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BEFORE THE ARIZONA CORPORATION COMMISSION

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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 ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR CERTAIN RELATED APPROVALS BASED THEREON.	Docket No. W-01445A-08-0440

NOTICE OF FILING DIRECT TESTIMONY

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Direct Revenue Requirement Testimony of William A. Rigsby and Timothy J. Coley, and the Cost of Capital Testimony of William A. Rigsby in the above-referenced matter.

RESPECTFULLY SUBMITTED this 12th day of June, 2009.

Michelle L. Wood
Counsel

Arizona Corporation Commission
DOCKETED

DOCKETED BY

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ARIZONA WATER COMPANY

DOCKET NO. W-014457A-08-0440

DIRECT TESTIMONY
ON REVENUE REQUIREMENT

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JUNE 12, 2009

TABLE OF CONTENTS

INTRODUCTION 1

SUMMARY OF TESTIMONY AND RECOMMENDATIONS 5

REVENUE REQUIREMENTS 9

OPERATING INCOME ADJUSTMENTS 11

RUCO Operating Adjustment #1 – Labor Expense 11
RUCO Operating Adjustment #2 – Payroll Tax Expense 13
RUCO Operating Adjustment #3 – Payroll 401(k) Expense 13
RUCO Operating Adjustment #4 – Reverse Adjustment for Conservation 14
RUCO Operating Adjustment #5 – Purchased Power Revenues 16
RUCO Operating Adjustment #6 – Insurance Expense 18
RUCO Operating Adjustment #7 – Depreciation Expense 19
RUCO Operating Adjustment #8 – Property Tax Expense 19
RUCO Operating Adjustment #9 – Rate Case Expense 20
RUCO Operating Adjustment #10 – Income Tax Expense 21

ADJUSTOR MECHANISMS 22

APPENDIX 1 – QUALIFICATIONS OF WILLIAM A. RIGSBY

NORTHERN GROUP SCHEDULES:

LAKESIDE – SCHEDULES WAR-1 THROUGH WAR-15

OVERGAARD – SCHEDULES WAR-1 THROUGH WAR-15

SEDONA – SCHEDULES WAR-1 THROUGH WAR-15

PINEWOOD – SCHEDULES WAR-1 THROUGH WAR-15

RIMROCK – SCHEDULES WAR-1 THROUGH WAR-15

INTRODUCTION

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

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

Q. Please describe your qualifications in the field of utilities regulation and your educational background.

A. I have been involved with utilities regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. I have been awarded the professional designation, Certified Rate of Return Analyst ("CRRA") by the Society of Utility and Regulatory Financial Analysts ("SURFA"). The CRRA designation is awarded based upon experience and the successful completion of a written examination. Appendix I, which is attached to this testimony, further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of Arizona Water Company's ("AWC" or the "Company") application for a permanent rate increase ("Application") for the Company's statewide operations in Arizona. AWC filed the Application with the Arizona Corporation Commission ("ACC" or "Commission") on August 22, 2008. The Company has chosen the operating period ended December 31, 2007, for the test year ("Test Year") in this proceeding.

Q. Please describe AWC's organization.

A. AWC is comprised of eighteen separate operating systems that are organized into three different geographical groups: the Eastern Group which includes the Company's Superstition[1], Bisbee, Sierra Vista, San Manuel, Oracle, Saddlebrook, Winkelman, and Miami Systems; the Western Group which is made up of AWC's Casa Grande, Stanfield, White Tank, Ajo and Coolidge Systems; and, the Northern Group, which is comprised of the Company's Lakeside, Overgaard, Sedona, Pinewood and Rimrock Systems. AWC is seeking rate relief on a partial rate consolidation basis for seventeen of the aforementioned systems. According to AWC's Application, the Eastern Group's Saddlebrook System does not currently provide service to any permanent residential

[1] The Superstion System is comprised of two non-interconnected water systems serving Apache Junction and Superior. The two systems were consolidated for ratemaking purposes in a prior rate case proceeding that involved the Company's Eastern Group (Decision No. 66849, Dated March 19, 2004).

customers and is not part of this rate application. Per a condition of Decision No. 62754, the Company is required to file a rate application within thirty-six months of the date the Saddlebrook System provides service to a permanent residential customer.

Q. Please explain your role in RUCO's analysis of AWC's Application.

A. I reviewed AWC's Application to determine if the rates and charges being requested by the Company are appropriate. My testimony will cover the levels of operating revenues and expenses that are being proposed by the Company for the seventeen systems included in the Company's filing. I will also address a number of surcharges and pass-through mechanisms for which AWC is seeking Commission approval.

Q. Will you also address the rate base issues in this case?

A. No. The rate base issues associated with the case will be addressed by RUCO witness Timothy J. Coley.

Q. Are you presenting ratemaking schedules for each of the seventeen systems that AWC has included in its application?

A. No. I will be presenting ratemaking schedules for the five systems that are included in the Company's Northern Group. Mr. Coley will sponsor ratemaking schedules for the remaining twelve systems that make up AWC's Eastern and Western Groups. The rate base adjustments that Mr.

Coley discusses in his direct testimony appear in Schedules WAR-2 through WAR-6 for the Northern Group systems that I sponsor and Schedules TJC-2 through TJC-6 for the Eastern and Western Group systems that Mr. Coley sponsors. The operating revenue and expense adjustments that I will discuss appear on Schedules WAR-7 through WAR-15 for the Northern Group systems that I am sponsoring in my direct testimony and Schedules TJC-7 through TJC-15 for the Eastern and Western Group systems that Mr. Coley is sponsoring in his direct testimony.

Q. Who will provide direct testimony on RUCO's recommended rate design?

A. RUCO's direct testimony on rate design will be provided by RUCO witness Rodney L. Moore. Under the current Procedural Order, testimony on rate design and cost of service is scheduled to be filed on Friday, June 26, 2009.

Q. Will Mr. Coley, Mr. Moore or you offer direct testimony on rate consolidation at this time?

A. No. RUCO reserves the right to file testimony on rate consolidation during the surrebuttal phase of the proceeding upon review of rate design and engineering reports to be filed June 26, 2009. RUCO Director Jodi Jerich will file testimony on RUCO's position regarding the issue of rate consolidation at that time. Mr. Coley, Mr. Moore and I will present updated

ratemaking and rate design schedules that reflect RUCO's position regarding rate consolidation at that time also. The ratemaking schedules sponsored by Mr. Coley and I during the direct testimony phase of the proceeding will present the effects of RUCO's recommended levels of rate base, operating revenue and operating expenses on a stand-alone basis for each of the seventeen systems included in AWC's filing. Mr. Moore's direct testimony on rate design will also reflect rates on a stand-alone basis also.

Q. Is RUCO providing testimony on the cost of capital issues associated with the case?

A. Yes. I have also filed, under separate cover, testimony on the cost of capital issues associated with the case.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your direct testimony is organized.

A. My direct testimony is organized into four sections. First, the introduction I have just presented and second, the summary of my testimony that I am about to give. Third, I will present the findings of my analysis of AWC's Application and will explain the various operating revenue and expense adjustments that I am recommending. Fourth, and finally, I will discuss my recommendations regarding AWC's request for a number of surcharges and pass-through mechanisms.

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

A. Based on the results of my analysis of AWC, I am making the following recommendations related to operating revenues and expenses:

RUCO Operating Adjustment #1 – Labor Expense – This adjustment normalizes overtime hours that were incurred during the Test Year and reduces the Company's labor expense to reflect a more normal level of dollars paid for employee overtime. The adjustment is the first of four adjustments that affect all seventeen of AWC's operating systems.

RUCO Operating Adjustment #2 – Payroll Tax Expense – This is the second of four adjustments related to the level of employee overtime incurred during the Test Year. The adjustment normalizes payroll tax expense associated with the excess overtime labor expense removed in RUCO Operating Expense Adjustment #1. The adjustment affects all seventeen of AWC's operating systems.

RUCO Operating Adjustment #3 – Payroll 401(k) Expense – This is the third of four adjustments related to the level of employee overtime incurred during the Test Year. The adjustment normalizes Company 401(k) retirement program contributions incurred during the Test Year. The adjustment removes 401(k) expense dollars associated with the excess

overtime labor expense removed in RUCO Operating Expense Adjustment #1. The adjustment affects all seventeen of AWC's operating systems.

RUCO Operating Adjustment #4 – Reverse Adjustment for Conservation – This adjustment reverses a Company adjustment designed to recover revenues that may be lost as a result of implementing a conservation-oriented, three-tiered inverted block rate design in this proceeding for the AWC's Northern Group. The adjustment affects the five operating systems that make up the Company's Northern Group.

RUCO Operating Adjustment #5 – Purchased Power Revenues – This adjustment reverses an adjustment made by the Company to remove revenues pursuant to AWC's purchased power adjustment mechanism ("PPAM") that is currently in effect for all five of the Company's Northern Group systems. The adjustment is consistent with RUCO's recommendations to eliminate the Northern Group PPAM and to reject AWC's proposal to establish PPAM's for the Company's Eastern and Western Group systems.

RUCO Operating Adjustment #6 – Insurance Expense – This minor adjustment is the last of four adjustments related to overtime pay that was recorded during the Test Year. The adjustment removes a portion of long-term disability insurance expense that is associated with the excess

overtime labor expense removed in RUCO Operating Expense Adjustment #1. The adjustment affects all seventeen of AWC's operating systems.

RUCO Operating Adjustment #7 – Depreciation Expense – This adjustment calculates depreciation and amortization expense based on RUCO's recommended plant levels. The adjustment affects all seventeen of AWC's operating systems.

RUCO Operating Adjustment #8 – Property Tax Expense – This adjustment calculates property tax expense based on a modified Arizona Department of Revenue ("ADOR") formula that has been adopted by the Commission in a number of prior rate cases. The adjustment affects all seventeen of AWC's operating systems.

RUCO Operating Adjustment #9 – Rate Case Expense – This adjustment reflects RUCO's best estimate of rate case expense, to be amortized over three years, for this proceeding based on updated information provided by the Company. The adjustment affects all seventeen of AWC's operating systems.

RUCO Operating Adjustment #10 – Income Tax Expense – This adjustment calculates the appropriate level of income tax expense given

RUCO's recommended operating income. The adjustment affects all seventeen of AWC's operating systems.

Adjustor Mechanisms – RUCO recommends that the Commission reject the Company's request for adjustor mechanisms for purchased power, water, fuel and an adjustor for earnings attrition. RUCO recommends that the Commission eliminate the Northern Group PPAM and reject AWC's proposal to reestablish PPAM's for the Company's Eastern and Western Group systems. RUCO also recommends that the Commission reject AWC's request to reestablish a purchased water adjustor mechanism ("PWAM") for the Company's Eastern and Western Groups. RUCO further recommends that the Commission deny AWC's request for a purchased fuel adjustor mechanism ("PFAM") for all of the Company's operating systems. Finally RUCO recommends that AWC's request for an attrition adjustor mechanism ("AAM") as an alternative to the aforementioned adjustor mechanisms also be denied.

REVENUE REQUIREMENTS

Q. Please summarize the results of RUCO's analysis of Arizona Water Company and your recommended revenue requirement.

A. Based on the results of RUCO's analysis of AWC's rate application, RUCO is recommending that revenue for each of the Company's

seventeen operating systems should be increased by no more than the following amounts on a stand-alone (i.e. non-consolidated) basis:

Eastern Group Systems	RUCO's Recommended Increase/(Decrease) In Operating Revenue	Percentage Increase/ (Decrease)
Superstition	$2,160,482	18.09%
Bisbee	$271,233	15.74%
Sierra Vista	($163,188)	(11.16%)
San Manuel	$302,504	37.24%
Oracle	($70,482)	(6.26%)
Winkleman	$17,035	17.26%
Miami	$665,054	35.94%
Total Eastern Group	**$3,182,638**	

Western Group Systems	RUCO's Recommended Increase/(Decrease) In Operating Revenue	Percentage Increase/ (Decrease)
Casa Grande	$3,699,044	33.83%
Stanfield	$136,067	103.00%
White Tank	$317,918	25.54%
Ajo	$39,808	8.45%
Coolidge	($67,182)	(3.03%)
Total Western Group	**$4,125,655**	

Western Group Systems	RUCO's Recommended Increase/(Decrease) In Operating Revenue	Percentage Increase/ (Decrease)
Lakeside	($69,552)	(2.72%)
Overgaard	($277,183)	(16.44%)
Sedona	$975,545	27.73%
Pinewood	($7,224)	(0.69%)
Rimrock	$366,377	72.19%
Total Northern Group	**$987,963**	
Total Company	**$8,296,256**	

RUCO's recommended increase in operating revenue is $7,145,034 lower than the $15,441,290 level of increase requested by AWC. The recommendations listed above are summarized on Schedule WAR-1 for the Northern Group systems in my direct testimony and Schedule TJC-1 for the Eastern and Western Group systems that are included in the direct testimony of RUCO witness Tim Coley.

OPERATING INCOME ADJUSTMENTS

RUCO Operating Adjustment #1 – Labor Expense

Q. Has RUCO made an adjustment to the Company-proposed level of labor expense?

A. Yes.

Q. Please explain RUCO's adjustment to the Company-proposed level of labor expense.

A. During the Test Year, the Company incurred over 28,000 hours of overtime. This level of overtime is much higher than the levels of overtime hours that were recorded during the 2005, 2006 and 2008 operating periods. RUCO's adjustment normalizes overtime hours that were incurred during the Test Year (by using a four year average of overtime hours over the 2005 through 2008 operating periods) and reduces the Company's labor expense to reflect a more normal level of dollars paid for employee overtime. The adjustment is the first of four adjustments that affect all seventeen of AWC's operating systems. The other three related expenses include payroll tax expense, payroll 401(k) expense and insurance expense.

Q. What is the effect of RUCO's adjustment to labor expense?

A. RUCO's adjustment reduces labor expense by $302,000 on a total company basis. The adjustment involves all seventeen operating systems and is exhibited on Page 1 of Schedule WAR-9 for the Northern Group in my direct testimony and Page 2 of Schedule TJC-9 for the Eastern and Western Groups that are included in the direct testimony of RUCO witness Tim Coley.

RUCO Operating Adjustment #2 – Payroll Tax Expense

Q. Please explain RUCO's adjustment to the Company-proposed level of payroll tax expense.

A. This is the second of four adjustments related to the level of employee overtime incurred during the Test Year. The adjustment normalizes payroll tax expense associated with the excess overtime labor expense removed in RUCO Operating Expense Adjustment #1.

