6.2800
3						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
4	Residential 1-inch	36.63	43.35	105.00		Tier One Breakover (M Gal):	29	10	50	2.8900	2.9090	6.2800
5						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
6						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
7	Residential 2-inch	117.20	138.72	336.00		Tier One Breakover (M Gal):	139	125	200	2.8900	2.9090	6.2800
8						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
9						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
10	Residential 3-inch	234.40	277.44	672.00		Tier One Breakover (M Gal):	303	325	450	2.8900	2.9090	6.2800
11						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
12						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
13	Residential 4-inch	366.25	433.50	1,050.00		Tier One Breakover (M Gal):	487	500	730	2.8900	2.9090	6.2800
14						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
15						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
16	Residential 6-inch	732.50	867.00	2,100.00		Tier One Breakover (M Gal):	1002	925	1,500	2.8900	2.9090	6.2800
17						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
18						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
19	Residential 8-inch	1,172.00	1,387.20	3,360.00		Tier One Breakover (M Gal):	1620	1500	2,400	2.8900	2.9090	6.2800
20						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
21						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
22	Residential 10-inch	1,684.75	2,774.40	4,830.00		Tier One Breakover (M Gal):	2341	3000	3,500	2.8900	2.9090	6.2800
23						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
24						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	14.65	17.34	42.00		Tier One Breakover (M Gal):	3	10	10	2.0300	2.9090	6.2800
26						Tier Two Breakover (M Gal):	10	999999	999999	2.8900	3.6360	7.5190
27						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
28	Commercial 1-inch	36.63	43.35	105.00		Tier One Breakover (M Gal):	29	40	50	2.8900	2.9090	6.2800
29						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
30						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
31	Commercial 2-inch	117.20	138.72	336.00		Tier One Breakover (M Gal):	139	125	200	2.8900	2.9090	6.2800
32						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
33						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
34	Commercial 3-inch	234.40	277.44	672.00		Tier One Breakover (M Gal):	303	325	450	2.8900	2.9090	6.2800
35						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
36						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
37	Commercial 4-inch	366.25	433.50	1,050.00		Tier One Breakover (M Gal):	487	500	730	2.8900	2.9090	6.2800
38						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
39						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
40	Commercial 6-inch	732.50	867.00	2,100.00		Tier One Breakover (M Gal):	1002	925	1,500	2.8900	2.9090	6.2800
41						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
42						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
43	Commercial 8-inch	1,172.00	1,387.20	3,360.00		Tier One Breakover (M Gal):	1620	1500	2,400	2.8900	2.9090	6.2800
44						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
45						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
46	Commercial 10-inch	1,684.75	2,774.40	4,830.00		Tier One Breakover (M Gal):	2341	3000	3,500	2.8900	2.9090	6.2800
47						Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
48						Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
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Stanfield

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Industrial 5/8 x 3/4 -inch	$ 14.65	$ 17.34	$ 42.00	Tier One Breakover (M Gal):	3	999999	10	$ 2.0300	$ 2.9090	$ 6.2800
2					Tier Two Breakover (M Gal):	10	999999	999999	2.8900	2.9090	7.5190
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
4	Industrial 1-inch	36.63	43.35	105.00	Tier One Breakover (M Gal):	29	999999	50	2.8900	2.9090	6.2800
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
7	Industrial 2-inch	117.20	138.72	336.00	Tier One Breakover (M Gal):	139	999999	200	2.8900	2.9090	6.2800
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
10	Industrial 3-inch	234.40	277.44	672.00	Tier One Breakover (M Gal):	303	999999	450	2.8900	2.9090	6.2800
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
13	Industrial 4-inch	366.25	433.50	1,050.00	Tier One Breakover (M Gal):	487	999999	730	2.8900	2.9090	6.2800
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
16	Industrial 6-inch	732.50	867.00	2,100.00	Tier One Breakover (M Gal):	1002	999999	1,500	2.8900	2.9090	6.2800
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
19	Industrial 8-inch	1,172.00	1,387.20	3,360.00	Tier One Breakover (M Gal):	1620	999999	2,400	2.8900	2.9090	6.2800
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
22	Industrial 10-inch	1,684.75	2,774.40	4,830.00	Tier One Breakover (M Gal):	2341	999999	3,500	2.8900	2.9090	6.2800
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	7.5190
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.33	25.00	42.00					n/a	n/a	n/a
31	8-inch service	11.72	25.00	67.20					n/a	n/a	n/a
32	10-inch service	16.85	25.00	96.60							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a							
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				65.00	78.2819	36.26
36	Construction Water (2-Inch)	117.20	138.72	-	Tier One Breakover (M Gal):	139	125	999.999	2.8900	2.9090	7.5190
37					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
39	Construction Water (3-Inch)	234.40	277.44	-	Tier One Breakover (M Gal):	303	325	999.999	2.8900	2.9090	7.5190
40					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
42	Construction Water (4-Inch)	366.25	433.50	-	Tier One Breakover (M Gal):	487	500	999.999	2.8900	2.9090	7.5190
43					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	7.5190
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	138.72	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	7.5190
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	7.5190
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	277.44	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	7.5190
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	7.5190
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	867.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	7.5190
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	7.5190
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Stanfield
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,162	$ 38.55	$ 42.25	$ 3.70	9.59%
Median Usage	7,262	$ 33.06	$ 36.72	$ 3.66	11.08%
Staff Recommended					
Average Usage	9,162	$ 38.55	$ 93.24	$ 54.69	141.87%
Median Usage	7,262	$ 33.06	$ 81.31	$ 48.25	145.95%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 14.65	$ 17.34	18.36%	$ 42.00	186.69%
1,000	16.68	19.67	17.91%	46.18	176.86%
2,000	18.71	21.99	17.55%	50.36	169.16%
3,000	20.74	24.32	17.27%	54.54	162.97%
4,000	23.63	27.23	15.23%	60.82	157.38%
5,000	26.52	30.14	13.65%	67.10	153.02%
6,000	29.41	33.05	12.37%	73.38	149.51%
7,000	32.30	35.96	11.32%	79.66	146.63%
8,000	35.19	38.87	10.45%	85.94	144.22%
9,000	38.08	41.78	9.70%	92.22	142.17%
10,000	40.97	44.68	9.07%	98.50	140.42%
11,000	44.57	48.32	8.41%	106.02	137.87%
12,000	48.17	51.96	7.86%	113.54	135.70%
13,000	51.77	55.59	7.38%	121.06	133.84%
14,000	55.37	59.23	6.97%	128.58	132.21%
15,000	58.97	62.86	6.60%	136.10	130.79%
16,000	62.57	66.50	6.28%	143.61	129.53%
17,000	66.17	70.14	5.99%	151.13	128.40%
18,000	69.77	73.77	5.74%	158.65	127.39%
19,000	73.37	77.41	5.50%	166.17	126.48%
20,000	76.97	81.04	5.29%	173.69	125.66%
25,000	94.97	99.22	4.48%	211.29	122.48%
30,000	112.97	117.40	3.92%	248.88	120.31%
35,000	130.97	135.58	3.52%	286.48	118.73%
40,000	148.97	153.76	3.22%	324.07	117.54%
45,000	166.97	171.94	2.98%	361.67	116.60%
50,000	184.97	190.12	2.79%	399.26	115.85%
75,000	274.97	281.02	2.20%	587.24	113.56%
100,000	364.97	371.92	1.91%	775.21	112.40%

ARIZONA WATER COMPANY
WESTERN GROUP:
WHITE TANK

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

White Tank

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 16.05	$ 29.97	$ 20.00	Tier One Breakover (M Gal):	3	3	3	$ 1.6000	$ 1.9240	$ 1.2500
2					Tier Two Breakover (M Gal):	10	10	10	2.2500	2.4050	2.1500
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
4	Residential 1-inch	31.10	74.93	50.00	Tier One Breakover (M Gal):	30	10	35	2.2500	2.4050	2.1500
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
7	Residential 2-inch	82.85	239.76	160.00	Tier One Breakover (M Gal):	183	185	140	2.2500	2.4050	2.1500
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
10	Residential 3-inch	155.40	479.52	320.00	Tier One Breakover (M Gal):	401	400	285	2.2500	2.4050	2.1500
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
13	Residential 4-inch	401.25	749.25	500.00	Tier One Breakover (M Gal):	1145	800	450	2.2500	2.4050	2.1500
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
16	Residential 6-inch	802.50	1,498.50	1,000.00	Tier One Breakover (M Gal):	2359	1500	940	2.2500	2.4050	2.1500
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
19	Residential 8-inch	1,284.00	2,397.60	1,600.00	Tier One Breakover (M Gal):	3817	2500	1,500	2.2500	2.4050	2.1500
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
22	Residential 10-inch	1,845.75	4,795.20	2,300.00	Tier One Breakover (M Gal):	5518	5500	2,175	2.2500	2.4050	2.1500
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	16.05	29.97	20.00	Tier One Breakover (M Gal):	3	10	10	1.6000	2.4050	2.1500
26					Tier Two Breakover (M Gal):	10	999999	999999	2.2500	3.0060	3.1650
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
28	Commercial 1-inch	31.10	74.93	50.00	Tier One Breakover (M Gal):	30	75	35	2.2500	2.4050	2.1500
29					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
31	Commercial 2-inch	82.85	239.76	160.00	Tier One Breakover (M Gal):	183	325	140	2.2500	2.4050	2.1500
32					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
34	Commercial 3-inch	155.40	479.52	320.00	Tier One Breakover (M Gal):	401	700	285	2.2500	2.4050	2.1500
35					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
37	Commercial 4-inch	401.25	749.25	500.00	Tier One Breakover (M Gal):	1145	1100	450	2.2500	2.4050	2.1500
38					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
40	Commercial 6-inch	802.50	1,498.50	1,000.00	Tier One Breakover (M Gal):	2359	2200	940	2.2500	2.4050	2.1500
41					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
43	Commercial 8-inch	1,284.00	2,397.60	1,600.00	Tier One Breakover (M Gal):	3817	3500	1,500	2.2500	2.4050	2.1500
44					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
46	Commercial 10-inch	1,845.75	4,795.20	2,300.00	Tier One Breakover (M Gal):	5518	7000	2,175	2.2500	2.4050	2.1500
47					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

White Tank

Line No.	Customer Class	Basic Service Charge [A] Company Present Rate	[B] Company Proposed Rate	[C] Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge [G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 16.05	$ 33.00	$ 20.00	Tier One Breakover (M Gal):	3	999999	10	$ 1.6000	$ 3.0690	$ 2.1500
2					Tier Two Breakover (M Gal):	10	999999	999999	2.2500	3.0690	3.1650
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
4	Industrial 1-inch	31.10	82.50	50.00	Tier One Breakover (M Gal):	30	999999	35	2.2500	3.0690	2.1500
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
7	Industrial 2-inch	82.85	264.00	160.00	Tier One Breakover (M Gal):	183	999999	140	2.2500	3.0690	2.1500
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
10	Industrial 3-inch	155.40	528.00	320.00	Tier One Breakover (M Gal):	401	999999	285	2.2500	3.0690	2.1500
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
13	Industrial 4-inch	401.25	825.00	500.00	Tier One Breakover (M Gal):	1145	999999	450	2.2500	3.0690	2.1500
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
16	Industrial 6-inch	802.50	1,650.00	1,000.00	Tier One Breakover (M Gal):	2359	999999	940	2.2500	3.0690	2.1500
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
19	Industrial 8-inch	1,284.00	2,640.00	1,600.00	Tier One Breakover (M Gal):	3817	999999	1,500	2.2500	3.0690	2.1500
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
22	Industrial 10-inch	1,845.75	5,280.00	2,300.00	Tier One Breakover (M Gal):	5518	999999	2,175	2.2500	3.0690	2.1500
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0690	3.1650
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	8.03	25.00	20.00					n/a	n/a	n/a
31	8-inch service	12.84	25.00	32.00					n/a	n/a	n/a
32	10-inch service	18.46	25.00	46.00					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	82.85	239.76	-	Tier One Breakover (M Gal):	183	325	999.999	2.2500	2.4050	3.1650
37					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
39	Construction Water (3-Inch)	155.40	479.52	-	Tier One Breakover (M Gal):	401	700	999.999	2.2500	2.4050	3.1650
40					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
42	Construction Water (4-Inch)	401.25	749.25	-	Tier One Breakover (M Gal):	1145	1100	999.999	2.2500	2.4050	3.1650
43					Tier Two Breakover (M Gal):	999999	999999	999999	2.5500	3.0060	3.1650
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.5500	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	239.76	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.0690	3.1650
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.0690	3.1650
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	479.52	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.0690	3.1650
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.0690	3.1650
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,498.50	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.0690	3.1650
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.0690	3.1650
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