Q. What is the effect of RUCO's adjustment to payroll tax expense?

A. RUCO's adjustment reduces payroll tax expense by $32,967 on a total company basis. The adjustment affects all seventeen of AWC's operating systems and can be viewed on Page 2 of Schedule WAR-9 for the Northern Group systems and Page 2 of Schedule TJC-9 for the Eastern and Western Group systems.

RUCO Operating Adjustment #3 – Payroll 401(k) Expense

Q. Please explain RUCO's adjustment to the Company-proposed level of expense associated with AWC's 401(k) program.

A. The adjustment normalizes Company 401(k) retirement program contributions incurred during the Test year. As explained in the two prior adjustments, this is the third of four adjustments related to the level of employee overtime incurred during the Test Year.

Q. How does RUCO's adjustment affect the Company's test year adjusted 401(k) expense?

A. The adjustment reduces $401(k) expense associated by $25,282 on a total company basis. RUCO's adjustment affects all seventeen of AWC's operating systems and can be seen on Page 3 of Schedule WAR-9 for the Northern Group systems and Page 3 of Schedule TJC-9 for the Eastern and Western Group systems.

RUCO Operating Adjustment #4 – Reverse Adjustment for Conservation

Q. What adjustment has RUCO made to the Company-proposed level of administrative & general expense?

A. RUCO has reversed the Company's adjustment that increases administrative & general expense for the Northern Group by $308,701.

Q. What was the purpose of the Company's adjustment that increases administrative & general expense for the Northern Group by $308,701?

A. According to the Company's Application, the adjustment was designed to recover forecasted lost revenues as a result of implementing a water conservation-oriented, three-tiered inverted block rate design for the Northern group systems in this proceeding. The Northern group is presently the only group of systems that does not have inclining tiered rates.

Q. How did the Company arrive at the $308,701 figure?

A. According to the direct testimony of Company Witness Joel M. Reiker, a study of the Company's Western group was conducted following the implementation of tiered rates pursuant to Decision No. 68302. Mr. Reiker performed a regression analysis that holds average temperature and total precipitation conditions constant. Based on the results of the regression analysis, Mr. Reiker concludes that an 8.70 percent decrease in consumption will occur for every one million of gallons consumed.

Q. Why does RUCO disagree with the Company's adjustment?

A. RUCO does not believe a study that was performed on operating systems that are, for the most part, located in the central part of the state is relevant to the Northern Group. Although Mr. Reiker's study takes weather into consideration, there is no real guarantee that customers in the Northern group systems will react in the same way to tiered rates. Based on the Company's test year billing determinants, the average median consumption of 2,788 gallons for Northern Group residential customers was 3,780 gallons lower than the average median consumption of 6,658 for Western group residential customers. The lower level of consumption might indicate that Northern Group customers are already practicing conservation and may not be able to cut back on their usage. In any case, RUCO believes that the adjustment made by the Company is an

estimate at best that cannot predict with actual certainty how Northern Group ratepayers will react to the implementation of tired rates.

Q. Are you aware of a case where the Commission has adopted such an adjustment?

A. To the best of my knowledge no. I cannot say that I am aware of any case where the Commission adopted an adjustment that increased revenues as a result of conservation that might result from the implementation of either new rates or tiered rates. Recently, the Commission rejected a request by Southwest Gas Corporation for the implementation of a decoupling mechanism that, according to Southwest Gas Corporation, was designed to mitigate the effects of lost revenue due to ratepayer conservation.[2]

RUCO Operating Adjustment #5 – Purchased Power Revenues

Q. Please explain your Operating Adjustment #5 which reduces operating revenue for AWC's Northern Group by $39,446.

A. My adjustment reverses a Company pro forma adjustment that reflects changes in purchased power costs from base levels for the Northern Group. The adjustment for each of the five Northern Group systems can be viewed on Schedule WAR-8.

[2] Decision No. 70665, Dated December 24, 2008

Q. Why did the Company make this pro forma adjustment to increase Northern Group revenues?

A. According to AWC's Application, the Company made the pro forma adjustment to increase revenues collected through a PPAM which is currently in place in the Northern Group. As noted above, the revenues in question reflect changes in purchased power costs from base levels that were established in the most recent Northern Group rate case proceeding.[3] The Company is proposing that the PPAM be reset to zero with new base levels established in this proceeding at the current level of expense. The five Northern Group systems are the only AWC systems that presently have such a pass through mechanism.

Q. Why have you made this adjustment?

A. The adjustment is consistent with RUCO's recommendations to eliminate the Northern Group PPAM and to reject AWC's proposal to establish PPAM's for the Company's Eastern and Western Group systems.

Q. Why should the Company's Northern Group PPAM be eliminated?

A. RUCO believes that the elimination of the Northern Group PPAM is consistent with prior Commission orders that rejected AWC's proposals for PPAM's for the Eastern and Western Groups. RUCO believes that the Commission's conclusion in Decision No. 66849 – that the establishment

[3] Decision No. 64282, dated December 28, 2001

of a PPAM provides a disincentive for the Company to obtain the lowest possible cost commodity because the costs are simply passed through to ratepayers – is still valid. For this reason RUCO is recommending that the Northern Group PPAM be eliminated.

RUCO Operating Adjustment #6 – Insurance Expense

Q. What adjustment has RUCO made to the Company-proposed level of insurance expense?

A. RUCO has made a minor total company adjustment of $1,090 to the Company-proposed level of insurance expense. The adjustment is the last of four adjustments related to overtime pay that was recorded during the Test Year.

Q. What does RUCO's adjustment do?

A. The adjustment removes a portion of long-term disability insurance expense that is associated with the excess overtime labor expense removed in RUCO Operating Expense Adjustment #1. The adjustment affects all seventeen of AWC's operating systems and can be seen in Schedule WAR-10 for the Northern Group systems and Schedule TJC-10 for the Eastern and Western Group systems.

RUCO Operating Adjustment #7 – Depreciation Expense

Q. Have you recalculated Test Year depreciation and amortization expense?

A. Yes. Based on RUCO's adjusted test-year plant balances, I have recalculated depreciation and amortization expense on a going-forward basis. The adjustment is exhibited in Schedule WAR-11 for the Northern Group systems in my direct testimony and Schedule TJC-11 for the Eastern and Western Group systems that are included in the direct testimony of RUCO witness Tim Coley.

RUCO Operating Adjustment #8 – Property Tax Expense

Q. Has RUCO made an adjustment to the Company-proposed level of property tax expense?

A. Yes.

Q. Has RUCO calculated property tax expense using a methodology that has been adopted by the ACC in prior rate cases?

A. Yes. RUCO has used a modified version of the ADOR formula that has been adopted by the Commission in a number of prior rate cases. RUCO's calculation of property tax expense uses two years of adjusted operating revenues and one year of RUCO's recommended level of operating revenue to arrive at a three-year average of revenue that is subject to property tax. The calculation of property tax expense can be

viewed in Schedule WAR-12 for the Northern Group systems and Schedule TJC-12 for the Eastern and Western Group systems.

Q. Are there any differences between RUCO's calculation of property tax expense and the Company's calculation?

A. Yes. There are three differences. First, RUCO's calculation includes an addition of 10 percent of the amount of construction work in progress ("CWIP") that was booked during the Test Year. Second, RUCO has deducted the Test Year net book value of the Company's vehicles. Both of these items are required components of the ADOR formula. The third difference is the use of an updated assessment ratio of 22.5 percent which will be in effect at the time that AWC's new rates are approved by the Commission.

RUCO Operating Adjustment #9 – Rate Case Expense

Q. What level of rate case expense is AWC proposing?

A. AWC is proposing rate case expense, on a total company basis, of $500,000 to be amortized over a three-year period.

Q. What level of rate case expense is RUCO recommending?

A. RUCO is recommending a total company level of $300,000 dollars in rate case expense to be amortized over a three-year period.

Q. Is this RUCO's final recommended level of rate case expense?

A. No. This is RUCO's best estimate of rate case expense at this point in time. RUCO's estimate is based on information, provided by the Company, on total rate case expense that was billed just prior to the filing of RUCO's direct testimony. RUCO will update this figure and provide a final recommended level of rate case expense when it files final schedules after the evidentiary hearing on the instant case is concluded. The adjustment can be seen on Schedule WAR-13 for the Northern Group systems in my direct testimony and Schedule TJC-13 for the Eastern and Western Group systems that are included in the direct testimony of RUCO witness Tim Coley.

RUCO Operating Adjustment #10 – Income Tax Expense

Q. Have you calculated income tax expense based on RUCO's recommended adjusted operating income?

A. Yes. This adjustment is shown on Schedule WAR-14 for the Northern Group systems in my direct testimony and Schedule TJC-14 for the Eastern and Western Group systems that are included in the direct testimony of RUCO witness Tim Coley.

...

Q. Have you included an interest synchronization calculation in your computation of income tax expense?

A. Yes. The interest synchronization calculation, which computes an interest expense deduction for income taxes, can be viewed in the schedules noted above. The interest synchronization calculation is the adjusted rate base multiplied by the weighted cost of debt.

ADJUSTOR MECHANISMS

Q. What else is AWC requesting in this case besides an increase in operating revenue?

A. As noted earlier in my testimony, AWC is requesting the restoration of a PPAM for the Company's Eastern and Western Groups. The PPAM for the Eastern and Western Groups were eliminated by the Commission in Decisions on the prior rate cases for the Eastern and Western Groups. AWC is also asking that the Company be permitted to continue the PPAM that is currently in place for the Company's Northern Group. AWC is also requesting that the PWAM that the Commission eliminated in the prior Eastern and Western Group rate cases be restored. AWC is further requesting that a PFAM be established for all of the Company's operating systems in order to pass the costs of fuel through to ratepayers. Finally, AWC is asking for an AAM be implemented as an alternative to the aforementioned pass through mechanisms just described.

Q. Does RUCO support the restoration of any of the pass through mechanisms that AWC is seeking in this case?

A. No. RUCO does not support the implementation of any of the adjustor mechanisms being sought by AWC in this proceeding. As noted earlier in my testimony, RUCO is also recommending that the Northern Group PPAM be eliminated.

Q. Why is RUCO opposed to the company's request regarding adjustor mechanisms?

A. RUCO believes that the reasons given by the Commission for the elimination of the PPAM and PWAM in the prior rate cases are still valid. RUCO also believes that the Northern Group PPAM should also be eliminated for the same reasons that the Commission stated in the prior Eastern Group rate case. In Decision No. 66849, the Commission stated the following:

> "We agree with Staff that PPAM and PWAM adjustor mechanisms should be discontinued. Although Arizona Water argues that such mechanisms benefit both the Company and ratepayers by passing on increased costs and savings, adjustment mechanisms may also provide a disincentive for the Company to obtain the lowest possible cost commodity because the costs are simply passed through to ratepayers. Moreover, the record does not suggest that purchased power costs are a significant portion of the Company's expenses, the Superior system purchases only a small portion of its water supply and there is no evidence that the San Manuel system is expected to incur any significant increases or decreases in purchased water costs in the near future. Therefore, Arizona Water's purchased water adjustment mechanisms should be discontinued.

In the prior Western Group rate case, the Commission took the following position in Decision No. 68302:

> "There is a danger of piecemeal regulation inherent in adjustment mechanisms. Because they allow automatic increases in rates without a simultaneous review of a 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 marketplace. We have evaluated the propriety of continuing the Company's existing purchased water and purchased power adjustment mechanisms in the Western Group based on all relevant factors, including the APS Power Supply Adjustor. The evidence presented in this case does not support a finding that the Company's power and water supply costs are subject to a degree of price volatility or uncertainty that justifies the existence of its adjustment mechanisms, and we will therefore order that they be discontinued."

RUCO believes that the reasons stated in Decisions No.'s 66849 and 68302 apply also to the PFAM and AAM mechanisms that the Company is also seeking approval of in this proceeding.

Q. Has RUCO made any adjustments to the Company-proposed levels of purchased power, purchased water or fuel expense in this case?

A. No. RUCO has not made any adjustments to the Company-proposed levels of purchased power, purchased water or fuel expense.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of any of the witnesses for AWC constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony on AWC?

A. Yes, it does.

Qualifications of William A. Rigsby, CRRA

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Society of Utility and Regulatory Financial Analysts
38th Annual Financial Forum and CRRA Examination
Georgetown University Conference Center, Washington D.C.
Awarded the Certified Rate of Return Analyst designation
after successfully completing SURFA's CRRA examination.