White Tank
Typical Bill Analysis
Residential 5/8 X 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	15,648	$ 51.00	$ 69.55	$ 18.55	36.38%
Median Usage	10,201	$ 37.11	$ 53.18	$ 16.07	43.30%
Staff Recommended					
Average Usage	15,648	$ 51.00	$ 56.68	$ 5.67	11.12%
Median Usage	10,201	$ 37.11	$ 39.44	$ 2.32	6.26%

Present & Proposed Rates (Without Taxes)
Residential 5/8 X 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 16.05	$ 29.97	86.73%	$ 20.00	24.61%
1,000	17.65	31.89	80.70%	21.25	20.40%
2,000	19.25	33.82	75.68%	22.50	16.88%
3,000	20.85	35.74	71.42%	23.75	13.91%
4,000	23.10	38.15	65.14%	25.90	12.12%
5,000	25.35	40.55	59.97%	28.05	10.65%
6,000	27.60	42.96	55.64%	30.20	9.42%
7,000	29.85	45.36	51.97%	32.35	8.38%
8,000	32.10	47.77	48.81%	34.50	7.48%
9,000	34.35	50.17	46.06%	36.65	6.70%
10,000	36.60	52.58	43.65%	38.80	6.01%
11,000	39.15	55.58	41.97%	41.97	7.19%
12,000	41.70	58.59	40.50%	45.13	8.23%
13,000	44.25	61.60	39.20%	48.30	9.14%
14,000	46.80	64.60	38.04%	51.46	9.96%
15,000	49.35	67.61	36.99%	54.63	10.69%
16,000	51.90	70.61	36.06%	57.79	11.35%
17,000	54.45	73.62	35.20%	60.96	11.95%
18,000	57.00	76.63	34.43%	64.12	12.49%
19,000	59.55	79.63	33.72%	67.29	12.99%
20,000	62.10	82.64	33.07%	70.45	13.45%
25,000	74.85	97.67	30.48%	86.28	15.26%
30,000	87.60	112.70	28.65%	102.10	16.55%
35,000	100.35	127.73	27.28%	117.93	17.51%
40,000	113.10	142.76	26.22%	133.75	18.26%
45,000	125.85	157.79	25.38%	149.58	18.85%
50,000	138.60	172.82	24.69%	165.40	19.34%
75,000	202.35	247.97	22.54%	244.53	20.84%
100,000	266.10	323.12	21.43%	323.65	21.63%

ARIZONA WATER COMPANY
WESTERN GROUP:
AJO

Arizona Water Company
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		Ajo									
		[A]	[B]	[C]		[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge				Break-Over Points			Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 21.04	$ 26.24	$ 24.00	Tier One Breakover (M Gal):	3	3	3	$ 4.5000	$ 5.1590	$ 4.5000
2					Tier Two Breakover (M Gal):	10	10	10	5.5000	6.4490	6.7200
3					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
4	Residential 1-inch	52.10	65.60	60.00	Tier One Breakover (M Gal):	25	10	30	5.5000	6.4490	6.7200
5					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
6					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
7	Residential 2-inch	170.00	209.92	192.00	Tier One Breakover (M Gal):	25	90	115	5.5000	6.4490	6.7200
8					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
9					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
10	Residential 3-inch	336.34	419.84	384.00	Tier One Breakover (M Gal):	165	200	240	5.5000	6.4490	6.7200
11					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
12					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
13	Residential 4-inch	526.00	656.00	600.00	Tier One Breakover (M Gal):	325	325	390	5.5000	6.4490	6.7200
14					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
15					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
16	Residential 6-inch	1,052.00	1,312.00	1,200.00	Tier One Breakover (M Gal):	775	725	800	5.5000	6.4490	6.7200
17					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
18					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
19	Residential 8-inch	1,683.20	2,099.20	1,920.00	Tier One Breakover (M Gal):	1310	1200	1,300	5.5000	6.4490	6.7200
20					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
21					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
22	Residential 10-inch	2,419.60	4,198.40	2,760.00	Tier One Breakover (M Gal):	1940	2400	1,875	5.5000	6.4490	6.7200
23					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
24					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	21.04	26.24	24.00	Tier One Breakover (M Gal):	3	10	10	4.5000	6.4490	6.7200
26					Tier Two Breakover (M Gal):	10	999999	999999	5.5000	8.0610	8.0800
27					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
28	Commercial 1-inch	52.10	65.60	60.00	Tier One Breakover (M Gal):	25	30	30	5.5000	6.4490	6.7200
29					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
30					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
31	Commercial 2-inch	170.00	209.92	192.00	Tier One Breakover (M Gal):	25	100	115	5.5000	6.4490	6.7200
32					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
33					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
34	Commercial 3-inch	336.34	419.84	384.00	Tier One Breakover (M Gal):	165	200	240	5.5000	6.4490	6.7200
35					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
36					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
37	Commercial 4-inch	526.00	656.00	600.00	Tier One Breakover (M Gal):	325	325	390	5.5000	6.4490	6.7200
38					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
39					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
40	Commercial 6-inch	1,052.00	1,312.00	1,200.00	Tier One Breakover (M Gal):	775	725	800	5.5000	6.4490	6.7200
41					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
42					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
43	Commercial 8-inch	1,683.20	2,099.20	1,920.00	Tier One Breakover (M Gal):	1310	1200	1,300	5.5000	6.4490	6.7200
44					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
45					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
46	Commercial 10-inch	2,419.60	4,198.40	2,760.00	Tier One Breakover (M Gal):	1940	2400	1,875	5.5000	6.4490	6.7200
47					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	8.0610	8.0800
48					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a

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Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Ajo [D] Break-Over Points	[E] Company Present	[F] Company Proposed	Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 21.04	$ 26.24	$ 24.00	Tier One Breakover (M Gal):	3	999999	10	$ 4.5000	$ 6.4490	$ 6.7200
2					Tier Two Breakover (M Gal):	10	999999	999999	5.5000	6.4490	8.0800
3					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
4	Industrial 1-inch	52.10	65.60	60.00	Tier One Breakover (M Gal):	25	999999	30	5.5000	6.4490	6.7200
5					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
6					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
7	Industrial 2-inch	170.00	209.92	192.00	Tier One Breakover (M Gal):	25	999999	115	5.5000	6.4490	6.7200
8					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
9					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
10	Industrial 3-inch	336.34	419.84	384.00	Tier One Breakover (M Gal):	165	999999	240	5.5000	6.4490	6.7200
11					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
12					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
13	Industrial 4-inch	526.00	656.00	600.00	Tier One Breakover (M Gal):	325	999999	390	5.5000	6.4490	6.7200
14					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
15					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
16	Industrial 6-inch	1,052.00	1,312.00	1,200.00	Tier One Breakover (M Gal):	775	999999	800	5.5000	6.4490	6.7200
17					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
18					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
19	Industrial 8-inch	1,683.20	2,099.20	1,920.00	Tier One Breakover (M Gal):	1310	999999	1,300	5.5000	6.4490	6.7200
20					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
21					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
22	Industrial 10-inch	2,419.60	4,198.40	2,760.00	Tier One Breakover (M Gal):	1940	999999	1,875	5.5000	6.4490	6.7200
23					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	6.4490	8.0800
24					Tier Three Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
25	Private Fire Service										
26	5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	4-inch service	5.26	25.00	10.00					n/a	n/a	n/a
31	6-inch service	10.52	25.00	10.00					n/a	n/a	n/a
32	8-inch service	16.83	25.00	24.00					n/a	n/a	n/a
33	10-inch service	24.20	25.00	38.40					n/a	n/a	n/a
34				55.20							
35	Other Water Revenues										
36	Public Fire Hydrant	n/a	n/a	n/a							
37	Coin Machine	n/a	n/a	n/a							
38	Construction Water (2-Inch)	170.00	209.92	-	No. Gallons / $ .25 (quarter)						
39					Tier One Breakover (M Gal):	25	100	999.999	n/a	n/a	n/a
40					Tier Two Breakover (M Gal):	999999	999999	999999	36.00	35.3112	33.89
41					Tier Three Breakover (M Gal):	999999	999999	999999	5.5000	6.4490	8.0800
42	Construction Water (3-Inch)	336.34	419.84	-	Tier One Breakover (M Gal):	165	200	999.999	6.5000	8.0610	8.0800
43					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
44					Tier Three Breakover (M Gal):	999999	999999	999999	5.5000	6.4490	8.0800
45	Construction Water (4-Inch)	526.00	656.00	-	Tier One Breakover (M Gal):	325	325	999.999	6.5000	8.0610	8.0800
46					Tier Two Breakover (M Gal):	999999	999999	999999	6.5000	n/a	n/a
47					Tier Three Breakover (M Gal):	999999	999999	999999	5.5000	6.4490	8.0800
48	Sales for Resale (2-Inch)	n/a	209.92	-	Tier One Breakover (M Gal):	n/a	999.999	999999	6.5000	8.0610	8.0800
49					Tier Two Breakover (M Gal):	n/a	999999	999999	6.5000	n/a	n/a
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	6.4490	8.0800
51	Sales for Resale (3-Inch)	n/a	419.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.4490	8.0800
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.4490	8.0800
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	6.4490	8.0800
	Sales for Resale (6-Inch)	n/a	1,312.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	6.4490	8.0800
					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	6.4490	8.0800
					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	6.4490	8.0800

Arizona Water Company
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Schedule JMM-2

AJO
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,185	$ 46.56	$ 55.81	$ 9.25	19.87%
Median Usage	3,754	$ 38.69	$ 46.58	$ 7.89	20.40%
Staff Recommended					
Average Usage	5,185	$ 46.56	$ 52.18	$ 5.63	12.08%
Median Usage	3,754	$ 38.69	$ 42.57	$ 3.88	10.03%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 21.04	$ 26.24	24.71%	$ 24.00	14.07%
1,000	25.54	31.40	22.94%	28.50	11.59%
2,000	30.04	36.56	21.70%	33.00	9.85%
3,000	34.54	41.72	20.78%	37.50	8.57%
4,000	40.04	48.17	20.29%	44.22	10.44%
5,000	45.54	54.62	19.93%	50.94	11.86%
6,000	51.04	61.06	19.64%	57.66	12.97%
7,000	56.54	67.51	19.41%	64.38	13.87%
8,000	62.04	73.96	19.22%	71.10	14.60%
9,000	67.54	80.41	19.06%	77.82	15.22%
10,000	73.04	86.86	18.92%	84.54	15.74%
11,000	79.54	94.92	19.34%	92.62	16.44%
12,000	86.04	102.98	19.69%	100.70	17.04%
13,000	92.54	111.04	19.99%	108.78	17.55%
14,000	99.04	119.10	20.26%	116.86	17.99%
15,000	105.54	127.17	20.49%	124.94	18.38%
16,000	112.04	135.23	20.69%	133.02	18.73%
17,000	118.54	143.29	20.88%	141.10	19.03%
18,000	125.04	151.35	21.04%	149.18	19.31%
19,000	131.54	159.41	21.19%	157.26	19.55%
20,000	138.04	167.47	21.32%	165.34	19.78%
25,000	170.54	207.78	21.83%	205.74	20.64%
30,000	203.04	248.08	22.18%	246.14	21.23%
35,000	235.54	288.39	22.44%	286.54	21.65%
40,000	268.04	328.69	22.63%	326.94	21.97%
45,000	300.54	369.00	22.78%	367.34	22.23%
50,000	333.04	409.30	22.90%	407.74	22.43%
75,000	495.54	610.83	23.26%	609.74	23.05%
100,000	658.04	812.35	23.45%	811.74	23.36%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Schedule JMM-5

Service Charge	Company Current Rates	Company Proposed Rates	Staff Recommended Rates
Establishment	$16.00	$16.00	$16.00
Guarantee Deposit	Residential - maximum: Two(2) times average customer class bill. Non-Residential-maximum: Two and one-half (21/2) times that customers estimated maximum monthly bill.	No Change	No Change
Reconnection for Delinquency	$16.00	$16.00	$16.00
Re-Establishment	Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.	No Change	No Change
Service Call Out	During regular working hours - No charge. After regular working hours, on Saturdays, Sundays, or holidays - $35.00	No Change	No Change
Returned Check	$25.00	$25.00	$25.00
Meter Re-read	No charge, if done during regular working hours, otherwise, a $35.00 service call out.	No Change	No Change
Meter Test	No charge for the first test; for the second test for the same customer within any twelve (12) month period, $50.00, or actual time and material whichever is greater.	No Change	No Change
Service Line and Meter Installation	No charge for 5/8" and 1" if on existing pipelines. Full cost for 5/8" and 1" if on new pipelines. Full cost for 2" and airger if on existing or new pipelines. Advances for service line and meter installation shall be refundable.		