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 &1999

Florida State University
Center for Professional Development & Public Service
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EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
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Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
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Tax Examiner Technician I / Revenue Auditor II
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Phoenix, Arizona
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.	Type of Proceeding
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-06-0014	Rate Increase
Arizona-American Water Company	W-01303A-05-0718	Transaction Approval
Arizona-American Water Company	W-01303A-05-0405	ACRM Filing
UNS Gas, Inc.	G-04204A-06-0463	Rate Increase
Arizona-American Water Company	W-01303A-07-0209	Rate Increase
Tucson Electric Power	E-01933A-07-0402	Rate Increase
Southwest Gas Corporation	G-01551A-07-0504	Rate Increase
Chaparral City Water Company	W-02113A-07-0551	Rate Increase
Arizona-American Water Company	W-01303A-08-0227 et al.	Rate Increase
Far West Water & Sewer Company	WS-03478A-08-0608	Interim Rate Increase
Johnson Utilities, LLC	WS-02987A-08-0180	Rate Increase
UNS Gas, Inc.	G-04204A-08-0571	Rate Increase

ARIZONA WATER COMPNAY

W-01445A-08-0440

NORTHERN OPERATING GROUP

Lakeside

Overgaard

Sedona

Pinewood

Rimrock

ARIZONA WATER COMPNAY

W-01445A-08-0440

Lakeside System

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

Lakeside System

TABLE OF CONTENTS TO WAR SCHEDULES

SCH. NO.	PAGE NO.	TITLE
WAR-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
WAR-2	1	RATE BASE
WAR-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
WAR-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
WAR-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
WAR-7	1	OPERATING INCOME
WAR-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
WAR-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
WAR-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
WAR-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
WAR-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
WAR-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
WAR-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
WAR-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 7,169,218	$ 6,985,207
2	Adjusted Operating Income (Loss)	$ 517,717	$ 588,137
3	Current Rate of Return (L2 / L1)	7.22%	8.42%
4	Required Operating Income (L5 X L1)	$ 703,606	$ 545,431
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 185,889	$ (42,706)
7	Gross Revenue Conversion Factor (WAR-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 302,745	$ (69,552)
9	Adjusted Test Year Revenue	$ 2,588,849	$ 2,553,472
10	Proposed Annual Revenue (L8 + L9)	$ 2,891,594	$ 2,483,919
11	Required Percentage Increase in Revenue (L8 / L9)	11.69%	-2.72%
12	Consolidated Revenue Adjustment (Lakeside/Overgaard)	$ (23,271)	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 279,355	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 2,868,204	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	10.79%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule WAR-2, WAR-7, and WAR-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6286**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. WAR-1, Pg 1, C (B), L4)	$ 545,431			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. WAR-1, Pg 1, C (B), L2)	588,137			
13	Required Increase In Operating Income (L11 - L12)		$ (42,706)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 180,014			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	206,860			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (26,846)		
17	Total Required Increase In Revenue (L13 + L16)		$ (69,552)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. WAR-1, Pg 1, Col. (B), L12)			$ 2,483,919	
19	Operating Expense Excluding Income Tax (WAR-7, Col. (E), L27 - L22 - L23)			1,758,474	
20	Synchronized Interest (Col. (C), L37)			259,075	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 466,370	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 32,497
24	Fed. Taxable Income (L21 - L23)			$ 433,873	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 91,650	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ 33,617	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 147,517
31	Combined Federal and State Income Tax (L23 + L30)				$ 180,014
32	Test Year Combined Income Tax, RUCO as Adjusted (WAR-7, Col. (C), L22 + L23)				$ 206,860
33	RUCO Adjustment (L31 - L32) (See WAR-6, Col. (D), L23)				$ (26,846)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 6,985,207	
36	Weighted Avg. Cost of Debt (Sch. WAR-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 259,075	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 1,767	$ -	$ 1,767
2	Source of Supply Plant	1,730,757	(313,824)	1,416,933
3	Pumping Plant	2,184,518	-	2,184,518
4	Water Treatment Plant	72,344	-	72,344
5	Transmission & Distribution Plant	11,151,870	-	11,151,870
6	General Plant	903,362	(7,444)	895,919
7	Total Gross Plant in Service	$ 16,044,619	$ (321,268)	$ 15,723,352
8	Accumulated Depreciation	(4,088,030)	209,297	(3,878,733)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 11,956,589	$ (111,970)	$ 11,844,619
10	Advances In Aid Of Const.	$ (2,366,968)	$ -	$ (2,366,968)
11	Contribution In Aid of Const.	$ (1,691,940)	$ -	$ (1,691,940)
12	Accumulated Amortization of CIAC	370,501	-	370,501
13	NET CIAC (L5 + L6)	$ (1,321,439)	$ -	$ (1,321,439)
14	Deferred Income Tax	$ (1,188,230)	$ -	$ (1,188,230)
15	Allowance for Working Capital	$ 89,266	$ (72,041)	$ 17,225
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 7,169,218	$ (184,011)	$ 6,985,207

References:
Column (A): Company Schedule B-1
Column (B): Schedule WAR-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 1,767	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,767
2	Source of Supply Plant	1,730,757	-	-	(313,824)	-	-	-	1,416,933
3	Pumping Plant	2,184,518	-	-	-	-	-	-	2,184,518
4	Water Treatment Plant	72,344	-	-	-	-	-	-	72,344
5	Transmission & Distribution Plant	11,151,870	-	-	-	-	-	-	11,151,870
6	General Plant	903,362	-	(7,444)	-	-	-	-	895,919
7	Total Gross Plant in Service	$ 16,044,619	$ -	$ (7,444)	$ (313,824)	$ -	$ -	$ -	$ 15,723,352
8	Accumulated Depreciation	$ (4,088,030)	1,784	248	207,265	-	-	-	(3,878,733)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 11,956,589	$ 1,784	$ (7,195)	$ (106,559)	$ -	$ -	$ -	$ 11,844,619
10	Advances In Aid Of Const.	$ (2,366,968)	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,366,968)
11	Contribution In Aid of Const.	$ (1,691,940)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,691,940)
12	Accumulated Amortization of CIAC	370,501	-	-	-	-	-	-	370,501
13	NET CIAC (L5 + L6)	$ (1,321,439)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,321,439)
14	Deferred Income Tax	$ (1,188,230)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,188,230)
15	Allowance for Working Capital	$ 89,266	$ -	$ -	$ -	$ -	$ -	$ (72,041)	$ 17,225
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 7,169,218	$ 1,784	$ (7,195)	$ (106,559)	$ -	$ -	$ (72,041)	$ 6,985,207

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See WAR-4 Total, WAR-4 Direct, WAR-4 PHX OFF and WAR-4 MS Schedules and WAR Testimc
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	(C) 12/31/1999 Per Decision No. 64282	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/1999
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	104,579	-	104,579
5	310.3	Other Source of Supply Land	0.00%	0.00%	14,332	-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	2.59%	835,546	-	835,546
8	320	Pumping Plant Land	0.00%	0.00%	7,953	-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	73,067	-	73,067
10	325	Electric Pumping Equipment	2.59%	2.59%	1,234,087	-	1,234,087
11	328	Gas Engine Equipment	2.59%	2.59%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	-	-	-
14	332	Water Treatment Equipment	2.59%	2.59%	61,560	-	61,560
15	340	Transmission and Distribution Land	0.00%	0.00%	23,558	-	23,558
16	342	Storage Tanks	2.59%	2.59%	651,690	-	651,690
17	343	Transmission & Distribution Mains	2.59%	2.59%	4,105,586	-	4,105,586
18	344	Fire Sprinkler Taps	2.59%	2.59%	25,108	-	25,108
19	345	Services	2.59%	2.59%	1,538,340	-	1,538,340
20	346	Meters	2.59%	2.59%	231,495	-	231,495
21	348	Hydrants	2.59%	2.59%	279,351	-	279,351
22	389	General Plant Land	0.00%	0.00%	1,800	-	1,800
23	390	General Plant Structures	2.59%	2.59%	80,729	-	80,729
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	8,123	-	8,123
25	391	Office Furniture & Equipment	2.59%	2.59%	87,850	-	87,850
26	393	Warehouse Equipment	2.59%	2.59%	3,512	-	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	52,925	-	52,925
28	395	Laboratory Equipment	2.59%	2.59%	393	-	393
29	396	Power Operated Equipment	2.59%	2.59%	4,022	-	4,022
30	397	Communication Equipment	2.59%	2.59%	83,745	-	83,745
31	398	Miscellaneous Equipment	2.59%	2.59%	16,351	-	16,351
32		**TOTAL DIRECT WATER PLANT**			$ 9,525,702	$ -	$ 9,525,702
33		Post Test Year Plant (PTYP)			239,366	(239,366)	-
34		**RUCO Total Water Plant In Service**			$ 9,765,068	$ (239,366)	$ 9,525,702
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(1,916,445)		$ (1,916,445)
44		Accumulated Depreciation - PTYP			(227,436)	227,436	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (2,143,881)		$ (1,916,445)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,916,445)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (2,143,881)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2000 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2000
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	4,034			-	108,613
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				21,641	835,546
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	931			1,904	73,998
10	325	Electtric Pumping Equipment	2.59%	2.59%	97,360	(47,830)		32,604	1,283,618
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				-	-
14	332	Water Treatment Equipment	2.59%	2.59%	969			1,607	62,529
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%	311			16,883	652,001
17	343	Transmission & Distribution Mains	2.59%	2.59%	151,262	(6,573)	(11,501)	108,059	4,238,775
18	344	Fire Sprinkler Taps	2.59%	2.59%	6,636			736	31,744
19	345	Services	2.59%	2.59%	103,878	(729)		41,179	1,641,489
20	346	Meters	2.59%	2.59%	16,153	(8,282)		6,098	239,366
21	348	Hydrants	2.59%	2.59%	39,509	(1,091)		7,733	317,770
22	389	General Plant Land	0.00%	0.00%				-	1,800
23	390	General Plant Structures	2.59%	2.59%				2,091	80,729
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	64			2,323	8,187
25	391	Office Furniture & Equipment	2.59%	2.59%	12,794			2,441	100,644
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	4,624	(3,773)		1,382	53,777
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				104	4,022
30	397	Communication Equipment	2.59%	2.59%	10,093			2,300	93,838
31	398	Miscellaneous Equipment	2.59%	2.59%	2,829			460	19,180
32		**TOTAL DIRECT WATER PLANT**			$ 451,447	$ (68,277)	$ (11,501)	$ 249,646	$ 9,897,371
33		Post Test Year Plant (PTYP)			-	-		-	-
34		**RUCO Total Water Plant In Service**			$ 451,447	$ (68,277)	$ (11,501)	$ 249,646	$ 9,897,371
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(31)	
41									
42		Net (Salvage)/Cost of Removal						1,310	
43		Accumulated Depreciation						(2,096,535)	$ (2,096,535)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,096,535)	$ (2,096,535)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,096,891)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,096,535)	$ 356
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2001 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2001
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	3,683			-	112,296
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	646,007			30,006	1,481,553
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	20,019	(582)		2,168	93,435
10	325	Electtric Pumping Equipment	2.59%	2.59%	173,131			35,488	1,456,749
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	262			3	262
14	332	Water Treatment Equipment	2.59%	2.59%	2,741			1,655	65,270
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%	2,093			16,914	654,094
17	343	Transmission & Distribution Mains	2.59%	2.59%	612,165	(13,202)		117,541	4,837,738
18	344	Fire Sprinkler Taps	2.59%	2.59%	12,356			982	44,099
19	345	Services	2.59%	2.59%	169,870	(4,956)		44,650	1,806,403
20	346	Meters	2.59%	2.59%	12,300	(2,160)		6,331	249,506
21	348	Hydrants	2.59%	2.59%	57,070	(5,356)		8,900	369,484
22	389	General Plant Land	0.00%	0.00%				-	1,800
23	390	General Plant Structures	2.59%	2.59%	2,508			2,123	83,237
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	11,755			3,073	19,941
25	391	Office Furniture & Equipment	2.59%	2.59%	5,014	(1,732)		2,649	103,925
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	375	(6,000)		1,320	48,152
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				104	4,022
30	397	Communication Equipment	2.59%	2.59%	4,673			2,491	98,510
31	398	Miscellaneous Equipment	2.59%	2.59%	738			506	19,919
32		**TOTAL DIRECT WATER PLANT**			$ 1,736,760	$ (33,988)	$ -	$ 277,007	$ 11,600,143
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,736,760	$ (33,988)	$ -	$ 277,007	$ 11,600,143
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(31)	
41									
42		Net (Salvage)/Cost of Removal						(1,200)	
43		Accumulated Depreciation						(2,340,785)	$ (2,340,785)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(2,340,785)	$ (2,340,785)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,341,391)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,340,785)	$ 606
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	16,295			-	128,591
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	969			38,385	1,482,522
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	243			2,423	93,678
10	325	Electtric Pumping Equipment	2.59%	2.59%	10,504			37,866	1,467,253
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				7	262
14	332	Water Treatment Equipment	2.59%	2.59%	432			1,696	65,702
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%	1,152			16,956	655,246
17	343	Transmission & Distribution Mains	2.59%	2.59%	389,638	(5,645)	(1,137)	130,255	5,220,594
18	344	Fire Sprinkler Taps	2.59%	2.59%	1,060			1,156	45,160
19	345	Services	2.59%	2.59%	183,494	(466)		49,156	1,989,430
20	346	Meters	2.59%	2.59%	16,770	(2,775)		6,643	263,501
21	348	Hydrants	2.59%	2.59%	57,511	(2,553)		10,281	424,442
22	389	General Plant Land	0.00%	0.00%	195			-	1,995
23	390	General Plant Structures	2.59%	2.59%				2,156	83,237
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	7,000			10,478	26,941
25	391	Office Furniture & Equipment	2.59%	2.59%	5,170			2,759	109,095
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	937	(403)		1,254	48,686
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				104	4,022
30	397	Communication Equipment	2.59%	2.59%	15,411			2,751	113,921
31	398	Miscellaneous Equipment	2.59%	2.59%	720			525	20,639
32		**TOTAL DIRECT WATER PLANT**			$ 707,501	$ (11,842)	$ (1,137)	$ 314,953	$ 12,294,665
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 707,501	$ (11,842)	$ (1,137)	$ 314,953	$ 12,294,665
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(31)	
41									
42		Net (Salvage)/Cost of Removal						3,239	
43		Accumulated Depreciation						(2,640,687)	$ (2,640,687)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - *Calculated*						(2,640,687)	(2,640,687)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,642,568)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,640,687)	$ 1,881
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	11,294			-	139,885
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	3,215			38,439	1,485,738
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	6,947			2,516	100,625
10	325	Electtric Pumping Equipment	2.59%	2.59%	275,484	(162,799)		39,461	1,579,937
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				7	262
14	332	Water Treatment Equipment	2.59%	2.59%	1,787			1,725	67,489
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%	14,865			17,163	670,111
17	343	Transmission & Distribution Mains	2.59%	2.59%	582,056	(4,031)		142,699	5,798,619
18	344	Fire Sprinkler Taps	2.59%	2.59%	5,953			1,247	51,112
19	345	Services	2.59%	2.59%	172,044	(3,095)		53,714	2,158,379
20	346	Meters	2.59%	2.59%	16,536	(1,658)		7,017	278,378
21	348	Hydrants	2.59%	2.59%	85,311	(2,983)		12,059	506,771
22	389	General Plant Land	0.00%	0.00%				-	1,995
23	390	General Plant Structures	2.59%	2.59%				2,156	83,237
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	5,564			1,575	32,506
25	391	Office Furniture & Equipment	2.59%	2.59%	1,257			2,842	110,352
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	2,927	(1,410)		1,281	50,203
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				104	4,022
30	397	Communication Equipment	2.59%	2.59%	7,936			3,053	121,857
31	398	Miscellaneous Equipment	2.59%	2.59%	1,878			559	22,517
32		**TOTAL DIRECT WATER PLANT**			$ 1,195,054	$ (175,976)	$ -	$ 327,718	$ 13,313,743
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,195,054	$ (175,976)	$ -	$ 327,718	$ 13,313,743
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(31)	
41									
42		Net (Salvage)/Cost of Removal						(451)	
43		Accumulated Depreciation						(2,792,911)	$ (2,792,911)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,792,911)	(2,792,911)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,794,792)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,792,911)	$ 1,881
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	1,386			-	1,386
4	310.1	Water Rights	0.00%	0.00%	6,323			-	146,208
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	1,102			38,495	1,486,839
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	2,328			2,636	102,953
10	325	Electtric Pumping Equipment	2.59%	2.59%	138,175	(149,841)		40,769	1,568,271
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				7	262
14	332	Water Treatment Equipment	2.59%	2.59%	1,244			1,764	68,733
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%	1,716			17,378	671,827
17	343	Transmission & Distribution Mains	2.59%	2.59%	249,919	(4,252)		153,366	6,044,286
18	344	Fire Sprinkler Taps	2.59%	2.59%	9,834			1,451	60,946
19	345	Services	2.59%	2.59%	63,871	(3,731)		56,681	2,218,519
20	346	Meters	2.59%	2.59%	11,749	(415)		7,357	289,712
21	348	Hydrants	2.59%	2.59%	22,025	(919)		13,399	527,877
22	389	General Plant Land	0.00%	0.00%	50			-	2,045
23	390	General Plant Structures	2.59%	2.59%	1,313			2,173	84,549
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	4,496			3,061	37,002
25	391	Office Furniture & Equipment	2.59%	2.59%	5,633			2,931	115,985
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	6,958	(4,301)		1,335	52,860
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%	797			114	4,819
30	397	Communication Equipment	2.59%	2.59%	2,639	(1,738)		3,168	122,758
31	398	Miscellaneous Equipment	2.59%	2.59%	1,921			608	24,438
32		**TOTAL DIRECT WATER PLANT**			$ 533,478	$ (165,197)	$ -	$ 346,794	$ 13,682,024
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 533,478	$ (165,197)	$ -	$ 346,794	$ 13,682,024
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(31)	
41									
42		*Net (Salvage)/Cost of Removal*						(28)	
43		Accumulated Depreciation						(2,974,567)	$ (2,974,567)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,974,567)	(2,974,567)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,976,447)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,974,567)	$ 1,880
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111			(186)	-	1,200
4	310.1	Water Rights	0.00%	0.00%	12,932			-	159,140
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	772			38,519	1,487,611
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	861			2,678	103,815
10	325	Electtric Pumping Equipment	2.59%	2.59%	195,028	(2,164)		43,116	1,761,135
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				7	262
14	332	Water Treatment Equipment	2.59%	2.59%	1,115			1,795	69,848
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%				17,400	671,827
17	343	Transmission & Distribution Mains	2.59%	2.59%	391,703	(6,804)		161,531	6,429,185
18	344	Fire Sprinkler Taps	2.59%	2.59%	14,932			1,772	75,878
19	345	Services	2.59%	2.59%	149,295	(2,245)		59,364	2,365,570
20	346	Meters	2.59%	2.59%	15,875	(376)		7,704	305,211
21	348	Hydrants	2.59%	2.59%	48,898			14,305	576,775
22	389	General Plant Land	0.00%	0.00%			(50)	-	1,995
23	390	General Plant Structures	2.59%	2.59%	1,310			2,207	85,859
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	5,335			4,766	42,336
25	391	Office Furniture & Equipment	2.59%	2.59%	893			3,016	116,878
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	55			1,370	52,915
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				125	4,819
30	397	Communication Equipment	2.59%	2.59%	5,613			3,252	128,371
31	398	Miscellaneous Equipment	2.59%	2.59%				633	24,438
32		**TOTAL DIRECT WATER PLANT**			$ 844,617	$ (11,589)	$ (237)	$ 363,660	$ 14,514,815
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 844,617	$ (11,589)	$ (237)	$ 363,660	$ 14,514,815
35									
36		**Company Direct Plant As Filed**							-
37									
38		**RUCO Direct Plant Adjustment**							$ 14,514,815
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(31)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(3,326,669)	$ (3,326,669)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,326,669)	(3,326,669)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,328,549)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,326,669)	$ 1,880
49									
50		**RUCO Net Adjustment**							$ 14,516,695
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Lakeside System
Schedule WAR-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	1,200
4	310.1	Water Rights	0.00%	0.00%	15,842			-	174,982
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	4,428			38,586	1,492,039
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	7,779	(1,575)		2,769	110,019
10	325	Electtric Pumping Equipment	2.59%	2.59%	118,120	(69,587)		46,242	1,809,668
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	135			9	397
14	332	Water Treatment Equipment	2.59%	2.59%	540			1,816	70,388
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%				17,400	671,827
17	343	Transmission & Distribution Mains	2.59%	2.59%	150,207	(1,520)		168,441	6,577,873
18	344	Fire Sprinkler Taps	2.59%	2.59%	3,287			2,008	79,165
19	345	Services	2.59%	2.59%	79,204	(1,810)		62,271	2,442,964
20	346	Meters	2.59%	2.59%	14,426	(168)		8,090	319,469
21	348	Hydrants	2.59%	2.59%	14,351			15,124	591,126
22	389	General Plant Land	0.00%	0.00%				-	1,995
23	390	General Plant Structures	2.59%	2.59%				2,224	85,859
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	11,863			7,067	54,199
25	391	Office Furniture & Equipment	2.59%	2.59%	7,282			3,121	124,160
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	909			1,382	53,823
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				125	4,819
30	397	Communication Equipment	2.59%	2.59%	2,981			3,363	131,352
31	398	Miscellaneous Equipment	2.59%	2.59%				633	24,438
32		**TOTAL DIRECT WATER PLANT**			$ 431,354	$ (74,660)	$ -	$ 380,773	$ 14,871,509
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 431,354	$ (74,660)	$ -	$ 380,773	$ 14,871,509
35									
36		**Company Direct Plant As Filed**							-
37									
38		**RUCO Direct Plant Adjustment**							$ 14,871,509
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(112)	
43		Accumulated Depreciation						(3,632,894)	$ (3,632,894)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,632,894)	(3,632,894)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,634,774)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,632,894)	$ 1,880
49									
50		**RUCO Net Adjustment**							$ 14,873,390
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				60	1,200
4	310.1	Water Rights	0.00%	0.00%	45,876			-	220,858
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	14,332
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	3,522			38,689	1,495,561
8	320	Pumping Plant Land	0.00%	0.00%				-	7,953
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	128			2,851	110,147
10	325	Electtric Pumping Equipment	2.59%	2.59%	256,751			50,195	2,066,419
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				10	397
14	332	Water Treatment Equipment	2.59%	2.59%	1,433			1,842	71,820
15	340	Transmission and Distribution Land	0.00%	0.00%				-	23,558
16	342	Storage Tanks	2.59%	2.59%	1,185			17,416	673,012
17	343	Transmission & Distribution Mains	2.59%	2.59%	335,830	(2,127)		174,688	6,911,575
18	344	Fire Sprinkler Taps	2.59%	2.59%				2,050	79,165
19	345	Services	2.59%	2.59%	85,767	(725)		64,374	2,528,006
20	346	Meters	2.59%	2.59%	5,997	(152)		8,350	325,314
21	348	Hydrants	2.59%	2.59%	21,364	(1,627)		15,566	610,863
22	389	General Plant Land	0.00%	0.00%				-	1,995
23	390	General Plant Structures	2.59%	2.59%	12,627			2,387	98,486
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	347			3,093	54,546
25	391	Office Furniture & Equipment	2.59%	2.59%	8,017			3,320	132,178
26	393	Warehouse Equipment	2.59%	2.59%				91	3,512
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	3,871			1,444	57,694
28	395	Laboratory Equipment	2.59%	2.59%				10	393
29	396	Power Operated Equipment	2.59%	2.59%				125	4,819
30	397	Communication Equipment	2.59%	2.59%	4,715			3,463	136,067
31	398	Miscellaneous Equipment	2.59%	2.59%				633	24,438
32		**TOTAL DIRECT WATER PLANT**			$ 787,429	$ (4,631)	$ -	$ 390,658	$ 15,654,307
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 787,429	$ (4,631)	$ -	$ 390,658	$ 15,654,307
35									
36		**Company Direct Plant As Filed**							15,654,309
37									
38		**RUCO Direct Plant Adjustment**							$ (2)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(4,018,921)	$ (4,018,921)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(4,018,921)	(4,018,921)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(4,020,801)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (4,018,921)	$ 1,880
49									
50		**RUCO Net Adjustment**							$ 1,879
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,029,446
37								
38		RUCO Phoenix Office Plant Adjustment						120,057
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						118,501
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 40	$ -	6.20%	$ -
2	302	Franchises	-	-	6.20%	-
3	303	Other Intangibles	1,727	-	6.20%	-
4	310.1	Water Rights	220,858	-	6.20%	-
5	310.3	Other Source of Supply Land	14,337	-	6.20%	-
6	310.4	Wells - Other	-	-	6.20%	-
7	314	Wells	1,495,561	-	6.20%	-
8	320	Pumping Plant Land	7,953	-	6.20%	-
9	321	Pumping Plant Structures & Imprm'ts	110,147	-	6.20%	-
10	325	Electtric Pumping Equipment	2,066,419	-	6.20%	-
11	328	Gas Engine Equipment	-	-	6.20%	-
12	330	Water Treatment Plant Land	-	-	6.20%	-
13	331	Water Treatment Structures & Imprm'ts	397	-	6.20%	-
14	332	Water Treatment Equipment	71,947	-	6.20%	-
15	340	Transmission and Distribution Land	23,558	-	6.20%	-
16	342	Storage Tanks	673,012	-	6.20%	-
17	343	Transmission & Distribution Mains	6,911,952	-	6.20%	-
18	344	Fire Sprinkler Taps	79,165	-	6.20%	-
19	345	Services	2,528,006	-	6.20%	-
20	346	Meters	325,314	-	6.20%	-
21	348	Hydrants	610,863	-	6.20%	-
22	389	General Plant Land	1,995	-	6.20%	-
23	390	General Plant Structures	104,383	-	6.20%	-
24	390.1	Leasehold Improvements	136,137	-	6.20%	-
25	391	Office Furniture & Equipment	408,019	120,057	6.20%	7,444
26	393	Warehouse Equipment	3,877	-	6.20%	-
27	394	Tools, Shop & Garage Equipment	72,767	-	6.20%	-
28	395	Laboratory Equipment	638	-	6.20%	-
29	396	Power Operated Equipment	4,909	-	6.20%	-
30	397	Communication Equipment	145,753	-	6.20%	-
31	398	Miscellaneous Equipment	24,885	-	6.20%	-
32		*Rounding*	1			
33		**TOTAL PTY WATER PLANT**	$ 16,044,619	$ 120,057		$ 7,444
34		Company As Filed	$ 16,044,619	120,057		7,444
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (7,444)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 248
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 23,629	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(48,412)	RUCO Schedule WAR-6, Page 2
3	Adjustment	$ (72,041)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 445	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	445	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 31,894	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	31,894	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 33,298	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	33,298	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See WAR-2, Column (K))	$ (72,041)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 181,940	$ -	$ 181,940	35.92	$ 6,535,285
2	Payroll	500,941	(18,770)	482,171	14.00	6,750,392
3	Purchased Water	1,233	-	1,233	(0.11)	(136)
4	Chemicals	7,672	-	7,672	20.43	156,712
5	Property & Liability Insurance	18,521	-	18,521	(45.27)	(838,446)
6	Workman's Compensation Insurance	9,259	-	9,259	(46.50)	(430,544)
7	Health Insurance	154,738	(65)	154,673	(8.92)	(1,379,684)
8	Other Operating & Maintenance Expenses	383,567	(10,333)	373,234	30.00	11,197,020
9	Federal Current Income Taxes	225,485	(77,968)	147,517	37.00	5,458,127
10	State Current Income Taxes	49,672	(17,175)	32,497	37.00	1,202,377
11	FICA Taxes	41,644	(2,984)	38,660	14.00	541,238
12	FUTA & SUTA Taxes	997	-	997	83.10	82,851
13	Property Taxes	116,684	(11,180)	105,504	212.00	22,366,919
14	Registration, Svc. Contracts, & Misc. Fees	35,236	-	35,236	(98.83)	(3,482,374)
15	Retirement Annuities (401k)	51,074	(1,524)	49,550	34.72	1,720,375
16	Subtotal	1,778,663	(139,999)	1,638,664		49,880,113
17	Synchronized Interest	$ 265,900	$ (6,825)	$ 259,075	91.25	$ 23,640,592
18	Cost of Equity	437,706	(437,706)	-	-	-
19	Subtotal	$ 703,606	$ (444,531)	$ 259,075		$ 23,640,592
20	Total	$ 2,482,269	$ (584,530)	$ 1,897,739		$ 73,520,705

21	Expense Lag	Line 17, Col. (E) / (C)	38.74
22	Revenue Lag	Company B-5 Schedules	29.43
23	Net Lag	Line 18 - Line 17	(9.31)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,897,739
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(48,412)
26	Company As Filed	Co. Schedule B-6, Page 1	23,629
27	Difference	Line 21 - Line 22	$ (72,041)
28	ADJUSTMENT	Line 27	$ (72,041)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule WAR-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 2,158,058	$ (28,518)	$ 2,129,540	$ (125,992)	$ 2,003,548
2	Commercial	374,740	(6,399)	368,341	44,815	413,156
3	Industrial	5,354	(112)	5,241	(611)	4,631
4	Private Fire Service	1,557	-	1,557	6,243	7,800
5	Other Water Revenues	23,656	(442)	23,213	5,778	28,992
6	Total Water Revenues	$ 2,563,364	$ (35,472)	$ 2,527,892	$ (69,766)	$ 2,458,126
7	Miscellaneous	$ 25,579	$ -	$ 25,579	$ 214	$ 25,793
8	Total Operating Revenues	$ 2,588,943	$ (35,472)	$ 2,553,472	$ (69,552)	$ 2,483,919
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 1,233	$ -	$ 1,233	$ -	$ 1,233
10	Other	5,184	-	5,184	-	5,184
11	Pumping Expenses:	-				
12	Purchased Power	181,940	-	181,940	-	181,940
13	Purchased Gas	-	-	-	-	-
14	Other	53,677	-	53,677	-	53,677
15	Water Treatment Expenses	28,463	-	28,463	-	28,463
16	Transmission & Distribution Expenses	290,447	-	290,447	-	290,447
17	Customer Accounting Expenses	275,893	-	275,893	-	275,893
18	Sales Expense	686	-	686	-	686
19	Administrative & General Expenses	506,659	(121,412)	385,247	-	385,247
20	Total Operations & Maintenance Expense	$ 1,344,181	$ (121,412)	$ 1,222,769	$ -	$ 1,222,769
21	Depreciation & Amortization Expenses	$ 416,943	$ (18,874)	$ 398,068	$ -	$ 398,068
	Taxes					
22	Federal Income Taxes	$ 129,724	$ 39,793	$ 169,517	$ (22,000)	$ 147,517
23	State Income Taxes	28,577	8,766	37,343	(4,846)	32,497
24	Property Taxes	116,684	(11,180)	105,504	-	105,504
25	Other	35,117	(2,984)	32,133	-	32,133
26	Total Taxes	$ 310,102	$ 34,395	$ 344,497	$ (26,846)	$ 317,651
27	Total Operating Expenses	$ 2,071,226	$ (105,892)	$ 1,965,334	$ (26,846)	$ 1,938,488
28	Operating Income	$ 517,717	$ 70,420	$ 588,137	$ (42,706)	$ 545,431