Meter Size	Service Line	Meter	Total
5/8-inch	$ 445	$ 155	$ 600
1-inch	$ 495	$ 315	$ 810
2" turbine	$ 830	$ 1,045	$ 1,875
2" compound	$ 830	$ 1,890	$ 2,720
3" turbine	$ 1,045	$ 1,670	$ 2,715
3" compound	$ 1,165	$ 2,545	$ 3,710
4" turbine	$ 1,490	$ 2,670	$ 4,160
4" compound	$ 1,670	$ 3,645	$ 5,315
6" turbine	$ 2,210	$ 5,025	$ 7,235
6" compound	$ 2,330	$ 6,920	$ 9,250
8" turbine	$ 2,210	$ 5,025	$ 7,235
8" compound	$ 2,330	$ 6,920	$ 9,250
10" turbine	$ 2,210	$ 5,025	$ 7,235
10" compound	$ 2,330	$ 6,920	$ 9,250

*Meter charge includes meter box or vault.

No Change

Meter Size	Service Line	Meter	Total
5/8-inch	$ 445	$ 155	$ 600
1-inch	$ 495	$ 315	$ 810
2" turbine	$ 830	$ 1,045	$ 1,875
2" compound	$ 830	$ 1,890	$ 2,720
3" turbine	$ 1,045	$ 1,670	$ 2,715
3" compound	$ 1,165	$ 2,545	$ 3,710
4" turbine	$ 1,490	$ 2,670	$ 4,160
4" compound	$ 1,670	$ 3,645	$ 5,315
6" turbine	$ 2,210	$ 5,025	$ 7,235
6" compound	$ 2,330	$ 6,920	$ 9,250
8" turbine	$ 2,210	$ 5,025	$ 7,235
8" compound	$ 2,330	$ 6,920	$ 9,250
10" turbine	$ 2,210	$ 5,025	$ 7,235
10" compound	$ 2,330	$ 6,920	$ 9,250

*Meter charge includes meter box or vault.

No Change

Late Charge	1.5 percent after 15 days.		

Typical Bill Analysis - Residential 5/8 x 3/4 - Median Usage
(Bill increase does not include impact of ACRM)

Eastern Group	Percent Increase Stand Alone	Percent Increase Consolidated	
Apache Junction	26.99	27.49	Full
Superior	20.50	20.18	Full
Miami	37.77	-9.73	Full
Bisbee	7.34	-1.57	Same monthly/diff commodity
Sierra Vista	-9.85	-1.61	Same monthly/diff commodity
San Manuel	26.33		
Oracle	-10.28		
Winkelman	25.06		

Northern Group	Percent Increase Stand Alone	Percent Increase Consolidated	
Lakeside	-16.91	-26.54	Full
Oveergaard	-34.58	-27.80	Full
Sedona	21.86	25.08	Full
Pinewood	-18.42	-18.08	Full
Rimrock	59.79	-3.68	Full

Western Group	Percent Increase Stand Alone	Percent Increase Consolidated	
Casa Grande	22.32	25.90	Same monthly/same 1st, 2nd, 3rd tiers
Coolidge	0.33	5.37	Same monthly/same 1st, 2nd, 3rd tiers
Stanfield	145.95	-11.45	Same monthly/same 1st tier/diff 2nd, 3rd tiers
White Tank	6.26		
Ajo	10.03		

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 ARIZONA WATER COMPANY, 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-01445A-08-0440

(RATE DESIGN)

SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 12, 2009

ALL-STATE LEGAL®
EXHIBIT
S-27
ADMITTED

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Eastern Group

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- Consolidated Rate Design JMM-1
- Consolidated Typical Residential Bill Analysis – Apache Junction JMM-2
- Consolidated Typical Residential Bill Analysis – Superior JMM-2
- Stand Alone Rate Design JMM-3
- Stand Alone Typical Residential Bill Analysis – Apache Junction JMM-4
- Stand Alone Typical Residential Bill Analysis – Superior JMM-4

Miami Water System

- Consolidated Rate Design JMM-1
- Consolidated Typical Residential Bill Analysis JMM-2

EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-08-0440

The surrebuttal testimony of Staff Witness Jeffrey M. Michlik considers the revised revenue requirements for the Superstition Water System and makes changes to the rates recommended in his direct testimony for this system. Staff also addresses the appropriateness of using inverted tiers on customer classes, and other issues raised in Mr. Reiker's rebuttal testimony.

Eastern Group

Superstition Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons living in Apache Junction would experience an $11.25 or 48.55 percent increase in their monthly bill from $23.18 to $34.43 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $6.37 or 27.49 percent increase in their monthly bill from $23.18 to $29.55. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons living is Superior would experience a $10.00 or 40.96 percent increase in their monthly bill from $24.43 to $34.43 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $4.93 or 20.18 percent increase in their monthly bill from $24.43 to $29.35. As an alternative, Staff has provided stand-alone rates in lieu of consolidation.

Miami Water System:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,457 gallons would experience a $1.96 or 6.65 percent increase in their monthly bill from $29.43 to $31.39 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $2.87 or 9.73 percent decrease in their monthly bill from $29.43 to $26.57. A typical bill analysis is provided on Schedule JMM-2.

INTRODUCTION

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

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V 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. Are you the same Jeffrey M. Michlik who filed direct testimony in this case?

A. Yes, I am.

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 Arizona Water Company ("Company") witnesses, Mr. Joel M. Reiker, on rate design.

Q. Did you attempt to address every issue the Company raised in its rebuttal testimony?

A. No. Staff limited its discussion to the specific issues as outlined below. Staff's lack of response to any issue in this proceeding should not be construed as an agreement with the Company's position in its rebuttal testimony; rather where there is no response, Staff relies on its original direct testimony.

REVENUE REQUIREMENT

Q. Did Staff's revenue requirement change for any of the Company's systems?

A. Yes. The revenue requirement for the Superstition Water System increased.

Q. Did Staff recommend rate consolidation of the Superstition Water System with any other Systems?

A. Yes. Staff recommended consolidation of the Superstition and Miami Water Systems.

Q. As a result, what adjustment did Staff make to rate design for the Superstition and Miami Water Systems?

A. Staff increased the third tier from $4.1650 to $4.2020.

Q. Would you please summarize Staff's revised rate design for the Superstition and Miami Water Systems?

A. Staff's recommended rates and charges are presented on Schedule JMM-1. Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $17.00; 1-inch $42.50; 2-inch $136.00; 3-inch $272.00; 4-inch $425.00; 6-inch $850.00; 8-inch $1,360.00; and 10-inch $1,955.00. Zero gallons are included in the monthly minimum charge. Staff recommends an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch meter residential with a commodity rate ,of $1.660 per thousand gallons for zero to 3,000 gallons, $3.1500 per thousand gallons for 3,001 to 10,000 gallons, and $4.2020 per thousand gallons for any consumption over 10,000 gallons. Staff's recommended larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $3.1500 per thousand gallons for the first tier and $4.2020 per thousand gallons for any consumption over the first tier. Staff recommends a flat commodity rate of $4.2020 per 1,000 gallons for resale water customers and a flat commodity rate of $4.2020 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Apache Junction?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience an $11.25 or 48.55 percent increase in their monthly bill from $23.18 to $34.43 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $6.37 or 27.49 percent increase in their monthly bill from $23.18 to $29.55. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Superior?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience a $10.00 or 40.96 percent increase in their monthly bill from $24.43 to $34.43 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $4.93 or 20.18 percent increase in their monthly bill from $24.43 to $29.35. A typical bill analysis is provided on Schedule JMM-2.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in Miami?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,457 gallons would experience a $1.96 or 6.65 percent increase in their monthly bill from $29.43 to $31.39 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $2.87 or 9.73 percent decrease in their monthly bill from $29.43 to $26.57. A typical bill analysis is provided on Schedule JMM-2.

Q. Did Staff present an alternative rate design to show the rate impact on the Superstition Water System if the Superstition and Miami Water Systems were not consolidated?

A. Yes. As an alternative, Staff's Superstition stand-alone rates and charges are presented on Schedule JMM-3. Staff's monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch $16.35; 1-inch $40.88; 2-inch $130.80; 3-inch $261.60; 4-inch $408.75; 6-inch $817.50; 8-inch $1,308.00; and 10-inch $1,880.25. Zero gallons are included in the monthly minimum charge. Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch meter residential with a commodity rate of $1.9800 per thousand gallons for zero to 3,000 gallons, $2.9730 per thousand gallons for 3,001 to

10,000 gallons, and $3.5580 per thousand gallons for any consumption over 10,000 gallons. Staff's larger residential, commercial, and industrial commodity rates have two tiers and vary by meter size, set at $2.9730 per thousand gallons for the first tier and $3.5580 per thousand gallons for any consumption over the first tier. Staff uses a flat commodity rate of $3.5580 per 1,000 gallons for resale water customers and a flat commodity rate of $3.5580 per 1,000 gallons for construction water users. Staff recommends increasing the monthly charge for fire sprinkler service to the greater of $10.00 or 2 percent of the monthly minimum charge for that meter size.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design for Apache Junction?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience an $11.25 or 48.55 percent increase in their monthly bill from $23.18 to $34.43 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $6.26 or 26.99 percent increase in their monthly bill from $23.18 to $29.43. A typical bill analysis is provided on Schedule JMM-4.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer, using this alternative rate design for Superior?

A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,403 gallons would experience a $10.00 or 40.96 percent increase in their monthly bill from $24.43 to $34.43 under the Company's proposed rates. Under Staff's recommended rates, customers would experience a $5.01 or 20.50 percent increase in their monthly bill from $24.43 to $29.43. A typical bill analysis is provided on Schedule JMM-4.

RATE DESIGN

Q. Is rate design synonymous to COSS?

A. No. Rate design should not be confused with COSS. A COSS is the allocation of costs to each customer class. Rate design involves the allocation of revenues to each customer class along with the development of the particular rate to achieve that revenue. The COSS is only one of many factors that is considered when allocating revenues.

Q. Should the COSS be the sole factor used when developing a rate design?

A. No. The COSS should only be used as a general guide and as one of several considerations when designing rates.

Q. If Staff did not rely solely on the COSS for developing rates, what other factors did Staff consider?

A. In addition to using the results of the COSS as a general guideline, Staff also considered factors such as promotion of efficient water usage, gradualism in rate increase to mitigate rate shock, and uniformity of rates between customer classes.