References:
Column (A): Company Schedule C-1
Column (B): WAR-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): WAR-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 2,158,058	$ -	$ -	$ -	$ -	$ (28,518)	$ -	$ -	$ -	$ -	$ -	$ 2,129,540
2	Commercial	374,740	-	-	-	-	(6,399)	-	-	-	-	-	368,341
3	Industrial	5,354	-	-	-	-	(112)	-	-	-	-	-	5,241
4	Private Fire Service	1,557	-	-	-	-	-	-	-	-	-	-	1,557
5	Other Water Revenues	23,656	-	-	-	-	(442)	-	-	-	-	-	23,213
6	Total Water Revenues	$ 2,563,364	$ -	$ -	$ -	$ -	$ (35,472)	$ -	$ -	$ -	$ -	$ -	$ 2,527,892
7	Miscellaneous	$ 25,579	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,579
8	*Total Operating Revenues*	$ 2,588,943	$ -	$ -	$ -	$ -	$ (35,472)	$ -	$ -	$ -	$ -	$ -	$ 2,553,472
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 1,233	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,233
10	Other	5,184	-	-	-	-	-	-	-	-	-	-	5,184
11	Pumping Expenses:		-	-	-	-	-	-	-	-	-	-	-
12	Purchased Power	181,940	-	-	-	-	-	-	-	-	-	-	181,940
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	53,677	-	-	-	-	-	-	-	-	-	-	53,677
15	Water Treatment Expenses	28,463	-	-	-	-	-	-	-	-	-	-	28,463
16	Transmission & Distribution Expenses	290,447	-	-	-	-	-	-	-	-	-	-	290,447
17	Customer Accounting Expenses	275,893	-	-	-	-	-	-	-	-	-	-	275,893
18	Sales Expense	686	-	-	-	-	-	-	-	-	-	-	686
19	Administrative & General Expenses	506,659	(18,770)	-	(1,524)	(96,920)	-	(65)	-	-	(4,133)	-	385,247
20	Total Operations & Maintenance Expense	$ 1,344,181	$ (18,770)	$ -	$ (1,524)	$ (96,920)	$ -	$ (65)	$ -	$ -	$ (4,133)	$ -	$ 1,222,769
21	Depreciation & Amortization Expenses	$ 416,943	$ -	$ -	$ -	$ -	$ -	$ -	$ (18,874)	$ -	$ -	$ -	$ 398,068
	Taxes												
22	Federal Income Taxes	$ 129,724	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 39,793	$ 169,517
23	State Income Taxes	28,577	-	-	-	-	-	-	-	-	-	8,766	37,343
24	Property Taxes	116,684	-	-	-	-	-	-	-	(11,180)	-	-	105,504
25	Other	35,117	-	(2,984)	-	-	-	-	-	-	-	-	32,133
26	Total Taxes	$ 310,102	$ -	$ (2,984)	$ -	$ -	$ -	$ -	$ -	$ (11,180)	$ -	$ 48,559	$ 344,497
27	Total Operating Expenses	$ 2,071,226	$ (18,770)	$ (2,984)	$ (1,524)	$ (96,920)	$ -	$ (65)	$ (18,874)	$ (11,180)	$ (4,133)	$ 48,559	$ 1,965,334
28	Operating Income	$ 517,717	$ 18,770	$ 2,984	$ 1,524	$ 96,920	$ (35,472)	$ 65	$ 18,874	$ 11,180	$ 4,133	$ (48,559)	$ 588,137

ADJUSTMENTS:	*REFERENCE:*
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule WAR-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule WAR-10
7 - Depreciation Expense	Testimony, WAR And Schedule WAR-11
8 - Property Tax Expense	Testimony, WAR And Schedule WAR-12
9 - Rate Case Expense	Testimony, WAR And Schedule WAR-13
10 - Income Tax	Testimony, WAR And Schedule WAR-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		6.20%
21			
22	RUCO Adjustment		$ (18,770)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				
42	**Calculation Notes:**			
43	Average of Hourly Rate	$ 21.65		
44	OT Hourly Rate 1.5	32.48		

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	6.20%
6		
7	RUCO Allocated Payroll by District	$ 18,770
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	15.90%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (2,984)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	7.47%
40	Western Group	11.65%
41	Northern Group	15.90%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	6.20%
6		
7	RUCO Allocated Payroll by District	$ 18,770
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.12%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (1,524)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 40	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	1,727	See Acct. 111	-
4	310.1	Water Rights	220,858	0.00%	-
5	310.3	Other Source of Supply Land	14,337	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	1,181,737	3.13%	36,988
8	320	Pumping Plant Land	7,953	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	110,147	2.86%	3,150
10	325	Electtric Pumping Equipment	2,066,419	5.88%	121,505
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	397	2.50%	10
14	332	Water Treatment Equipment	71,947	2.86%	2,058
15	340	Transmission and Distribution Land	23,558	0.00%	-
16	342	Storage Tanks	673,012	2.00%	13,460
17	343	Transmission & Distribution Mains	6,911,952	1.79%	123,724
18	344	Fire Sprinkler Taps	79,165	2.00%	1,583
19	345	Services	2,528,006	2.38%	60,167
20	346	Meters	325,314	4.55%	14,802
21	348	Hydrants	610,863	1.82%	11,118
22	389	General Plant Land	1,995	0.00%	-
23	390	General Plant Structures	104,383	2.50%	2,610
24	390.1	Leasehold Improvements	136,137	See Acct. 108.2	-
25	391	Office Furniture & Equipment	400,575	6.67%	26,718
26	393	Warehouse Equipment	3,877	5.00%	194
27	394	Tools, Shop & Garage Equipment	72,767	4.00%	2,911
28	395	Laboratory Equipment	638	5.00%	32
29	396	Power Operated Equipment	4,909	6.67%	327
30	397	Communication Equipment	145,753	6.67%	9,722
31	398	Miscellaneous Equipment	24,885	3.33%	829
32		Rounding	2		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 15,723,352		$ 431,907
34					
35		AMORTIZATION OF CONTRIBUTIONS	(1,691,940)	2.00%	(33,839)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 398,069
38					
39	Company As Filed				416,943
40	Difference				$ (18,874)
41					
42	RUCO Adjustment (See WAR-8, Column (B))				$ (18,874)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	$ 2,553,472	
2	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	2,553,472	
3	Proposed Revenues	Sch. WAR-7, Col (E), Ln 8	2,483,919	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 7,590,863	
5	*Average Annual Operating Revenues*	Line 4 / 3	2,530,288	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 5,060,575
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 92,577	
8	10% Of CWIP	Line 7 X 10%		$ 9,258
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (97,318)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 4,972,515
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 1,118,816	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	9.43%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	9.43%	
	Property Tax			$ 105,504
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 105,504
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		116,684
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (11,180)
21	RUCO Adjustment (See WAR-8, Column (C))	Line 20		$ (11,180)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			6.20%
3	Lakeside System (Line 1 X Line 2)			$ 18,600
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 6,200
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 10,333
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (4,133)
8	RUCO Adjustment (Line 7) (See WAR-8, Column (E))			$ (4,133)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. WAR-7, Column (C), L28 + L22 + L23	$ 794,997
	LESS:		
2	Arizona State Tax	Line 11	37,343
3	Interest Expense	Note (A) Line 21	259,075
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 498,579
5	Federal Tax Rate	Sch. WAR-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 169,517
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 794,997
	LESS:		
8	Interest Expense	Note (A) Line 21	259,075
9	State Taxable Income	Line 7 - Line 8	$ 535,922
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 37,343
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 169,517
13	State Income Tax Expense	Line 11	37,343
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 206,860
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		129,724
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		28,577
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 39,793
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 8,766

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. WAR-2, Col. (H), L17)	$	6,985,207
20	Weighted Cost Of Debt (Sch. WAR-16 Col. (F), L1)		3.71%
21	Interest Expense (L18 X L19)	$	259,075

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Overgaard System

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

Overgaard System

TABLE OF CONTENTS TO WAR SCHEDULES

SCH. NO.	PAGE NO.	TITLE
WAR-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
WAR-2	1	RATE BASE
WAR-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
WAR-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
WAR-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
WAR-7	1	OPERATING INCOME
WAR-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
WAR-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
WAR-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
WAR-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
WAR-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
WAR-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
WAR-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
WAR-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 3,338,584	$ 3,252,625
2	Adjusted Operating Income (Loss)	$ 369,890	$ 433,876
3	Current Rate of Return (L2 / L1)	11.08%	13.34%
4	Required Operating Income (L5 X L1)	$ 327,657	$ 253,977
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ (42,232)	$ (179,898)
7	Gross Revenue Conversion Factor (WAR-1, Page 2)	1.6286	1.5408
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ (68,781)	$ (277,183)
9	Adjusted Test Year Revenue	$ 1,686,342	$ 1,686,498
10	Proposed Annual Revenue (L8 + L9)	$ 1,617,561	$ 1,409,315
11	Required Percentage Increase in Revenue (L8 / L9)	-4.08%	-16.44%
12	Consolidated Revenue Adjustment (Lakeside/Overgaard)	$ 23,271	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ (45,030)	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 1,640,619	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-2.67%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule WAR-2, WAR-7, and WAR-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3510			
3	Subtotal (L1 - L2)	0.6490			
4	**Revenue Conversion Factor** (L1 / L3)	**1.5408**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	30.2364%			
9	Effective Federal Income Tax Rate (L7 X L8)	28.1295%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	35.0975%			
11	Required Operating Income (Sch. WAR-1, Pg 1, C (B), L4)	$ 253,977			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. WAR-1, Pg 1, C (B), L2)	433,876			
13	Required Increase In Operating Income (L11 - L12)		$ (179,898)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 72,107			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	169,391			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (97,284)		
17	Total Required Increase In Revenue (L13 + L16)		$ (277,183)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. WAR-1, Pg 1, Col. (B), L12)			$ 1,409,315	
19	Operating Expense Excluding Income Tax (WAR-7, Col. (E), L27 - L22 - L23)			1,083,231	
20	Synchronized Interest (Col. (C), L37)			120,637	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 205,447	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 14,316
24	Fed. Taxable Income (L21 - L23)			$ 191,132	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 35,541	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 57,791
31	Combined Federal and State Income Tax (L23 + L30)				$ 72,107
32	Test Year Combined Income Tax, RUCO as Adjusted (WAR-7, Col. (C), L22 + L23)				$ 169,391
33	RUCO Adjustment (L31 - L32) (See WAR-6, Col. (D), L23)				$ (97,284)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				30.24%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 3,252,625	
36	Weighted Avg. Cost of Debt (Sch. WAR-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 120,637	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 1,111	$ -	$ 1,111
2	Source of Supply Plant	709,152	-	709,152
3	Pumping Plant	588,420	-	588,420
4	Water Treatment Plant	58,991	-	58,991
5	Transmission & Distribution Plant	8,818,945	-	8,818,945
6	General Plant	728,787	(4,790)	723,997
7	Total Gross Plant in Service	$ 10,905,405	$ (4,790)	$ 10,900,615
8	Accumulated Depreciation	(3,542,894)	789	(3,542,105)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 7,362,511	$ (4,001)	$ 7,358,510
10	Advances In Aid Of Const.	$ (1,420,695)	$ -	$ (1,420,695)
11	Contribution In Aid of Const.	$ (2,543,592)	$ -	$ (2,543,592)
12	Accumulated Amortization of CIAC	613,170	-	613,170
13	NET CIAC (L5 + L6)	$ (1,930,422)	$ -	$ (1,930,422)
14	Deferred Income Tax	$ (764,684)	$ -	$ (764,684)
15	Allowance for Working Capital	$ 91,873	$ (81,957)	$ 9,916
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 3,338,584	$ (85,959)	$ 3,252,625

References:
Column (A): Company Schedule B-1
Column (B): Schedule WAR-3
Column (C): Column (A) + Column (B)

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

Overgaard System
Schedule WAR-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 1,111	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,111
2	Source of Supply Plant	709,152	-	-	-	-	-	-	709,152
3	Pumping Plant	588,420	-	-	-	-	-	-	588,420
4	Water Treatment Plant	58,991	-	-	-	-	-	-	58,991
5	Transmission & Distribution Plant	8,818,945	-	-	-	-	-	-	8,818,945
6	General Plant	728,787	-	(4,790)	-	-	-	-	723,997
7	Total Gross Plant in Service	$ 10,905,405	$ -	$ (4,790)	$ -	$ -	$ -	$ -	$ 10,900,615
8	Accumulated Depreciation	$ (3,542,894)	629	160	-	-	-	-	(3,542,105)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 7,362,511	$ 629	$ (4,631)	$ -	$ -	$ -	$ -	$ 7,358,510
10	Advances In Aid Of Const.	$ (1,420,695)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,420,695)
11	Contribution In Aid of Const.	$ (2,543,592)	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,543,592)
12	Accumulated Amortization of CIAC	613,170	-	-	-	-	-	-	613,170
13	NET CIAC (L5 + L6)	$ (1,930,422)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,930,422)
14	Deferred Income Tax	$ (764,684)	$ -	$ -	$ -	$ -	$ -	$ -	$ (764,684)
15	Allowance for Working Capital	$ 91,873	$ -	$ -	$ -	$ -	$ -	$ -	$ 91,873
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 3,338,584	$ 629	$ (4,631)	$ -	$ -	$ -	$ -	$ 3,334,582

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See WAR-4 Total, WAR-4 Direct, WAR-4 PHX OFF and WAR-4 MS Schedules and WAR Testimc
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) Decision 64282 1/1/2002 To Present	(C) 12/31/1999 Per Decision No. 64282	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/1999
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	44,228	-	44,228
5	310.3	Other Source of Supply Land	0.00%	0.00%	7,086	-	7,086
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	2.59%	60,886	-	60,886
8	320	Pumping Plant Land	0.00%	0.00%	600	-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	7,969	-	7,969
10	325	Electtric Pumping Equipment	2.59%	2.59%	324,102	-	324,102
11	328	Gas Engine Equipment	2.59%	2.59%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	-	-	-
14	332	Water Treatment Equipment	2.59%	2.59%	49,606	-	49,606
15	340	Transmission and Distribution Land	0.00%	0.00%	29,568	-	29,568
16	342	Storage Tanks	2.59%	2.59%	371,381	-	371,381
17	343	Transmission & Distribution Mains	2.59%	2.59%	3,879,269	-	3,879,269
18	344	Fire Sprinkler Taps	2.59%	2.59%	7,075	-	7,075
19	345	Services	2.59%	2.59%	1,125,892	-	1,125,892
20	346	Meters	2.59%	2.59%	152,761	-	152,761
21	348	Hydrants	2.59%	2.59%	387,747	-	387,747
22	389	General Plant Land	0.00%	0.00%	-	-	-
23	390	General Plant Structures	2.59%	2.59%	201,857	-	201,857
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-	-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	61,522	-	61,522
26	393	Warehouse Equipment	2.59%	2.59%	-	-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	32,160	-	32,160
28	395	Laboratory Equipment	2.59%	2.59%	390	-	390
29	396	Power Operated Equipment	2.59%	2.59%	731	-	731
30	397	Communication Equipment	2.59%	2.59%	64,779	-	64,779
31	398	Miscellaneous Equipment	2.59%	2.59%	8,252	-	8,252
32		**TOTAL DIRECT WATER PLANT**			$ 6,817,861	$ -	$ 6,817,861
33		Post Test Year Plant (PTYP)			221,664	(221,664)	-
34		**RUCO Total Water Plant In Service**			$ 7,039,525	$ (221,664)	$ 6,817,861
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(1,788,156)		$ (1,788,156)
44		Accumulated Depreciation - PTYP			(135,967)	135,967.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (1,924,123)		$ (1,788,156)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,788,156)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (1,924,123)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2000 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2000
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	1,904			-	46,132
5	310.3	Other Source of Supply Land	0.00%	0.00%	8,737			-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				1,577	60,886
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	917			218	8,886
10	325	Electtric Pumping Equipment	2.59%	2.59%	41,915	(12,835)		8,771	353,182
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				-	-
14	332	Water Treatment Equipment	2.59%	2.59%	4,239			1,340	53,845
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%	311			9,623	371,692
17	343	Transmission & Distribution Mains	2.59%	2.59%	311,954	(8,862)		104,398	4,182,361
18	344	Fire Sprinkler Taps	2.59%	2.59%	2,675			218	9,750
19	345	Services	2.59%	2.59%	60,138	(1,989)		29,914	1,184,041
20	346	Meters	2.59%	2.59%	17,163	(2,464)		4,147	167,460
21	348	Hydrants	2.59%	2.59%	51,782			10,713	439,529
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				5,228	201,857
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	75			1,594	61,597
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	5,072			899	37,232
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%	126			21	857
30	397	Communication Equipment	2.59%	2.59%	1,820			1,701	66,599
31	398	Miscellaneous Equipment	2.59%	2.59%	235			217	8,487
32		**TOTAL DIRECT WATER PLANT**			$ 509,061	$ (26,150)	$ -	$ 180,588	$ 7,300,772
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 509,061	$ (26,150)	$ -	$ 180,588	$ 7,300,772
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(26)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,942,620)	$ (1,942,620)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,942,620)	$ (1,942,620)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,943,066)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,942,620)	$ 446
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2001 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2001
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	1,779			-	47,911
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	509,550			8,176	570,436
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	21,572	(3,645)		462	26,813
10	325	Electtric Pumping Equipment	2.59%	2.59%	95,822	(1,589)		10,368	447,414
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	166			2	166
14	332	Water Treatment Equipment	2.59%	2.59%	2,510	(2,840)		1,390	53,515
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%	1,016			9,640	372,708
17	343	Transmission & Distribution Mains	2.59%	2.59%	415,423	(29,891)		113,316	4,567,893
18	344	Fire Sprinkler Taps	2.59%	2.59%				253	9,750
19	345	Services	2.59%	2.59%	129,659	(10,321)		32,212	1,303,378
20	346	Meters	2.59%	2.59%	14,965	(681)		4,522	181,744
21	348	Hydrants	2.59%	2.59%	48,230			12,008	487,759
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	2,379			5,259	204,236
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	245			1,599	61,841
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	181			967	37,413
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%	1,066	(152)		34	1,771
30	397	Communication Equipment	2.59%	2.59%	9,878			1,853	76,477
31	398	Miscellaneous Equipment	2.59%	2.59%	1,103			234	9,590
32		**TOTAL DIRECT WATER PLANT**			$ 1,255,543	$ (49,119)	$ -	$ 202,304	$ 8,507,196
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,255,543	$ (49,119)	$ -	$ 202,304	$ 8,507,196
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(26)	
41									
42		Net (Salvage)/Cost of Removal						(354)	
43		Accumulated Depreciation						(2,096,185)	$ (2,096,185)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(2,096,185)	$ (2,096,185)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,096,788)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,096,185)	$ 603
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	9,964			-	57,875
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				14,774	570,436
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	6,733			782	33,546
10	325	Electtric Pumping Equipment	2.59%	2.59%	32,175	(10,487)		11,869	469,103
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4	166
14	332	Water Treatment Equipment	2.59%	2.59%				1,386	53,515
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%	2,033			9,679	374,741
17	343	Transmission & Distribution Mains	2.59%	2.59%	261,175	(1,517)		121,671	4,827,550
18	344	Fire Sprinkler Taps	2.59%	2.59%	5,914			329	15,664
19	345	Services	2.59%	2.59%	68,728	(751)		34,638	1,371,355
20	346	Meters	2.59%	2.59%	12,097	(1,409)		4,846	192,433
21	348	Hydrants	2.59%	2.59%	55,792			13,355	543,551
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	4,137			5,343	208,373
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	719			1,611	62,561
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	1,278			986	38,691
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%				46	1,771
30	397	Communication Equipment	2.59%	2.59%	7,036			2,072	83,513
31	398	Miscellaneous Equipment	2.59%	2.59%				248	9,590
32		**TOTAL DIRECT WATER PLANT**			$ 467,783	$ (14,164)	$ -	$ 223,650	$ 8,960,815
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 467,783	$ (14,164)	$ -	$ 223,650	$ 8,960,815
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(26)	
41									
42		Net (Salvage)/Cost of Removal						(152)	
43		Accumulated Depreciation						(2,305,848)	$ (2,305,848)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,305,848)	(2,305,848)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,306,538)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,305,848)	$ 690
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	7,117			-	64,992
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				14,774	570,436
8	320	*Pumping Plant Land*	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	155			871	33,701
10	325	Electtric Pumping Equipment	2.59%	2.59%	12,068	(12,209)		12,148	468,961
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4	166
14	332	Water Treatment Equipment	2.59%	2.59%				1,386	53,515
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%				9,706	374,741
17	343	Transmission & Distribution Mains	2.59%	2.59%	348,093	(12,261)		129,383	5,163,382
18	344	Fire Sprinkler Taps	2.59%	2.59%	12,324			565	27,988
19	345	Services	2.59%	2.59%	67,378	(4,349)		36,334	1,434,384
20	346	Meters	2.59%	2.59%	4,651	(1,706)		5,022	195,377
21	348	Hydrants	2.59%	2.59%	15,194			14,275	558,745
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	2,087			5,424	210,460
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	1,124			1,635	63,685
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	1,464			1,021	40,155
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%				46	1,771
30	397	Communication Equipment	2.59%	2.59%	5,152			2,230	88,665
31	398	Miscellaneous Equipment	2.59%	2.59%	758			258	10,348
32		**TOTAL DIRECT WATER PLANT**			$ 477,564	$ (30,525)	$ -	$ 235,092	$ 9,407,854
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 477,564	$ (30,525)	$ -	$ 235,092	$ 9,407,854
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(26)	
41									
42		Net (Salvage)/Cost of Removal						(2,273)	
43		Accumulated Depreciation						(2,512,714)	$ (2,512,714)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,512,714)	(2,512,714)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,513,403)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,512,714)	$ 689
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	746			-	746
4	310.1	Water Rights	0.00%	0.00%	3,929			-	68,921
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	502			14,781	570,938
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	582			880	34,282
10	325	Electtric Pumping Equipment	2.59%	2.59%	41,148			12,679	510,109
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4	166
14	332	Water Treatment Equipment	2.59%	2.59%	1,592			1,407	55,107
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%				9,706	374,741
17	343	Transmission & Distribution Mains	2.59%	2.59%	57,341			134,474	5,220,723
18	344	Fire Sprinkler Taps	2.59%	2.59%				725	27,988
19	345	Services	2.59%	2.59%	39,911			37,667	1,474,295
20	346	Meters	2.59%	2.59%	4,581	(1,619)		5,099	198,339
21	348	Hydrants	2.59%	2.59%	26,425			14,814	585,170
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	2,069			5,478	212,529
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	10,531			1,786	74,216
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	522			1,047	40,677
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%	1,708			68	3,480
30	397	Communication Equipment	2.59%	2.59%	3,715	(1,990)		2,319	90,391
31	398	Miscellaneous Equipment	2.59%	2.59%	1,387			286	11,734
32		**TOTAL DIRECT WATER PLANT**			$ 196,687	$ (3,609)	$ -	$ 243,229	$ 9,600,932
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 196,687	$ (3,609)	$ -	$ 243,229	$ 9,600,932
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(26)	
41									
42		Net (Salvage)/Cost of Removal						(42)	
43		Accumulated Depreciation						(2,752,402)	$ (2,752,402)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,752,402)	(2,752,402)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,753,091)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,752,402)	$ 689
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	746
4	310.1	Water Rights	0.00%	0.00%	8,035			-	76,956
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	691			14,796	571,629
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	612			896	34,894
10	325	Electtric Pumping Equipment	2.59%	2.59%	9,715			13,338	519,824
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4	166
14	332	Water Treatment Equipment	2.59%	2.59%	862			1,438	55,968
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%				9,706	374,741
17	343	Transmission & Distribution Mains	2.59%	2.59%	114,487			136,699	5,335,209
18	344	Fire Sprinkler Taps	2.59%	2.59%	10,273			858	38,261
19	345	Services	2.59%	2.59%	64,329			39,017	1,538,623
20	346	Meters	2.59%	2.59%	11,076	(946)		5,268	208,469
21	348	Hydrants	2.59%	2.59%	36,352			15,627	621,522
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	7,021			5,595	219,550
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	5,311			1,991	79,527
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	2,991			1,092	43,669
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%	272			94	3,752
30	397	Communication Equipment	2.59%	2.59%	1,606			2,362	91,997
31	398	Miscellaneous Equipment	2.59%	2.59%	163			306	11,897
32		**TOTAL DIRECT WATER PLANT**			$ 273,795	$ (946)	$ -	$ 249,098	$ 9,873,781
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 273,795	$ (946)	$ -	$ 249,098	$ 9,873,781
35									
36		**Company Direct Plant As Filed**							-
37									
38		**RUCO Direct Plant Adjustment**							$ 9,873,781
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(26)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(3,000,580)	$ (3,000,580)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,000,580)	(3,000,580)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,001,269)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,000,580)	$ 689
49									
50		**RUCO Net Adjustment**							$ 9,874,471
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	746
4	310.1	Water Rights	0.00%	0.00%	9,764			-	86,720
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				14,805	571,629
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	359			908	35,253
10	325	Electtric Pumping Equipment	2.59%	2.59%	37,792	(16,527)		13,739	541,089
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4	166
14	332	Water Treatment Equipment	2.59%	2.59%	1,390			1,468	57,358
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%				9,706	374,741
17	343	Transmission & Distribution Mains	2.59%	2.59%	95,015			139,412	5,430,224
18	344	Fire Sprinkler Taps	2.59%	2.59%				991	38,261
19	345	Services	2.59%	2.59%	76,675	(2,037)		40,817	1,613,262
20	346	Meters	2.59%	2.59%	9,421	(761)		5,512	217,129
21	348	Hydrants	2.59%	2.59%	4,091			16,150	625,613
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				5,686	219,550
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	1,115			2,074	80,642
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	1,743			1,154	45,412
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%				97	3,752
30	397	Communication Equipment	2.59%	2.59%	7,195			2,476	99,192
31	398	Miscellaneous Equipment	2.59%	2.59%	155			310	12,052
32		**TOTAL DIRECT WATER PLANT**			$ 244,716	$ (19,325)	$ -	$ 255,320	$ 10,099,172
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 244,716	$ (19,325)	$ -	$ 255,320	$ 10,099,172
35									
36		**Company Direct Plant As Filed**							-
37									
38		**RUCO Direct Plant Adjustment**							$ 10,099,172
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(140)	
43		Accumulated Depreciation						(3,236,714)	$ (3,236,714)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,236,714)	(3,236,714)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,237,404)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,236,714)	$ 690
49									
50		**RUCO Net Adjustment**							$ 10,099,862
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				37	746
4	310.1	Water Rights	0.00%	0.00%	29,525			-	116,245
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,823
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	5,452			14,876	577,081
8	320	Pumping Plant Land	0.00%	0.00%				-	600
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	934			925	36,187
10	325	Electtric Pumping Equipment	2.59%	2.59%	10,545			14,151	551,634
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4	166
14	332	Water Treatment Equipment	2.59%	2.59%	1,385			1,504	58,743
15	340	Transmission and Distribution Land	0.00%	0.00%				-	29,568
16	342	Storage Tanks	2.59%	2.59%	290,472			13,467	665,214
17	343	Transmission & Distribution Mains	2.59%	2.59%	108,246			142,045	5,538,471
18	344	Fire Sprinkler Taps	2.59%	2.59%				991	38,261
19	345	Services	2.59%	2.59%	77,752			42,790	1,691,013
20	346	Meters	2.59%	2.59%	9,904	(1,431)		5,733	225,602
21	348	Hydrants	2.59%	2.59%	4,958			16,268	630,571
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	1,993			5,712	221,543
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	3,592			2,135	84,234
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	3,615			1,223	49,027
28	395	Laboratory Equipment	2.59%	2.59%				10	390
29	396	Power Operated Equipment	2.59%	2.59%				97	3,752
30	397	Communication Equipment	2.59%	2.59%	9,407	(1,300)		2,674	107,299
31	398	Miscellaneous Equipment	2.59%	2.59%				312	12,052
32		**TOTAL DIRECT WATER PLANT**			$ 557,781	$ (2,731)	$ -	$ 264,955	$ 10,654,222
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 557,781	$ (2,731)	$ -	$ 264,955	$ 10,654,222
35									
36		**Company Direct Plant As Filed**							10,654,222
37									
38		**RUCO Direct Plant Adjustment**							$ (0)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(3,498,938)	$ (3,498,938)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,498,938)	(3,498,938)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,499,629)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,498,938)	$ 691
49									
50		**RUCO Net Adjustment**							$ 691
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other Intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	*Organization*	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		*Company As Filed* - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 26	$ -	3.99%	$ -
2	302	Franchises	-	-	3.99%	-
3	303	Other Intangibles	1,085	-	3.99%	-
4	310.1	Water Rights	116,245	-	3.99%	-
5	310.3	Other Source of Supply Land	15,826	-	3.99%	-
6	310.4	Wells - Other	-	-	3.99%	-
7	314	Wells	577,081	-	3.99%	-
8	320	Pumping Plant Land	600	-	3.99%	-
9	321	Pumping Plant Structures & Imprm'ts	36,187	-	3.99%	-
10	325	Electtric Pumping Equipment	551,634	-	3.99%	-
11	328	Gas Engine Equipment	-	-	3.99%	-
12	330	Water Treatment Plant Land	-	-	3.99%	-
13	331	Water Treatment Structures & Imprm'ts	166	-	3.99%	-
14	332	Water Treatment Equipment	58,825	-	3.99%	-
15	340	Transmission and Distribution Land	29,568	-	3.99%	-
16	342	Storage Tanks	665,214	-	3.99%	-
17	343	Transmission & Distribution Mains	5,538,713	-	3.99%	-
18	344	Fire Sprinkler Taps	38,261	-	3.99%	-
19	345	Services	1,691,013	-	3.99%	-
20	346	Meters	225,602	-	3.99%	-
21	348	Hydrants	630,571	-	3.99%	-
22	389	General Plant Land	-	-	3.99%	-
23	390	General Plant Structures	225,338	-	3.99%	-
24	390.1	Leasehold Improvements	52,508	-	3.99%	-
25	391	Office Furniture & Equipment	261,752	120,057	3.99%	4,790
26	393	Warehouse Equipment	235	-	3.99%	-
27	394	Tools, Shop & Garage Equipment	58,727	-	3.99%	-
28	395	Laboratory Equipment	548	-	3.99%	-
29	396	Power Operated Equipment	3,810	-	3.99%	-
30	397	Communication Equipment	113,533	-	3.99%	-
31	398	Miscellaneous Equipment	12,340	-	3.99%	-
32		Rounding	(1)			
33		**TOTAL PTY WATER PLANT**	$ 10,905,405	$ 120,057		$ 4,790
34		Company As Filed	$ 10,905,405	120,057		4,790
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (4,790)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 160
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 48,580	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(33,377)	RUCO Schedule WAR-6, Page 2
3	Adjustment	$ (81,957)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 1,339	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	1,339	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 20,525	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	20,525	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 21,429	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	21,429	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See WAR-2, Column (K))	$ (81,957)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 71,171	$ -	$ 71,171	35.92	$ 2,556,462
2	Payroll	22,262	(12,079)	10,183	14.00	142,555
3	Purchased Water	58	-	58	(0.11)	(6)
4	Chemicals	6,009	-	6,009	20.43	122,743
5	Property & Liability Insurance	11,919	-	11,919	(45.27)	(539,573)
6	Workman's Compensation Insurance	5,959	-	5,959	(46.50)	(277,094)
7	Health Insurance	69,507	(55)	69,452	(8.92)	(619,513)
8	Other Operating & Maintenance Expenses	626,570	(6,650)	619,920	30.00	18,597,585
9	Federal Current Income Taxes	105,005	(47,214)	57,791	37.00	2,138,281
10	State Current Income Taxes	23,132	(8,816)	14,316	37.00	529,676
11	FICA Taxes	26,800	(1,920)	24,880	14.00	348,314
12	FUTA & SUTA Taxes	641	-	641	83.10	53,267
13	Property Taxes	65,159	(5,068)	60,091	212.00	12,739,199
14	Registration, Svc. Contracts, & Misc. Fees	22,676	-	22,676	(98.83)	(2,241,069)
15	Retirement Annuities (401k)	22,942	(981)	21,961	34.72	762,476
16	Subtotal	1,079,809	(82,784)	997,025		34,313,303
17	Synchronized Interest	$ 123,825	$ (3,188)	$ 120,637	91.25	$ 11,008,118
18	Cost of Equity	203,832	(203,832)	-	-	-
19	Subtotal	$ 327,657	$ (207,020)	$ 120,637		$ 11,008,118
20	Total	$ 1,407,466	$ (289,804)	$ 1,117,662		$ 45,321,422