Q. How did Staff use the COSS as a guide in its rate design?

A. Staff utilized the COSS as a basic tool, starting point or first step in its rate design. However, due to the other factors cited above, Staff also incorporated theses changes into its rate design.

INDUSTRIAL CUSTOMERS

Q. Does Staff believe that it is inappropriate to use a flat rate on industrial customers?

A. Yes.

Q. Why?

A. Because Staff believes water is a finite and precious resource. A flat rate not only provides no price incentive to conserve water, but it does not recognize the value associated with the use of large amounts of this scarce resource.

Q. Can you provide an example?

A. Yes. As an illustration, Staff will look at the Casa Grande system.

Q. What rates did the Company propose in that system for its 5/8 x 3/4 inch industrial customers?

A. The Company proposed a $10.48 monthly minimum and a flat rate per thousand gallons of $1.6430.

Q. What revised rates did the Company propose for its 5/8 x 3/4 inch residential customers?

A. The Company proposed a $17.25 monthly minimum and an inverted tier structure of $1.5200 for the first 3,000 gallons, $1.9000 for gallons between 3,001 gallons and 10,000 gallons, and $2.3750 for any gallons over 10,000.

Q. What price signal is the Company sending?

A. Besides the obvious inequity between the monthly minimum charges; For the residential customer, the price signal is - using more water will cost more on a per gallon basis. For the industrial customer, the price signal is - the use of more water will cost the same on a per gallon basis.

The Company's proposed rate structure tells the residential customer that water is a valuable and scarce resource, and that with increasing water usage, the customer will pay an increasingly higher price for this valuable commodity. This structure informs the residential customer of the value of water and, at the same time, provides an additional financial incentive to conserve.

On the other hand, the Company's proposed structure for industrial customers, some of which are the Company's largest users, provides a rate that remains the same, no matter how much water the customer uses. Such a structure seems to disregard the inherent value of water as a scarce resource, and provides no additional financial incentive to use water more efficiently.

INVERTED RATES

Q. Please comment on Mr. Reiker's statement that the rates proposed by Staff and adopted by the Commission in recent years actually result in declining customer usage.

A. Mr. Reiker has pointed out that some of its residential systems that use tiered rates are experiencing decreased water usage. However, the Company has failed to identify other factors that could contribute to a reduction of water usage such as the record increase in the number of foreclosures of residential homes in Arizona.

ELIMINATION OF THE BASIC CHARGE FOR CONSTRUCTION WATER AND WATER FOR RESALE

Q. Why is Staff eliminating the monthly minimum or basic charge for construction water and water for resale?

A. It is Staff's belief that a monthly minimum charge should only apply to a customer who owns a permanent meter. In most cases the meter for bulk water sales is not permanently installed on the water line and is used by several customers.

Q. But didn't the Commission approve a similar monthly minimum charge in the Company's last case, as well as in other cases?

A. Yes. However, Staff has re-evaluated this issue and, on a going-forward basis will recommend that monthly minimum charges for bulk water users be eliminated.

EFFECTS OF SURCHARGES ON TYPICAL BILL ANALYSIS

Q. Are Staff's typical bill analyses inaccurate and somewhat misleading as Mr. Reiker states?

A. No. The Company claims Staff should include the arsenic surcharge, which is a separate charge, in the present monthly minimum rate.

Q. Did Staff leave out the Arsenic Cost Recovery Surcharges ("ACRS") when computing the 5/8 x 3/4 inch typical bill increase?

A. Yes, in order to not mislead customers. Staff used only the monthly minimum and tiers rates authorized in the last decision. Staff compared them to the Company's proposed monthly minimum and tier rates, and Staff's recommended monthly minimum and tier rates.

CONSOLIDATION

Q. Has the Company voiced its concerns about the consolidation of several of its systems?

A. Yes. The Company is concerned that under full consolidation, several of the Company's systems would experience higher increases or decreases then under a partial consolidation rate design.

Q. Didn't the Company propose to consolidate several of its systems?

A. Yes.

Q. What is the difference between the Company's consolidation proposal and Staff's?

A. Staff has taken a rapid consolidation stance, and recommended full consolidation of all systems that the Company proposed to consolidate. The Company, on the other hand, has recommended only partial consolidation of several systems. The Company proposes that, in those systems, only the monthly minimum charges are consolidated at this time and that the commodity charges be consolidated in a future rate case.

As with most cases when the rates are consolidated, some rates increase that would not have increased otherwise, while other rates decrease, that would have otherwise increased. Staff believes that the rate consolidations it has proposed are beneficial to customers in the long term.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

ARIZONA WATER COMPANY
EASTERN GROUP:
SUPERSTITION

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Superstition - Consolidated

Line No.	Customer Class	Basic Service Charge [A] Company Present Rate	[B] Company Proposed Rate	[C] Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	Commodity Charge [G] Company Present Rate	[H] Company Proposed Rate	[I] Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 12.54	$ 19.00	$ 17.00	Tier One Breakover (M Gal):	10	3	3	varies	$ 2.5700	$ 1.6600
2					Tier Two Breakover (M Gal):	25	10	10	varies	3.2130	3.1500
3					Tier Three Breakover (M Gal):	999999	999999	999999	varies	4.0160	4.2020
4	Residential 1-inch	34.30	47.50	42.50	Tier One Breakover (M Gal):	10	10	30	varies	3.2130	3.1500
5					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
6					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Residential 2-inch	120.20	152.00	136.00	Tier One Breakover (M Gal):	10	125	115	varies	3.2130	3.1500
8					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
9					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Residential 3-inch	236.03	304.00	272.00	Tier One Breakover (M Gal):	10	300	230	varies	3.2130	3.1500
11					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
12					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Residential 4-inch	480.25	475.00	425.00	Tier One Breakover (M Gal):	10	490	350	varies	3.2130	3.1500
14					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
15					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Residential 6-inch	774.01	950.00	850.00	Tier One Breakover (M Gal):	10	925	750	varies	3.2130	3.1500
17					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
18					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Residential 8-inch	926.15	1,520.00	1,360.00	Tier One Breakover (M Gal):	10	1500	1,000	varies	3.2130	3.1500
20					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
21					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Residential 10-inch	1,157.69	3,040.00	1,955.00	Tier One Breakover (M Gal):	10	3000	1,500	varies	3.2130	3.1500
23					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	4.2020
24					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	12.54	20.00	17.00	Tier One Breakover (M Gal):	10	10	10	varies	3.4410	3.1500
26					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
27					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
28	Commercial 1-inch	34.30	50.00	42.50	Tier One Breakover (M Gal):	10	40	30	varies	3.4410	3.1500
29					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
30					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
31	Commercial 2-inch	120.20	160.00	136.00	Tier One Breakover (M Gal):	10	125	115	varies	3.4410	3.1500
32					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
33					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
34	Commercial 3-inch	236.03	320.00	272.00	Tier One Breakover (M Gal):	10	300	230	varies	3.4410	3.1500
35					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
36					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
37	Commercial 4-inch	480.25	500.00	425.00	Tier One Breakover (M Gal):	10	490	350	varies	3.4410	3.1500
38					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
39					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
40	Commercial 6-inch	774.01	1,000.00	850.00	Tier One Breakover (M Gal):	10	925	750	varies	3.4410	3.1500
41					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
42					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
43	Commercial 8-inch	926.15	1,600.00	1,360.00	Tier One Breakover (M Gal):	10	1500	1,000	varies	3.4410	3.1500
44					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
45					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
46	Commercial 10-inch	1,157.69	3,200.00	1,955.00	Tier One Breakover (M Gal):	10	3000	1,500	varies	3.4410	3.1500
47					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	4.2020
48					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Superstition - Consolidated										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 12.54	$ 20.00	$ 17.00		Tier One Breakover (M Gal):	10	999999	10	varies	$ 3.8500	$ 3.1500
2						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
3						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
4	Industrial 1-inch	34.30	40.00	42.50		Tier One Breakover (M Gal):	10	999999	30	varies	3.8500	3.1500
5						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
6						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Industrial 2-inch	120.20	200.00	136.00		Tier One Breakover (M Gal):	10	999999	115	varies	3.8500	3.1500
8						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
9						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Industrial 3-inch	236.03	320.00	272.00		Tier One Breakover (M Gal):	10	999999	230	varies	3.8500	3.1500
11						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
12						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Industrial 4-inch	480.25	500.00	425.00		Tier One Breakover (M Gal):	10	999999	350	varies	3.8500	3.1500
14						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
15						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Industrial 6-inch	774.01	1,000.00	850.00		Tier One Breakover (M Gal):	10	999999	750	varies	3.8500	3.1500
17						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
18						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Industrial 8-inch	926.15	1,600.00	1,360.00		Tier One Breakover (M Gal):	10	999999	1,000	varies	3.8500	3.1500
20						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
21						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Industrial 10-inch	1,157.69	3,200.00	1,955.00		Tier One Breakover (M Gal):	10	999999	1,500	varies	3.8500	3.1500
23						Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	4.2020
24						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00						n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00						n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00						n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00						n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00						n/a	n/a	n/a
30	6-inch service	7.74	25.00	17.00						n/a	n/a	n/a
31	8-inch service	9.26	25.00	27.20						n/a	n/a	n/a
32	10-inch service	11.58	25.00	39.10						n/a	n/a	n/a
33	Other Water Revenues											
34	Public Fire Hydrant	n/a	n/a	n/a						n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a		No. Gallons / $ .25 (quarter)				89.00	70.8752	72.2927
36	Construction Water (2-Inch)	120.20	160.00	-		Tier One Breakover (M Gal):	25	100	999.999	varies	3.4410	4.2020
37						Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	4.2020
38						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
39	Construction Water (3-Inch)	236.03	320.00	-		Tier One Breakover (M Gal):	165	200	999.999	varies	3.4410	4.2020
40						Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	4.2020
41						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
42	Construction Water (4-Inch)	480.25	500.00	-		Tier One Breakover (M Gal):	325	325	999.999	varies	3.4410	4.2020
43						Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	4.2020
44						Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.2020
46						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.2020
47						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.2020
49						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.2020
50						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-		Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.2020
52						Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.2020
53						Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Superstition - Consolidated - Apache Junction
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 27.03	$ 40.71	$ 13.69	50.64%
Median Usage	5,403	$ 23.18	$ 34.43	$ 11.25	48.55%
Staff Recommended					
Average Usage	7,358	$ 27.03	$ 35.71	$ 8.68	32.12%
Median Usage	5,403	$ 23.18	$ 29.55	$ 6.37	27.49%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 17.00	35.57%
1,000	14.51	21.57	48.67%	18.66	28.61%
2,000	16.48	24.14	46.50%	20.32	23.32%
3,000	18.45	26.71	44.80%	21.98	19.16%
4,000	20.42	29.92	46.57%	25.13	23.09%
5,000	22.38	33.14	48.03%	28.28	26.34%
6,000	24.35	36.35	49.26%	31.43	29.06%
7,000	26.32	39.56	50.30%	34.58	31.37%
8,000	28.29	42.78	51.20%	37.73	33.37%
9,000	30.26	45.99	51.98%	40.88	35.10%
10,000	32.23	49.20	52.67%	44.03	36.62%
11,000	34.69	53.22	53.41%	48.23	39.04%
12,000	37.15	57.23	54.06%	52.43	41.14%
13,000	39.61	61.25	54.63%	56.64	42.98%
14,000	42.07	65.27	55.13%	60.84	44.60%
15,000	44.53	69.28	55.57%	65.04	46.05%
16,000	46.99	73.30	55.97%	69.24	47.34%
17,000	49.46	77.31	56.33%	73.44	48.51%
18,000	51.92	81.33	56.65%	77.65	49.56%
19,000	54.38	85.35	56.95%	81.85	50.52%
20,000	56.84	89.36	57.22%	86.05	51.40%
25,000	69.14	109.44	58.28%	107.06	54.84%
30,000	83.91	129.52	54.36%	128.07	52.63%
35,000	98.68	149.60	51.61%	149.08	51.08%
40,000	113.44	169.68	49.58%	170.09	49.94%
45,000	128.21	189.76	48.01%	191.10	49.06%
50,000	142.97	209.84	46.77%	212.11	48.36%
75,000	216.80	310.24	43.10%	317.16	46.29%
100,000	290.63	410.64	41.29%	422.21	45.27%