21	Expense Lag	Line 17, Col. (E) / (C)	40.55
22	Revenue Lag	Company B-5 Schedules	29.65
23	Net Lag	Line 18 - Line 17	(10.90)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,117,662
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(33,377)
26	Company As Filed	Co. Schedule B-6, Page 1	48,580
27	Difference	Line 21 - Line 22	$ (81,957)
28	ADJUSTMENT	Line 27	$ (81,957)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule WAR-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,521,187	$ 137	$ 1,521,324	$ (276,030)	$ 1,245,294
2	Commercial	129,575	16	129,591	(7,045)	122,546
3	Industrial	-	-	-	-	-
4	Private Fire Service	1,195	-	1,195	4,805	6,000
5	Other Water Revenues	9,963	2	9,965	875	10,840
6	Total Water Revenues	$ 1,661,920	$ 156	$ 1,662,076	$ (277,396)	$ 1,384,680
7	Miscellaneous	$ 24,422	$ -	$ 24,422	$ 213	$ 24,635
8	Total Operating Revenues	$ 1,686,342	$ 156	$ 1,686,498	$ (277,183)	$ 1,409,315
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 58	$ -	$ 58	$ -	$ 58
10	Other	4,378	-	4,378	-	4,378
11	Pumping Expenses:	-				
12	Purchased Power	71,171	-	71,171	-	71,171
13	Purchased Gas	-	-	-	-	-
14	Other	43,941	-	43,941	-	43,941
15	Water Treatment Expenses	14,733	-	14,733	-	14,733
16	Transmission & Distribution Expenses	237,473	-	237,473	-	237,473
17	Customer Accounting Expenses	207,198	-	207,198	-	207,198
18	Sales Expense	446	-	446	-	446
19	Administrative & General Expenses	279,673	(67,752)	211,922	-	211,922
20	Total Operations & Maintenance Expense	$ 859,072	$ (67,752)	$ 791,321	$ -	$ 791,321
21	Depreciation & Amortization Expenses	$ 214,780	$ (3,796)	$ 210,984	$ -	$ 210,984
	Taxes					
22	Federal Income Taxes	$ 126,761	$ 9,001	$ 135,762	$ (77,970)	$ 57,791
23	State Income Taxes	27,924	5,705	33,630	(19,314)	14,316
24	Property Taxes	65,159	(5,068)	60,091	-	60,091
25	Other	22,756	(1,920)	20,836	-	20,836
26	Total Taxes	$ 242,600	$ 7,717	$ 250,317	$ (97,284)	$ 153,033
27	Total Operating Expenses	$ 1,316,453	$ (63,830)	$ 1,252,622	$ (97,284)	$ 1,155,338
28	Operating Income	$ 369,890	$ 63,986	$ 433,876	$ (179,899)	$ 253,977

References:
Column (A): Company Schedule C-1
Column (B): WAR-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): WAR-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,521,187	$ -	$ -	$ -	$ -	$ 137	$ -	$ -	$ -	$ -	$ -	$ 1,521,324
2	Commercial	129,575	-	-	-	-	16	-	-	-	-	-	129,591
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	1,195	-	-	-	-	-	-	-	-	-	-	1,195
5	Other Water Revenues	9,963	-	-	-	-	2	-	-	-	-	-	9,965
6	Total Water Revenues	$ 1,661,920	$ -	$ -	$ -	$ -	$ 156	$ -	$ -	$ -	$ -	$ -	$ 1,662,076
7	Miscellaneous	$ 24,422	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,422
8	Total Operating Revenues	$ 1,686,342	$ -	$ -	$ -	$ -	$ 156	$ -	$ -	$ -	$ -	$ -	$ 1,686,498
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 58	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 58
10	Other	4,378	-	-	-	-	-	-	-	-	-	-	4,378
11	Pumping Expenses:		-	-	-	-	-	-	-	-	-	-	-
12	Purchased Power	71,171	-	-	-	-	-	-	-	-	-	-	71,171
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	43,941	-	-	-	-	-	-	-	-	-	-	43,941
15	Water Treatment Expenses	14,733	-	-	-	-	-	-	-	-	-	-	14,733
16	Transmission & Distribution Expenses	237,473	-	-	-	-	-	-	-	-	-	-	237,473
17	Customer Accounting Expenses	207,198	-	-	-	-	-	-	-	-	-	-	207,198
18	Sales Expense	446	-	-	-	-	-	-	-	-	-	-	446
19	Administrative & General Expenses	279,673	(12,079)	-	(981)	(51,977)	-	(55)	-	-	(2,660)	-	211,922
20	Total Operations & Maintenance Expense	$ 859,072	$ (12,079)	$ -	$ (981)	$ (51,977)	$ -	$ (55)	$ -	$ -	$ (2,660)	$ -	$ 791,321
21	Depreciation & Amortization Expenses	$ 214,780	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,796)	$ -	$ -	$ -	$ 210,984
	Taxes												
22	Federal Income Taxes	$ 126,761	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,001	$ 135,762
23	State Income Taxes	27,924	-	-	-	-	-	-	-	-	-	5,705	33,630
24	Property Taxes	65,159	-	-	-	-	-	-	-	(5,068)	-	-	60,091
25	Other	22,756	-	(1,920)	-	-	-	-	-	-	-	-	20,836
26	Total Taxes	$ 242,600	$ -	$ (1,920)	$ -	$ -	$ -	$ -	$ -	$ (5,068)	$ -	$ 14,706	$ 250,317
27	Total Operating Expenses	$ 1,316,453	$ (12,079)	$ (1,920)	$ (981)	$ (51,977)	$ -	$ (55)	$ (3,796)	$ (5,068)	$ (2,660)	$ 14,706	$ 1,252,622
28	Operating Income	$ 369,890	$ 12,079	$ 1,920	$ 981	$ 51,977	$ 156	$ 55	$ 3,796	$ 5,068	$ 2,660	$ (14,706)	$ 433,876

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule WAR-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule WAR-10
7 - Depreciation Expense	Testimony, WAR And Schedule WAR-11
8 - Property Tax Expense	Testimony, WAR And Schedule WAR-12
9 - Rate Case Expense	Testimony, WAR And Schedule WAR-13
10 - Income Tax	Testimony, WAR And Schedule WAR-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		3.99%
21			
22	RUCO Adjustment		$ (12,079)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	3.99%
6		
7	RUCO Allocated Payroll by District	$ 12,079
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	15.90%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (1,920)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	7.47%
40	Western Group	11.65%
41	Northern Group	15.90%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	3.99%
6		
7	RUCO Allocated Payroll by District	$ 12,079
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.12%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (981)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 26	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	1,085	See Acct. 111	37
4	310.1	Water Rights	116,245	0.00%	-
5	310.3	Other Source of Supply Land	15,826	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	577,081	3.13%	18,063
8	320	Pumping Plant Land	600	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	36,187	2.86%	1,035
10	325	Electtric Pumping Equipment	551,634	5.88%	32,436
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	166	2.50%	4
14	332	Water Treatment Equipment	58,825	2.86%	1,682
15	340	Transmission and Distribution Land	29,568	0.00%	-
16	342	Storage Tanks	665,214	2.00%	13,304
17	343	Transmission & Distribution Mains	5,538,713	1.79%	99,143
18	344	Fire Sprinkler Taps	38,261	2.00%	765
19	345	Services	1,691,013	2.38%	40,246
20	346	Meters	225,602	4.55%	10,265
21	348	Hydrants	630,571	1.82%	11,476
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	225,338	2.50%	5,633
24	390.1	Leasehold Improvements	52,508	See Acct. 108.2	-
25	391	Office Furniture & Equipment	256,962	6.67%	17,139
26	393	Warehouse Equipment	235	5.00%	12
27	394	Tools, Shop & Garage Equipment	58,727	4.00%	2,349
28	395	Laboratory Equipment	548	5.00%	27
29	396	Power Operated Equipment	3,810	6.67%	254
30	397	Communication Equipment	113,533	6.67%	7,573
31	398	Miscellaneous Equipment	12,340	3.33%	411
32		Rounding	(1)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 10,900,615		$ 261,856
34					
35		AMORTIZATION OF CONTRIBUTIONS	(2,543,592)	2.00%	(50,872)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 210,984
38					
39	Company As Filed				214,780
40	Difference				$ (3,796)
41					
42	RUCO Adjustment (See WAR-8, Column (B))				$ (3,796)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
	Casa Grande	26.55%	Rimrock	1.48%	
	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	$ 1,686,498	
2	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	1,686,498	
3	Proposed Revenues	Sch. WAR-7, Col (E), Ln 8	1,409,315	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 4,782,311	
5	Average Annual Operating Revenues	Line 4 / 3	1,594,104	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 3,188,207
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 3,725	
8	10% Of CWIP	Line 7 X 10%		$ 373
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (53,965)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 3,134,615
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 705,288	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	8.52%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	8.52%	
	Property Tax			$ 60,091
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 60,091
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		65,159
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (5,068)
21	RUCO Adjustment (See WAR-8, Column (C))	Line 20		$ (5,068)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			3.99%
3	Overgaard System (Line 1 X Line 2)			$ 11,970
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 3,990
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 6,650
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (2,660)
8	RUCO Adjustment (Line 7) (See WAR-8, Column (E))			$ (2,660)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. WAR-7, Column (C), L28 + L22 + L23	$ 603,267
	LESS:		
2	Arizona State Tax	Line 11	33,630
3	Interest Expense	Note (A) Line 21	120,637
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 449,000
5	Federal Tax Rate	Sch. WAR-1, Pg 2, Col. (D), L34	30.24%
6	Federal Income Tax Expense	Line 4 X line 5	$ 135,762
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 603,267
	LESS:		
8	Interest Expense	Note (A) Line 21	120,637
9	State Taxable Income	Line 7 - Line 8	$ 482,630
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 33,630
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 135,762
13	State Income Tax Expense	Line 11	33,630
14	*Total Income Tax Expense Per RUCO*	Line12 + Line 13	$ 169,391
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		126,761
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		27,924
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 9,001
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 5,705