Superstition - Consolidated -Superior
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 28.73	$ 40.71	$ 11.98	41.72%
Median Usage	5,403	$ 24.43	$ 34.43	$ 10.00	40.96%
Staff Recommended					
Average Usage	7,358	$ 28.73	$ 35.35	$ 6.63	23.07%
Median Usage	5,403	$ 24.43	$ 29.35	$ 4.93	20.18%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 17.00	35.57%
1,000	14.74	21.57	46.34%	18.66	26.59%
2,000	16.94	24.14	42.50%	20.32	19.95%
3,000	19.14	26.71	39.55%	21.98	14.84%
4,000	21.34	29.92	40.22%	25.05	17.38%
5,000	23.54	33.14	40.76%	28.12	19.45%
6,000	25.74	36.35	41.22%	31.19	21.16%
7,000	27.94	39.56	41.60%	34.26	22.61%
8,000	30.14	42.78	41.92%	37.33	23.84%
9,000	32.34	45.99	42.20%	40.39	24.90%
10,000	34.54	49.20	42.45%	43.46	25.83%
11,000	37.29	53.22	42.71%	47.63	27.74%
12,000	40.04	57.23	42.94%	51.80	29.38%
13,000	42.79	61.25	43.14%	55.97	30.81%
14,000	45.54	65.27	43.31%	60.14	32.07%
15,000	48.29	69.28	43.47%	64.31	33.18%
16,000	51.04	73.30	43.61%	68.48	34.18%
17,000	53.79	77.31	43.73%	72.65	35.07%
18,000	56.54	81.33	43.84%	76.82	35.87%
19,000	59.29	85.35	43.95%	80.99	36.60%
20,000	62.04	89.36	44.04%	85.16	37.27%
25,000	75.79	109.44	44.40%	106.01	39.88%
30,000	92.29	129.52	40.34%	126.86	37.46%
35,000	108.79	149.60	37.51%	147.71	35.78%
40,000	125.29	169.68	35.43%	168.56	34.54%
45,000	141.79	189.76	33.83%	189.41	33.59%
50,000	158.29	209.84	32.57%	210.26	32.83%
75,000	240.79	310.24	28.84%	314.51	30.62%
100,000	323.29	410.64	27.02%	418.76	29.53%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Supertition

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 12.54	$ 19.00	$ 16.35	Tier One Breakover (M Gal):	10	3	3	varies	$ 2.5700	$ 1.9800
2					Tier Two Breakover (M Gal):	25	10	10	varies	3.2130	2.9730
3					Tier Three Breakover (M Gal):	999999	999999	999999	varies	4.0160	3.5580
4	Residential 1-inch	34.30	47.50	40.88	Tier One Breakover (M Gal):	10	10	35	varies	3.2130	2.9730
5					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
6					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Residential 2-inch	120.20	152.00	130.80	Tier One Breakover (M Gal):	10	125	125	varies	3.2130	2.9730
8					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
9					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Residential 3-inch	236.03	304.00	261.60	Tier One Breakover (M Gal):	10	300	280	varies	3.2130	2.9730
11					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
12					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Residential 4-inch	480.25	475.00	408.75	Tier One Breakover (M Gal):	10	490	450	varies	3.2130	2.9730
14					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
15					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Residential 6-inch	774.01	950.00	817.50	Tier One Breakover (M Gal):	10	925	925	varies	3.2130	2.9730
17					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
18					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Residential 8-inch	926.15	1,520.00	1,308.00	Tier One Breakover (M Gal):	10	1500	1,500	varies	3.2130	2.9730
20					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
21					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Residential 10-inch	1,157.69	3,040.00	1,880.25	Tier One Breakover (M Gal):	10	3000	2,100	varies	3.2130	2.9730
23					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.0160	3.5580
24					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	12.54	20.00	16.35	Tier One Breakover (M Gal):	10	10	10	varies	3.4410	2.9730
26					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
27					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
28	Commercial 1-inch	34.30	50.00	40.88	Tier One Breakover (M Gal):	10	40	35	varies	3.4410	2.9730
29					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
30					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
31	Commercial 2-inch	120.20	160.00	130.80	Tier One Breakover (M Gal):	10	125	125	varies	3.4410	2.9730
32					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
33					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
34	Commercial 3-inch	236.03	320.00	261.60	Tier One Breakover (M Gal):	10	300	280	varies	3.4410	2.9730
35					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
36					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
37	Commercial 4-inch	480.25	500.00	408.75	Tier One Breakover (M Gal):	10	490	450	varies	3.4410	2.9730
38					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
39					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
40	Commercial 6-inch	774.01	1,000.00	817.50	Tier One Breakover (M Gal):	10	925	925	varies	3.4410	2.9730
41					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
42					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
43	Commercial 8-inch	926.15	1,600.00	1,308.00	Tier One Breakover (M Gal):	10	1500	1,500	varies	3.4410	2.9730
44					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
45					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
46	Commercial 10-inch	1,157.69	3,200.00	1,880.25	Tier One Breakover (M Gal):	10	3000	2,100	varies	3.4410	2.9730
47					Tier Two Breakover (M Gal):	25	999999	999999	varies	4.3010	3.5580
48					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Superstition										
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Basic Service Charge			Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 12.54	$ 20.00	$ 16.35	Tier One Breakover (M Gal):	10	999999	10	varies	$ 3.8500	$ 2.9730
2					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
3					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
4	Industrial 1-inch	34.30	40.00	40.88	Tier One Breakover (M Gal):	10	999999	35	varies	3.8500	2.9730
5					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
6					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
7	Industrial 2-inch	120.20	200.00	130.80	Tier One Breakover (M Gal):	10	999999	125	varies	3.8500	2.9730
8					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
9					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
10	Industrial 3-inch	236.03	320.00	261.60	Tier One Breakover (M Gal):	10	999999	280	varies	3.8500	2.9730
11					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
12					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
13	Industrial 4-inch	480.25	500.00	408.75	Tier One Breakover (M Gal):	10	999999	450	varies	3.8500	2.9730
14					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
15					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
16	Industrial 6-inch	774.01	1,000.00	817.50	Tier One Breakover (M Gal):	10	999999	925	varies	3.8500	2.9730
17					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
18					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
19	Industrial 8-inch	926.15	1,600.00	1,308.00	Tier One Breakover (M Gal):	10	999999	1,500	varies	3.8500	2.9730
20					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
21					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
22	Industrial 10-inch	1,157.69	3,200.00	1,880.25	Tier One Breakover (M Gal):	10	999999	2,100	varies	3.8500	2.9730
23					Tier Two Breakover (M Gal):	25	999999	999999	varies	3.8500	3.5580
24					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.74	25.00	16.35					n/a	n/a	n/a
31	8-inch service	9.26	25.00	26.16					n/a	n/a	n/a
32	10-inch service	11.58	25.00	37.61					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				89.00	70.8752	76.5967
36	Construction Water (2-Inch)	120.20	160.00	-	Tier One Breakover (M Gal):	25	100	999.999	varies	3.4410	3.5580
37					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	3.5580
38					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
39	Construction Water (3-Inch)	236.03	320.00	-	Tier One Breakover (M Gal):	165	200	999.999	varies	3.4410	3.5580
40					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	3.5580
41					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
42	Construction Water (4-Inch)	480.25	500.00	-	Tier One Breakover (M Gal):	325	325	999.999	varies	3.4410	3.5580
43					Tier Two Breakover (M Gal):	999999	999999	999999	varies	4.3010	3.5580
44					Tier Three Breakover (M Gal):	999999	999999	999999	varies	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	3.5580
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	3.5580
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	3.5580
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	3.5580
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	3.5580
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	3.5580
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Superstition - Apache Junctior
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 27.03	$ 40.71	$ 13.69	50.64%
Median Usage	5,403	$ 23.18	$ 34.43	$ 11.25	48.55%
Staff Recommended					
Average Usage	7,358	$ 27.03	$ 35.25	$ 8.22	30.41%
Median Usage	5,403	$ 23.18	$ 29.43	$ 6.26	26.99%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 16.35	30.38%
1,000	14.51	21.57	48.67%	18.33	26.34%
2,000	16.48	24.14	46.50%	20.31	23.26%
3,000	18.45	26.71	44.80%	22.29	20.84%
4,000	20.42	29.92	46.57%	25.26	23.75%
5,000	22.38	33.14	48.03%	28.24	26.14%
6,000	24.35	36.35	49.26%	31.21	28.15%
7,000	26.32	39.56	50.30%	34.18	29.86%
8,000	28.29	42.78	51.20%	37.16	31.33%
9,000	30.26	45.99	51.98%	40.13	32.61%
10,000	32.23	49.20	52.67%	43.10	33.74%
11,000	34.69	53.22	53.41%	46.66	34.51%
12,000	37.15	57.23	54.06%	50.22	35.17%
13,000	39.61	61.25	54.63%	53.78	35.76%
14,000	42.07	65.27	55.13%	57.33	36.27%
15,000	44.53	69.28	55.57%	60.89	36.73%
16,000	46.99	73.30	55.97%	64.45	37.14%
17,000	49.46	77.31	56.33%	68.01	37.51%
18,000	51.92	81.33	56.65%	71.57	37.85%
19,000	54.38	85.35	56.95%	75.12	38.15%
20,000	56.84	89.36	57.22%	78.68	38.43%
25,000	69.14	109.44	58.28%	96.47	39.52%
30,000	83.91	129.52	54.36%	114.26	36.17%
35,000	98.68	149.60	51.61%	132.05	33.82%
40,000	113.44	169.68	49.58%	149.84	32.09%
45,000	128.21	189.76	48.01%	167.63	30.75%
50,000	142.97	209.84	46.77%	185.42	29.69%
75,000	216.80	310.24	43.10%	274.37	26.55%
100,000	290.63	410.64	41.29%	363.32	25.01%

Superstition - Superior
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,358	$ 28.73	$ 40.71	$ 11.98	41.72%
Median Usage	5,403	$ 24.43	$ 34.43	$ 10.00	40.96%
Staff Recommended					
Average Usage	7,358	$ 28.73	$ 35.25	$ 6.52	22.69%
Median Usage	5,403	$ 24.43	$ 29.43	$ 5.01	20.50%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 12.54	$ 19.00	51.52%	$ 16.35	30.38%
1,000	14.74	21.57	46.34%	$ 18.33	24.36%
2,000	16.94	24.14	42.50%	$ 20.31	19.89%
3,000	19.14	26.71	39.55%	$ 22.29	16.46%
4,000	21.34	29.92	40.22%	$ 25.26	18.38%
5,000	23.54	33.14	40.76%	$ 28.24	19.95%
6,000	25.74	36.35	41.22%	$ 31.21	21.25%
7,000	27.94	39.56	41.60%	$ 34.18	22.34%
8,000	30.14	42.78	41.92%	$ 37.16	23.27%
9,000	32.34	45.99	42.20%	$ 40.13	24.08%
10,000	34.54	49.20	42.45%	$ 43.10	24.79%
11,000	37.29	53.22	42.71%	$ 46.66	25.12%
12,000	40.04	57.23	42.94%	$ 50.22	25.42%
13,000	42.79	61.25	43.14%	$ 53.78	25.67%
14,000	45.54	65.27	43.31%	$ 57.33	25.90%
15,000	48.29	69.28	43.47%	$ 60.89	26.09%
16,000	51.04	73.30	43.61%	$ 64.45	26.27%
17,000	53.79	77.31	43.73%	$ 68.01	26.43%
18,000	56.54	81.33	43.84%	$ 71.57	26.57%
19,000	59.29	85.35	43.95%	$ 75.12	26.70%
20,000	62.04	89.36	44.04%	$ 78.68	26.82%
25,000	75.79	109.44	44.40%	$ 96.47	27.29%
30,000	92.29	129.52	40.34%	$ 114.26	23.81%
35,000	108.79	149.60	37.51%	$ 132.05	21.38%
40,000	125.29	169.68	35.43%	$ 149.84	19.60%
45,000	141.79	189.76	33.83%	$ 167.63	18.22%
50,000	158.29	209.84	32.57%	$ 185.42	17.14%
75,000	240.79	310.24	28.84%	$ 274.37	13.95%
100,000	323.29	410.64	27.02%	$ 363.32	12.38%

ARIZONA WATER COMPANY
EASTERN GROUP:
MIAMI

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Miami Consolidated										
		[A]	[B]	[C]		[D]	[E]	[F]		[G]	[H]	[I]
		Basic Service Charge				Break-Over Points				Commodity Charge		
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate			Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 15.44	$ 19.00	$ 17.00		Tier One Breakover (M Gal):	10	3	3	$ 3.1400	$ 2.5700	$ 1.6600
2						Tier Two Breakover (M Gal):	25	10	10	3.9250	3.2130	3.1500
3						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	4.0160	4.2020
4	Residential 1-inch	38.87	47.50	42.50		Tier One Breakover (M Gal):	10	10	30	3.1400	3.2130	3.1500
5						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
6						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
7	Residential 2-inch	129.86	152.00	136.00		Tier One Breakover (M Gal):	10	125	115	3.1400	3.2130	3.1500
8						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
9						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
10	Residential 3-inch	248.35	304.00	272.00		Tier One Breakover (M Gal):	10	300	230	3.1400	3.2130	3.1500
11						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
12						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
13	Residential 4-inch	497.76	475.00	425.00		Tier One Breakover (M Gal):	10	490	350	3.1400	3.2130	3.1500
14						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
15						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
16	Residential 6-inch	875.26	950.00	850.00		Tier One Breakover (M Gal):	10	925	750	3.1400	3.2130	3.1500
17						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
18						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
19	Residential 8-inch	1,163.12	1,520.00	1,360.00		Tier One Breakover (M Gal):	10	1500	1,000	3.1400	3.2130	3.1500
20						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
21						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
22	Residential 10-inch	1,305.25	3,040.00	1,955.00		Tier One Breakover (M Gal):	10	3000	1,500	3.1400	3.2130	3.1500
23						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.0160	4.2020
24						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	15.44	20.00	17.00		Tier One Breakover (M Gal):	10	10	10	3.1400	3.4410	3.1500
26						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
27						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
28	Commercial 1-inch	38.87	50.00	42.50		Tier One Breakover (M Gal):	10	40	30	3.1400	3.4410	3.1500
29						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
30						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
31	Commercial 2-inch	129.86	160.00	136.00		Tier One Breakover (M Gal):	10	125	115	3.1400	3.4410	3.1500
32						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
33						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
34	Commercial 3-inch	248.35	320.00	272.00		Tier One Breakover (M Gal):	10	300	230	3.1400	3.4410	3.1500
35						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
36						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
37	Commercial 4-inch	497.76	500.00	425.00		Tier One Breakover (M Gal):	10	490	350	3.1400	3.4410	3.1500
38						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
39						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
40	Commercial 6-inch	875.26	1,000.00	850.00		Tier One Breakover (M Gal):	10	925	750	3.1400	3.4410	3.1500
41						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
42						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
43	Commercial 8-inch	1,163.12	1,600.00	1,360.00		Tier One Breakover (M Gal):	10	1500	1,000	3.1400	3.4410	3.1500
44						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
45						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
46	Commercial 10-inch	1,305.25	3,200.00	1,955.00		Tier One Breakover (M Gal):	10	3000	1,500	3.1400	3.4410	3.1500
47						Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
48						Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

		Miami - Consolidated									
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	
		Basic Service Charge			Break-Over Points			Commodity Charge			
Line No.	Customer Class	Company Present Rate	Company Proposed Rate	Staff Recommended Rate		Company Present	Company Proposed	Staff Recommended	Company Present Rate	Company Proposed Rate	Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 15.44	$ 20.00	$ 17.00	Tier One Breakover (M Gal):	10	999999	10	$ 3.1400	$ 3.8500	$ 3.1500
2					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
3					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
4	Industrial 1-inch	38.87	40.00	42.50	Tier One Breakover (M Gal):	10	999999	30	3.1400	3.8500	3.1500
5					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
6					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
7	Industrial 2-inch	129.86	200.00	136.00	Tier One Breakover (M Gal):	10	999999	115	3.1400	3.8500	3.1500
8					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
9					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
10	Industrial 3-inch	248.35	320.00	272.00	Tier One Breakover (M Gal):	10	999999	230	3.1400	3.8500	3.1500
11					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
12					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
13	Industrial 4-inch	497.76	500.00	425.00	Tier One Breakover (M Gal):	10	999999	350	3.1400	3.8500	3.1500
14					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
15					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
16	Industrial 6-inch	875.26	1,000.00	850.00	Tier One Breakover (M Gal):	10	999999	750	3.1400	3.8500	3.1500
17					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
18					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
19	Industrial 8-inch	1,163.12	1,600.00	1,360.00	Tier One Breakover (M Gal):	10	999999	1,000	3.1400	3.8500	3.1500
20					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
21					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
22	Industrial 10-inch	1,305.25	3,200.00	1,955.00	Tier One Breakover (M Gal):	10	999999	1,500	3.1400	3.8500	3.1500
23					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	3.8500	4.2020
24					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	8.75	25.00	17.00					n/a	n/a	n/a
31	8-inch service	11.63	25.00	27.20					n/a	n/a	n/a
32	10-inch service	13.05	25.00	39.10					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	n/a
36	Construction Water (2-Inch)	129.86	160.00	-	Tier One Breakover (M Gal):	10	125	999.999	3.1400	3.4410	4.2020
37					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
38					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
39	Construction Water (3-Inch)	248.35	320.00	-	Tier One Breakover (M Gal):	10	300	999.999	3.1400	3.4410	4.2020
40					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
41					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
42	Construction Water (4-Inch)	497.76	500.00	-	Tier One Breakover (M Gal):	10	490	999.999	3.1400	3.4410	4.2020
43					Tier Two Breakover (M Gal):	25	999999	999999	3.9250	4.3010	4.2020
44					Tier Three Breakover (M Gal):	999999	999999	999999	4.7100	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	160.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.2020
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.2020
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	320.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.2020
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.2020
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	1,000.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	3.8500	4.2020
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	3.8500	4.2020
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Miami - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,995	$ 34.26	$ 36.33	$ 2.07	6.04%
Median Usage	4,457	$ 29.43	$ 31.39	$ 1.96	6.65%
Staff Recommended					
Average Usage	5,995	$ 34.26	$ 31.41	$ (2.85)	-8.32%
Median Usage	4,457	$ 29.43	$ 26.57	$ (2.87)	-9.73%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 15.44	$ 19.00	23.06%	$ 17.00	10.10%
1,000	18.58	21.57	16.09%	18.66	0.43%
2,000	21.72	24.14	11.14%	20.32	-6.45%
3,000	24.86	26.71	7.44%	21.98	-11.58%
4,000	28.00	29.92	6.87%	25.13	-10.25%
5,000	31.14	33.14	6.41%	28.28	-9.18%
6,000	34.28	36.35	6.04%	31.43	-8.31%
7,000	37.42	39.56	5.72%	34.58	-7.59%
8,000	40.56	42.78	5.46%	37.73	-6.98%
9,000	43.70	45.99	5.24%	40.88	-6.45%
10,000	46.84	49.20	5.04%	44.03	-6.00%
11,000	50.77	53.22	4.83%	48.23	-4.99%
12,000	54.69	57.23	4.65%	52.43	-4.13%
13,000	58.62	61.25	4.49%	56.64	-3.38%
14,000	62.54	65.27	4.36%	60.84	-2.72%
15,000	66.47	69.28	4.24%	65.04	-2.14%
16,000	70.39	73.30	4.13%	69.24	-1.63%
17,000	74.32	77.31	4.03%	73.44	-1.17%
18,000	78.24	81.33	3.95%	77.65	-0.76%
19,000	82.17	85.35	3.87%	81.85	-0.39%
20,000	86.09	89.36	3.80%	86.05	-0.05%
25,000	105.72	109.44	3.52%	107.06	1.27%
30,000	129.27	129.52	0.20%	128.07	-0.92%
35,000	152.82	149.60	-2.10%	149.08	-2.44%
40,000	176.37	169.68	-3.79%	170.09	-3.56%
45,000	199.92	189.76	-5.08%	191.10	-4.41%
50,000	223.47	209.84	-6.10%	212.11	-5.08%
75,000	341.22	310.24	-9.08%	317.16	-7.05%
100,000	458.97	410.64	-10.53%	422.21	-8.01%

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Casa - Grande Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 10.48	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 1.0000	$ 1.5900	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	1.4869	1.9880	1.8000
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
4	Residential 1-inch	25.20	43.35	35.00	Tier One Breakover (M Gal):	67	10	29	1.4869	1.9880	1.8000
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
7	Residential 2-inch	63.10	138.72	112.00	Tier One Breakover (M Gal):	296	125	100	1.4869	1.9880	1.8000
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
10	Residential 3-inch	105.15	277.44	224.00	Tier One Breakover (M Gal):	552	325	205	1.4869	1.9880	1.8000
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
13	Residential 4-inch	210.25	433.50	350.00	Tier One Breakover (M Gal):	1195	500	320	1.4869	1.9880	1.8000
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
16	Residential 6-inch	367.90	867.00	700.00	Tier One Breakover (M Gal):	2160	925	650	1.4869	1.9880	1.8000
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
19	Residential 8-inch	367.90	1,387.20	1,120.00	Tier One Breakover (M Gal):	2160	1500	1,050	1.4869	1.9880	1.8000
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
22	Residential 10-inch	1,205.20	2,774.40	1,610.00	Tier One Breakover (M Gal):	7292	3000	1,500	1.4869	1.9880	1.8000
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	10.48	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	1.0000	1.9880	1.8000
26					Tier Two Breakover (M Gal):	10	999999	999999	1.4869	2.4850	2.7490
27					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
28	Commercial 1-inch	25.20	43.35	35.00	Tier One Breakover (M Gal):	67	40	29	1.4869	1.9880	1.8000
29					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
30					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
31	Commercial 2-inch	63.10	138.72	112.00	Tier One Breakover (M Gal):	296	125	100	1.4869	1.9880	1.8000
32					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
33					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
34	Commercial 3-inch	105.15	277.44	224.00	Tier One Breakover (M Gal):	552	325	205	1.4869	1.9880	1.8000
35					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
36					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
37	Commercial 4-inch	210.25	433.50	350.00	Tier One Breakover (M Gal):	1195	500	320	1.4869	1.9880	1.8000
38					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
39					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
40	Commercial 6-inch	367.90	867.00	700.00	Tier One Breakover (M Gal):	2160	925	650	1.4869	1.9880	1.8000
41					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
42					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
43	Commercial 8-inch	367.90	1,387.20	1,120.00	Tier One Breakover (M Gal):	2160	1500	1,050	1.4869	1.9880	1.8000
44					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
45					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
46	Commercial 10-inch	1,205.20	2,774.40	1,610.00	Tier One Breakover (M Gal):	7292	3000	1,500	1.4869	1.9880	1.8000
47					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
48					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a

EXHIBIT
S-28
ADMITTED

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Casa Grande - Consolidated

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Break-Over Points: Company Present [D]	Break-Over Points: Company Proposed [E]	Break-Over Points: Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Industrial 5/8 x 3/4 -inch	$ 10.48	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 1.0000	$ 1.6430	$ 1.8000
2					Tier Two Breakover (M Gal):	10	999999	999999	1.4869	1.6430	2.7490
3					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
4	Industrial 1-inch	25.20	26.20	35.00	Tier One Breakover (M Gal):	67	999999	29	1.4869	1.6430	1.8000
5					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
6					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
7	Industrial 2-inch	63.10	83.84	112.00	Tier One Breakover (M Gal):	296	999999	100	1.4869	1.6430	1.8000
8					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
9					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
10	Industrial 3-inch	105.15	167.68	224.00	Tier One Breakover (M Gal):	552	999999	205	1.4869	1.6430	1.8000
11					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
12					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
13	Industrial 4-inch	210.25	262.00	350.00	Tier One Breakover (M Gal):	1195	999999	320	1.4869	1.6430	1.8000
14					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
15					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
16	Industrial 6-inch	367.90	524.00	700.00	Tier One Breakover (M Gal):	2160	999999	650	1.4869	1.6430	1.8000
17					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
18					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
19	Industrial 8-inch	367.90	838.40	1,120.00	Tier One Breakover (M Gal):	2160	999999	1,050	1.4869	1.6430	1.8000
20					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
21					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
22	Industrial 10-inch	1,205.20	1,676.80	1,610.00	Tier One Breakover (M Gal):	7292	999999	1,500	1.4869	1.6430	1.8000
23					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	1.6430	2.7490
24					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	5.00	25.00	14.00					n/a	n/a	n/a
31	8-inch service	5.00	25.00	22.40					n/a	n/a	n/a
32	10-inch service	12.05	25.00	32.20					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				-	n/a	126.51
36	Construction Water (2-inch)	63.10	138.72	-	Tier One Breakover (M Gal):	296	125	999999	1.4869	1.9680	2.7490
37					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
38					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
39	Construction Water (3-inch)	105.15	277.44	-	Tier One Breakover (M Gal):	552	325	999999	1.4869	1.9880	2.7490
40					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
41					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
42	Construction Water (4-inch)	210.25	433.50	-	Tier One Breakover (M Gal):	1195	500	999999	1.4869	1.9880	2.7490
43					Tier Two Breakover (M Gal):	999999	999999	999999	1.6500	2.4850	2.7490
44					Tier Three Breakover (M Gal):	999999	999999	999999	1.6500	n/a	n/a
45	Sales for Resale (2-inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	1.6430	2.7490
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.7490
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	1.6430	2.7490
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.7490
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	1.6430	2.7490
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	1.6430	2.7490
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
54	Abbott	n/a	n/a	700	Tier One Breakover (M Gal):	n/a	n/a	32000	n/a	n/a	1.8000
55					Tier Two Breakover (M Gal):	n/a	n/a	999999	n/a	n/a	2.7490
56					Tier Three Breakover (M Gal):	n/a	n/a	999999	n/a	n/a	n/a
57	Frito Lay	n/a	n/a	700	Tier One Breakover (M Gal):	n/a	n/a	11000	n/a	n/a	1.8000
58					Tier Two Breakover (M Gal):	n/a	n/a	999999	n/a	n/a	2.7490
59					Tier Three Breakover (M Gal):	n/a	n/a	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Stanfield - Consolidated

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Company Present [D]	Company Proposed [E]	Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Residential 5/8 x 3/4 -inch	$ 14.65	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 2.0300	$ 2.3270	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	2.8900	2.9090	2.9500
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
4	Residential 1-inch	36.63	43.35	35.00	Tier One Breakover (M Gal):	29	10	37	2.8900	2.9090	2.9500
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
7	Residential 2-inch	117.20	138.72	112.00	Tier One Breakover (M Gal):	139	125	135	2.8900	2.9090	2.9500
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
10	Residential 3-inch	234.40	277.44	224.00	Tier One Breakover (M Gal):	303	325	280	2.8900	2.9090	2.9500
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
13	Residential 4-inch	366.25	433.50	350.00	Tier One Breakover (M Gal):	487	500	440	2.8900	2.9090	2.9500
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
16	Residential 6-inch	732.50	867.00	700.00	Tier One Breakover (M Gal):	1002	925	900	2.8900	2.9090	2.9500
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
19	Residential 8-inch	1,172.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	1620	1500	1,450	2.8900	2.9090	2.9500
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
22	Residential 10-inch	1,684.75	2,774.40	1,610.00	Tier One Breakover (M Gal):	2341	3000	2,000	2.8900	2.9090	2.9500
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	14.65	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	2.0300	2.9090	2.9500
26					Tier Two Breakover (M Gal):	10	999999	999999	2.8900	3.6360	3.7000
27					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
28	Commercial 1-inch	36.63	43.35	35.00	Tier One Breakover (M Gal):	29	40	37	2.8900	2.9090	2.9500
29					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
30					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
31	Commercial 2-inch	117.20	138.72	112.00	Tier One Breakover (M Gal):	139	125	135	2.8900	2.9090	2.9500
32					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
33					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
34	Commercial 3-inch	234.40	277.44	224.00	Tier One Breakover (M Gal):	303	325	280	2.8900	2.9090	2.9500
35					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
36					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
37	Commercial 4-inch	366.25	433.50	350.00	Tier One Breakover (M Gal):	487	500	440	2.8900	2.9090	2.9500
38					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
39					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
40	Commercial 6-inch	732.50	867.00	700.00	Tier One Breakover (M Gal):	1002	925	900	2.8900	2.9090	2.9500
41					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
42					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
43	Commercial 8-inch	1,172.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	1620	1500	1,450	2.8900	2.9090	2.9500
44					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
45					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
46	Commercial 10-inch	1,684.75	2,774.40	1,610.00	Tier One Breakover (M Gal):	2341	3000	2,000	2.8900	2.9090	2.9500
47					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
48					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a

Arizona Water Company
Docket No. W-01445A-06-0440
Test Year Ended December 31, 2007

Stanfield - Consolidated

Line No.	[A] Customer Class	[B] Basic Service Charge: Company Present Rate	[C] Basic Service Charge: Company Proposed Rate	Basic Service Charge: Staff Recommended Rate	[D] Break-Over Points	[E] Company Present	[F] Company Proposed	Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Industrial 5/8 x 3/4 -inch	$ 14.65	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 2.0300	$ 2.9090	$ 2.9500
2					Tier Two Breakover (M Gal):	10	999999	999999	2.8900	2.9090	3.7000
3					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
4	Industrial 1-inch	36.63	26.20	35.00	Tier One Breakover (M Gal):	29	999999	37	2.8900	2.9090	2.9500
5					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
6					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
7	Industrial 2-inch	117.20	83.84	112.00	Tier One Breakover (M Gal):	139	999999	135	2.8900	2.9090	2.9500
8					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
9					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
10	Industrial 3-inch	234.40	167.68	224.00	Tier One Breakover (M Gal):	303	999999	260	2.8900	2.9090	2.9500
11					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
12					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
13	Industrial 4-inch	366.25	262.00	350.00	Tier One Breakover (M Gal):	487	999999	440	2.8900	2.9090	2.9500
14					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
15					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
16	Industrial 6-inch	732.50	524.00	700.00	Tier One Breakover (M Gal):	1002	999999	900	2.8900	2.9090	2.9500
17					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
18					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
19	Industrial 8-inch	1,172.00	838.40	1,120.00	Tier One Breakover (M Gal):	1620	999999	1,450	2.8900	2.9090	2.9500
20					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
21					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
22	Industrial 10-inch	1,684.75	1,676.80	1,610.00	Tier One Breakover (M Gal):	2341	999999	2,000	2.8900	2.9090	2.9500
23					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	2.9090	3.7000
24					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	7.33	25.00	14.00					n/a	n/a	n/a
31	8-inch service	11.72	25.00	22.40					n/a	n/a	n/a
32	10-inch service	16.85	25.00	32.20					n/a	n/a	n/a
33	Other Water Revenues										
34	Public Fire Hydrant	n/a	n/a	n/a					n/a	n/a	n/a
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				65.00	76.2819	77.1939
36	Construction Water (2-inch)	117.20	138.72	-	Tier One Breakover (M Gal):	139	125	999.999	2.8900	2.9090	3.7000
37					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
38					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
39	Construction Water (3-inch)	234.40	277.44	-	Tier One Breakover (M Gal):	303	325	999.999	2.8900	2.9090	3.7000
40					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
41					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
42	Construction Water (4-inch)	366.25	433.50	-	Tier One Breakover (M Gal):	487	500	999.999	2.8900	2.9090	3.7000
43					Tier Two Breakover (M Gal):	999999	999999	999999	3.6000	3.6360	3.7000
44					Tier Three Breakover (M Gal):	999999	999999	999999	3.6000	n/a	n/a
45	Sales for Resale (2-inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	3.7000
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	3.7000
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	3.7000
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	3.7000
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999.999	999999	n/a	2.9090	3.7000
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.9090	3.7000
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007

Coolidge - Consolidated

Line No.	Customer Class	[A] Basic Service Charge: Company Present Rate	[B] Basic Service Charge: Company Proposed Rate	[C] Basic Service Charge: Staff Recommended Rate	Break-Over Points	[D] Company Present	[E] Company Proposed	[F] Staff Recommended	[G] Commodity Charge: Company Present Rate	[H] Commodity Charge: Company Proposed Rate	[I] Commodity Charge: Staff Recommended Rate
1	Residential 5/8 x 3/4 -inch	$ 10.90	$ 17.34	$ 14.00	Tier One Breakover (M Gal):	3	3	3	$ 1.5500	$ 1.5900	$ 0.9000
2					Tier Two Breakover (M Gal):	10	10	10	1.9600	1.9880	1.8000
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
4	Residential 1-inch	27.25	43.35	35.00	Tier One Breakover (M Gal):	47	10	29	1.9600	1.9880	1.8000
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
7	Residential 2-inch	87.20	138.72	112.00	Tier One Breakover (M Gal):	258	125	100	1.9600	1.9880	1.8000
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
10	Residential 3-inch	174.40	277.44	224.00	Tier One Breakover (M Gal):	568	325	205	1.9600	1.9880	1.8000
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
13	Residential 4-inch	272.50	433.50	350.00	Tier One Breakover (M Gal):	917	500	320	1.9600	1.9880	1.8000
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
16	Residential 6-inch	545.00	867.00	700.00	Tier One Breakover (M Gal):	1889	925	650	1.9600	1.9880	1.8000
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
19	Residential 8-inch	872.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	3055	1500	1,050	1.9600	1.9880	1.8000
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
22	Residential 10-inch	1,253.50	2,774.40	1,610.00	Tier One Breakover (M Gal):	4416	3000	1,500	1.9600	1.9880	1.8000
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
25	Commercial 5/8 x 3/4 -inch	10.90	17.34	14.00	Tier One Breakover (M Gal):	3	10	10	1.5500	1.9880	1.8000
26					Tier Two Breakover (M Gal):	10	999999	999999	1.9600	2.4850	2.7490
27					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
28	Commercial 1-inch	27.25	43.35	35.00	Tier One Breakover (M Gal):	47	40	29	1.9600	1.9880	1.8000
29					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
30					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
31	Commercial 2-inch	87.20	138.72	112.00	Tier One Breakover (M Gal):	258	125	100	1.9600	1.9880	1.8000
32					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
33					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
34	Commercial 3-inch	174.40	277.44	224.00	Tier One Breakover (M Gal):	568	325	205	1.9600	1.9880	1.8000
35					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
36					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
37	Commercial 4-inch	272.50	433.50	350.00	Tier One Breakover (M Gal):	917	500	320	1.9600	1.9880	1.8000
38					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
39					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
40	Commercial 6-inch	545.00	867.00	700.00	Tier One Breakover (M Gal):	1889	925	650	1.9600	1.9880	1.8000
41					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
42					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
43	Commercial 8-inch	872.00	1,387.20	1,120.00	Tier One Breakover (M Gal):	3055	1500	1,050	1.9600	1.9880	1.8000
44					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
45					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
46	Commercial 10-inch	1,253.50	2,774.40	1,610.00	Tier One Breakover (M Gal):	4416	3000	1,500	1.9600	1.9880	1.8000
47					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
48					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a

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Cookidge - Consolidated

Line No.	Customer Class	Basic Service Charge: Company Present Rate [A]	Basic Service Charge: Company Proposed Rate [B]	Basic Service Charge: Staff Recommended Rate [C]	Break-Over Points	Company Present [D]	Company Proposed [E]	Staff Recommended [F]	Commodity Charge: Company Present Rate [G]	Commodity Charge: Company Proposed Rate [H]	Commodity Charge: Staff Recommended Rate [I]
1	Industrial 5/8 x 3/4 -inch	$ 10.90	$ 10.48	$ 14.00	Tier One Breakover (M Gal):	3	999999	10	$ 1.5500	$ 2.1000	$ 1.8000
2					Tier Two Breakover (M Gal):	10	999999	999999	1.9600	2.1000	2.7490
3					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
4	Industrial 1-inch	27.25	26.20	35.00	Tier One Breakover (M Gal):	47	999999	29	1.9600	2.1000	1.8000
5					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
6					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
7	Industrial 2-inch	87.20	83.84	112.00	Tier One Breakover (M Gal):	258	999999	100	1.9600	2.1000	1.8000
8					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
9					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
10	Industrial 3-inch	174.40	167.68	224.00	Tier One Breakover (M Gal):	568	999999	205	1.9600	2.1000	1.8000
11					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
12					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
13	Industrial 4-inch	272.50	262.00	350.00	Tier One Breakover (M Gal):	917	999999	320	1.9600	2.1000	1.8000
14					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
15					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
16	Industrial 6-inch	545.00	524.00	700.00	Tier One Breakover (M Gal):	1889	999999	650	1.9600	2.1000	1.8000
17					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
18					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
19	Industrial 8-inch	872.00	838.40	1,120.00	Tier One Breakover (M Gal):	3055	999999	1,050	1.9600	2.1000	1.8000
20					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
21					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
22	Industrial 10-inch	1,253.50	1,676.80	1,610.00	Tier One Breakover (M Gal):	4416	999999	1,500	1.9600	2.1000	1.8000
23					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.1000	2.7490
24					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
25	Private Fire Service 5/8-inch service	5.00	25.00	10.00					n/a	n/a	n/a
26	1-inch service	5.00	25.00	10.00					n/a	n/a	n/a
27	2-inch service	5.00	25.00	10.00					n/a	n/a	n/a
28	3-inch service	5.00	25.00	10.00					n/a	n/a	n/a
29	4-inch service	5.00	25.00	10.00					n/a	n/a	n/a
30	6-inch service	5.45	25.00	14.00					n/a	n/a	n/a
31	8-inch service	8.72	25.00	22.40					n/a	n/a	n/a
32	10-inch service	12.54	25.00	32.20							
33	Other Water Revenues								n/a	n/a	n/a
34	Public Fire Hydrant	n/a	n/a	n/a							
35	Coin Machine	n/a	n/a	n/a	No. Gallons / $ .25 (quarter)				104.00	114.5483	126.5122
36	Construction Water (2-Inch)	87.20	138.72	-	Tier One Breakover (M Gal):	258	125	999999	1.9600	1.9880	2.7490
37					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
38					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
39	Construction Water (3-Inch)	174.40	277.44	-	Tier One Breakover (M Gal):	568	325	999999	1.9600	1.9880	2.7490
40					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
41					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
42	Construction Water (4-Inch)	272.50	433.50	-	Tier One Breakover (M Gal):	917	500	999999	1.9600	1.9880	2.7490
43					Tier Two Breakover (M Gal):	999999	999999	999999	2.2400	2.4850	2.7490
44					Tier Three Breakover (M Gal):	999999	999999	999999	2.2400	n/a	n/a
45	Sales for Resale (2-Inch)	n/a	83.84	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	2.1000	2.7490
46					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.7490
47					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
48	Sales for Resale (3-Inch)	n/a	167.68	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	2.1000	2.7490
49					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.7490
50					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a
51	Sales for Resale (6-Inch)	n/a	524.00	-	Tier One Breakover (M Gal):	n/a	999,999	999999	n/a	2.1000	2.7490
52					Tier Two Breakover (M Gal):	n/a	999999	999999	n/a	2.1000	2.7490
53					Tier Three Breakover (M Gal):	n/a	999999	999999	n/a	n/a	n/a

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Schedule JMM-2

Casa Grande - Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,843	$ 22.17	$ 33.73	$ 11.56	52.14%
Median Usage	6,075	$ 18.06	$ 28.22	$ 10.17	56.34%
Staff Recommended					
Average Usage	8,843	$ 22.17	$ 27.22	$ 5.05	22.78%
Median Usage	6,075	$ 18.06	$ 22.24	$ 4.18	23.17%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 10.48	$ 17.34	65.46%	$ 14.00	33.59%
1,000	11.48	18.93	64.90%	14.90	29.79%
2,000	12.48	20.52	64.42%	15.80	26.60%
3,000	13.48	22.11	64.02%	16.70	23.89%
4,000	14.97	24.10	61.01%	18.50	23.61%
5,000	16.45	26.09	58.54%	20.30	23.38%
6,000	17.94	28.07	56.48%	22.10	23.18%
7,000	19.43	30.06	54.74%	23.90	23.02%
8,000	20.91	32.05	53.24%	25.70	22.88%
9,000	22.40	34.04	51.95%	27.50	22.76%
10,000	23.89	36.03	50.81%	29.30	22.65%
11,000	25.54	38.51	50.80%	32.05	25.49%
12,000	27.19	41.00	50.79%	34.80	27.99%
13,000	28.84	43.48	50.78%	37.55	30.20%
14,000	30.49	45.97	50.77%	40.30	32.17%
15,000	32.14	48.45	50.76%	43.05	33.94%
16,000	33.79	50.94	50.75%	45.79	35.53%
17,000	35.44	53.42	50.74%	48.54	36.98%
18,000	37.09	55.91	50.74%	51.29	38.30%
19,000	38.74	58.39	50.73%	54.04	39.50%
20,000	40.39	60.88	50.73%	56.79	40.61%
25,000	48.64	73.30	50.71%	70.54	45.02%
30,000	56.89	85.73	50.69%	84.28	48.15%
35,000	65.14	98.15	50.68%	98.03	50.49%
40,000	73.39	110.58	50.67%	111.77	52.30%
45,000	81.64	123.00	50.67%	125.52	53.75%
50,000	89.89	135.43	50.66%	139.26	54.93%
75,000	131.14	197.55	50.64%	207.99	58.60%
100,000	172.39	259.68	50.63%	276.71	60.52%

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Schedule JMM-2

Stanfield -Consolidated
Typical Bill Analysis
Residential 5/8 x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,162	$ 38.55	$ 42.25	$ 3.70	9.59%
Median Usage	7,262	$ 33.06	$ 36.72	$ 3.66	11.08%
Staff Recommended					
Average Usage	9,162	$ 38.55	$ 34.88	$ (3.67)	-9.52%
Median Usage	7,262	$ 33.06	$ 29.27	$ (3.78)	-11.45%

Present & Proposed Rates (Without Taxes)
Residential 5/8 x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 14.65	$ 17.34	18.36%	$ 14.00	-4.44%
1,000	16.68	19.67	17.91%	14.90	-10.67%
2,000	18.71	21.99	17.55%	15.80	-15.55%
3,000	20.74	24.32	17.27%	16.70	-19.46%
4,000	23.63	27.23	15.23%	19.65	-16.84%
5,000	26.52	30.14	13.65%	22.60	-14.76%
6,000	29.41	33.05	12.37%	25.55	-13.12%
7,000	32.30	35.96	11.32%	28.50	-11.76%
8,000	35.19	38.87	10.45%	31.45	-10.63%
9,000	38.08	41.78	9.70%	34.40	-9.68%
10,000	40.97	44.68	9.07%	37.35	-8.84%
11,000	44.57	48.32	8.41%	41.05	-7.90%
12,000	48.17	51.96	7.86%	44.75	-7.10%
13,000	51.77	55.59	7.38%	48.45	-6.41%
14,000	55.37	59.23	6.97%	52.15	-5.82%
15,000	58.97	62.86	6.60%	55.85	-5.29%
16,000	62.57	66.50	6.28%	59.55	-4.83%
17,000	66.17	70.14	5.99%	63.25	-4.41%
18,000	69.77	73.77	5.74%	66.95	-4.04%
19,000	73.37	77.41	5.50%	70.65	-3.71%
20,000	76.97	81.04	5.29%	74.35	-3.40%
25,000	94.97	99.22	4.48%	92.85	-2.23%
30,000	112.97	117.40	3.92%	111.35	-1.43%
35,000	130.97	135.58	3.52%	129.85	-0.86%
40,000	148.97	153.76	3.22%	148.35	-0.42%
45,000	166.97	171.94	2.98%	166.85	-0.07%
50,000	184.97	190.12	2.79%	185.35	0.21%
75,000	274.97	281.02	2.20%	277.85	1.05%
100,000	364.97	371.92	1.91%	370.35	1.47%

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Schedule JMM-2

Coolidge - Consolidated
Typical Bill Analysis
Residential 5/8x 3/4 Inch Meters

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,134	$ 25.61	$ 32.32	$ 6.70	26.17%
Median Usage	5,998	$ 21.43	$ 28.07	$ 6.64	31.01%
Staff Recommended					
Average Usage	8,134	$ 25.61	$ 25.94	$ 0.33	1.28%
Median Usage	5,998	$ 21.43	$ 22.10	$ 0.67	3.13%

Present & Proposed Rates (Without Taxes)
Residential 5/8x 3/4 Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 10.90	$ 17.34	59.08%	$ 14.00	28.44%
1,000	12.45	18.93	52.05%	14.90	19.68%
2,000	14.00	20.52	46.57%	15.80	12.86%
3,000	15.55	22.11	42.19%	16.70	7.40%
4,000	17.51	24.10	37.62%	18.50	5.65%
5,000	19.47	26.09	33.98%	20.30	4.26%
6,000	21.43	28.07	31.00%	22.10	3.13%
7,000	23.39	30.06	28.53%	23.90	2.18%
8,000	25.35	32.05	26.43%	25.70	1.38%
9,000	27.31	34.04	24.64%	27.50	0.70%
10,000	29.27	36.03	23.08%	29.30	0.10%
11,000	31.51	38.51	22.22%	32.05	1.71%
12,000	33.75	41.00	21.47%	34.80	3.11%
13,000	35.99	43.48	20.81%	37.55	4.33%
14,000	38.23	45.97	20.24%	40.30	5.40%
15,000	40.47	48.45	19.72%	43.05	6.36%
16,000	42.71	50.94	19.26%	45.79	7.22%
17,000	44.95	53.42	18.85%	48.54	7.99%
18,000	47.19	55.91	18.47%	51.29	8.69%
19,000	49.43	58.39	18.13%	54.04	9.33%
20,000	51.67	60.88	17.82%	56.79	9.91%
25,000	62.87	73.30	16.59%	70.54	12.19%
30,000	74.07	85.73	15.74%	84.28	13.78%
35,000	85.27	98.15	15.11%	98.03	14.96%
40,000	96.47	110.58	14.62%	111.77	15.86%
45,000	107.67	123.00	14.24%	125.52	16.57%
50,000	118.87	135.43	13.93%	139.26	17.15%
75,000	174.87	197.55	12.97%	207.99	18.94%
100,000	230.87	259.68	12.48%	276.71	19.86%