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. WAR-2, Col. (H), L17)	$ 3,252,625
20	Weighted Cost Of Debt (Sch. WAR-16 Col. (F), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 120,637

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Sedona System

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

Sedona System

TABLE OF CONTENTS TO WAR SCHEDULES

SCH. NO.	PAGE NO.	TITLE
WAR-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
WAR-2	1	RATE BASE
WAR-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
WAR-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
WAR-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
WAR-7	1	OPERATING INCOME
WAR-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
WAR-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
WAR-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
WAR-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
WAR-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
WAR-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
WAR-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
WAR-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 18,018,530	$ 14,673,180
2	Adjusted Operating Income (Loss)	$ 424,708	$ 546,742
3	Current Rate of Return (L2 / L1)	2.36%	3.73%
4	Required Operating Income (L5 X L1)	$ 1,768,386	$ 1,145,738
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 1,343,679	$ 598,995
7	Gross Revenue Conversion Factor (WAR-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 2,188,362	$ 975,545
9	Adjusted Test Year Revenue	$ 3,521,124	$ 3,518,537
10	Proposed Annual Revenue (L8 + L9)	$ 5,709,486	$ 4,494,082
11	Required Percentage Increase in Revenue (L8 / L9)	62.15%	27.73%
12	Consolidated Revenue Adjustment (Sedona/Pinewood/Rimrock)	$ 216,885	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 2,404,707	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 5,926,065	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	68.29%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule WAR-2, WAR-7, and WAR-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6286**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. WAR-1, Pg 1, C (B), L4)	$ 1,145,738			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. WAR-1, Pg 1, C (B), L2)	546,742			
13	Required Increase In Operating Income (L11 - L12)		$ 598,995		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 378,138			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	1,589			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 376,549		
17	Total Required Increase In Revenue (L13 + L16)		$ 975,545		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. WAR-1, Pg 1, Col. (B), L12)			$ 4,494,082	
19	Operating Expense Excluding Income Tax (WAR-7, Col. (E), L27 - L22 - L23)			2,970,206	
20	Synchronized Interest (Col. (C), L37)			544,215	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 979,661	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 68,263
24	Fed. Taxable Income (L21 - L23)			$ 911,398	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 91,650	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ 195,975	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 309,875
31	Combined Federal and State Income Tax (L23 + L30)				$ 378,138
32	Test Year Combined Income Tax, RUCO as Adjusted (WAR-7, Col. (C), L22 + L23)				$ 1,589
33	RUCO Adjustment (L31 - L32) (See WAR-6, Col. (D), L23)				$ 376,549
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 14,673,180	
36	Weighted Avg. Cost of Debt (Sch. WAR-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 544,215	

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

Sedona System
Schedule WAR-2
Page 1 of 1

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 3,287	$ -	$ 3,287
2	Source of Supply Plant	5,917,390	(3,397,718)	2,519,672
3	Pumping Plant	2,266,429	(6,761)	2,259,668
4	Water Treatment Plant	1,297,124	-	1,297,124
5	Transmission & Distribution Plant	23,674,185	(661,738)	23,012,447
6	General Plant	1,166,200	(10,145)	1,156,055
7	Total Gross Plant in Service	$ 34,324,616	$ (4,076,362)	$ 30,248,254
8	Accumulated Depreciation	(6,146,140)	949,332	(5,196,809)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 28,178,476	$ (3,127,030)	$ 25,051,445
10	Advances In Aid Of Const.	$ (3,651,412)	$ -	$ (3,651,412)
11	Contribution In Aid of Const.	$ (6,396,542)	$ -	$ (6,396,542)
12	Accumulated Amortization of CIAC	1,279,254	-	1,279,254
13	NET CIAC (L5 + L6)	$ (5,117,288)	$ -	$ (5,117,288)
14	Deferred Income Tax	$ (1,619,443)	$ -	$ (1,619,443)
15	Allowance for Working Capital	228,197	$ (218,320)	$ 9,878
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 18,018,530	$ (3,345,350)	$ 14,673,180

References:
Column (A): Company Schedule B-1
Column (B): Schedule WAR-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE P.O. PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4 REMOVE PTY PLANT 11.16	(F) ADJMT NO. 5 REMOVE PTY PLANT	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 3,287	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,287
2	Source of Supply Plant	5,917,390	-	-	(1,386,142)	(2,011,576)	-	-	2,519,672
3	Pumping Plant	2,266,429	-	-	(6,761)	-	-	-	2,259,668
4	Water Treatment Plant	1,297,124	-	-	-	-	-	-	1,297,124
5	Transmission & Distribution Plant	23,674,185	-	-	-	-	(661,738)	-	23,012,447
6	General Plant	1,166,200	-	(10,145)	-	-	-	-	1,156,055
7	Total Gross Plant in Service	$ 34,324,616	$ -	$ (10,145)	$ (1,392,903)	$ (2,011,576)	$ (661,738)	$ -	$ 30,248,254
8	Accumulated Depreciation	(6,146,140)	(4,975)	338	926,106	21,940	5,923	-	(5,196,809)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 28,178,476	$ (4,975)	$ (9,806)	$ (466,797)	$ (1,989,636)	$ (655,815)	$ -	$ 25,051,445
10	Advances In Aid Of Const.	$ (3,651,412)	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,651,412)
11	Contribution In Aid of Const.	$ (6,396,542)	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,396,542)
12	Accumulated Amortization of CIAC	1,279,254	-	-	-	-	-	-	1,279,254
13	NET CIAC (L5 + L6)	$ (5,117,288)	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,117,288)
14	Deferred Income Tax	$ (1,619,443)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,619,443)
15	Allowance for Working Capital	228,197	$ -	$ -	$ -	$ -	$ -	$ (218,320)	$ 9,878
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 18,018,530	$ (4,975)	$ (9,806)	$ (466,797)	$ (1,989,636)	$ (655,815)	$ (218,320)	$ 14,673,180

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See WAR-4 Total, WAR-4 Direct, WAR-4 PHX OFF and WAR-4 MS Schedules and WAR Testim
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - To Remove Post Test Year Plant Included in Rate Application
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	(C) 12/31/1999 Per Decision No. 64282	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/1999
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	935	-	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	9,063	-	9,063
5	310.3	Other Source of Supply Land	0.00%	0.00%	49,986	-	49,986
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	2.59%	1,807,751	-	1,807,751
8	320	Pumping Plant Land	0.00%	0.00%	3,805	-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	49,436	-	49,436
10	325	Electtric Pumping Equipment	2.59%	2.59%	1,160,127	-	1,160,127
11	328	Gas Engine Equipment	2.59%	2.59%	223	-	223
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	32,114	-	32,114
14	332	Water Treatment Equipment	2.59%	2.59%	164,474	-	164,474
15	340	Transmission and Distribution Land	0.00%	0.00%	112,947	-	112,947
16	342	Storage Tanks	2.59%	2.59%	1,008,531	-	1,008,531
17	343	Transmission & Distribution Mains	2.59%	2.59%	8,549,776	-	8,549,776
18	344	Fire Sprinkler Taps	2.59%	2.59%	340,109	-	340,109
19	345	Services	2.59%	2.59%	1,538,263	-	1,538,263
20	346	Meters	2.59%	2.59%	382,634	-	382,634
21	348	Hydrants	2.59%	2.59%	655,795	-	655,795
22	389	General Plant Land	0.00%	0.00%	-	-	-
23	390	General Plant Structures	2.59%	2.59%	34,037	-	34,037
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	47,178	-	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	105,560	-	105,560
26	393	Warehouse Equipment	2.59%	2.59%	6,711	-	6,711
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	55,853	-	55,853
28	395	Laboratory Equipment	2.59%	2.59%	2,485	-	2,485
29	396	Power Operated Equipment	2.59%	2.59%	9,305	-	9,305
30	397	Communication Equipment	2.59%	2.59%	86,569	-	86,569
31	398	Miscellaneous Equipment	2.59%	2.59%	10,427	-	10,427
32		**TOTAL DIRECT WATER PLANT**			$ 16,224,094	$ -	$ 16,224,094
33		Post Test Year Plant (PTYP)			855,744	(855,744)	-
34		**RUCO Total Water Plant In Service**			$ 17,079,838	$ (855,744)	$ 16,224,094
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(3,488,743)		$ (3,488,743)
44		Accumulated Depreciation - PTYP			(363,307)	363,307	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (3,852,050)		$ (3,488,743)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(3,488,743)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (3,852,050)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2000 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2000
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	935
3	303	Other Intanglbles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	1,565			-	10,628
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	49,986
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	342,440	(447)		51,250	2,149,743
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	22			1,281	49,458
10	325	Electtric Pumping Equipment	2.59%	2.59%	115,462	(17,477)		31,316	1,258,112
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				832	32,114
14	332	Water Treatment Equipment	2.59%	2.59%	85,153	(19,000)		5,117	230,627
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	12,045			26,277	1,020,576
17	343	Transmission & Distribution Mains	2.59%	2.59%	570,644	(5,790)		228,754	9,114,630
18	344	Fire Sprinkler Taps	2.59%	2.59%	80,191	(516)		9,841	419,784
19	345	Services	2.59%	2.59%	113,703	(5,059)		41,248	1,646,907
20	346	Meters	2.59%	2.59%	25,309	(2,595)		10,204	405,348
21	348	Hydrants	2.59%	2.59%	76,293			17,973	732,088
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	825	(175)		890	34,687
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				9,036	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	509			2,741	106,069
26	393	Warehouse Equipment	2.59%	2.59%				174	6,711
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	3,238			1,489	59,091
28	395	Laboratory Equipment	2.59%	2.59%				64	2,485
29	396	Power Operated Equipment	2.59%	2.59%	3,044			280	12,349
30	397	Communication Equipment	2.59%	2.59%	5,671			2,316	92,240
31	398	Miscellaneous Equipment	2.59%	2.59%	1,393			288	11,820
32		**TOTAL DIRECT WATER PLANT**			$ 1,437,505	$ (51,059)	$ -	$ 441,375	$ 17,610,540
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,437,505	$ (51,059)	$ -	$ 441,375	$ 17,610,540
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(68)	
41									
42		Net (Salvage)/Cost of Removal						93	
43		Accumulated Depreciation						(3,879,034)	$ (3,879,034)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,879,034)	$ (3,879,034)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,879,538)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,879,034)	$ 504
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2001 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2001
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	390			-	11,018
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	49,986
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	(224,752)			52,768	1,924,991
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	17,964			1,514	67,422
10	325	Electtric Pumping Equipment	2.59%	2.59%	46,580	(7,986)		33,085	1,296,706
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	23,630			1,138	55,744
14	332	Water Treatment Equipment	2.59%	2.59%	38,652	(59,759)		5,700	209,520
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	12,125			26,590	1,032,701
17	343	Transmission & Distribution Mains	2.59%	2.59%	334,528	(10,362)	(787)	240,257	9,438,009
18	344	Fire Sprinkler Taps	2.59%	2.59%	19,569	(187)		11,123	439,165
19	345	Services	2.59%	2.59%	93,928	(8,393)		43,763	1,732,442
20	346	Meters	2.59%	2.59%	16,380	(23)		10,710	421,705
21	348	Hydrants	2.59%	2.59%	90,660	(608)		20,127	822,140
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				898	34,687
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				9,036	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	1,483			2,766	107,552
26	393	Warehouse Equipment	2.59%	2.59%				174	6,711
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	2,402	(40)		1,561	61,453
28	395	Laboratory Equipment	2.59%	2.59%				64	2,485
29	396	Power Operated Equipment	2.59%	2.59%		(1,792)		297	10,557
30	397	Communication Equipment	2.59%	2.59%	1,719			2,411	93,958
31	398	Miscellaneous Equipment	2.59%	2.59%	674			315	12,494
32		**TOTAL DIRECT WATER PLANT**			$ 475,933	$ (89,150)	$ (787)	$ 464,303	$ 17,996,536
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 475,933	$ (89,150)	$ (787)	$ 464,303	$ 17,996,536
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(68)	
41									
42		Net (Salvage)/Cost of Removal						743	
43		Accumulated Depreciation						(4,253,512)	$ (4,253,512)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(4,253,512)	$ (4,253,512)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(4,254,531)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (4,253,512)	$ 1,019
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	5,922			-	16,940
5	310.3	Other Source of Supply Land	0.00%	0.00%	85,541			-	135,527
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	18,027			50,091	1,943,017
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	1,158			1,761	68,580
10	325	Electtric Pumping Equipment	2.59%	2.59%	87,963	(1,000)		34,711	1,383,669
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				1,444	55,744
14	332	Water Treatment Equipment	2.59%	2.59%	8,389	(45,248)		4,949	172,661
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	314			26,751	1,033,016
17	343	Transmission & Distribution Mains	2.59%	2.59%	317,091	(10,679)		248,412	9,744,421
18	344	Fire Sprinkler Taps	2.59%	2.59%	32,510			11,795	471,676
19	345	Services	2.59%	2.59%	144,127	(7,333)		46,642	1,869,236
20	346	Meters	2.59%	2.59%	23,970	(437)		11,227	445,238
21	348	Hydrants	2.59%	2.59%	29,278	(241)		21,669	851,177
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	19,394			1,150	54,081
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				9,036	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	3,336			2,829	110,888
26	393	Warehouse Equipment	2.59%	2.59%				174	6,711
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	5,847			1,667	67,300
28	395	Laboratory Equipment	2.59%	2.59%	1,818			88	4,303
29	396	Power Operated Equipment	2.59%	2.59%	1,221			289	11,778
30	397	Communication Equipment	2.59%	2.59%	26,794			2,780	120,752
31	398	Miscellaneous Equipment	2.59%	2.59%	8,026			428	20,520
32		**TOTAL DIRECT WATER PLANT**			$ 820,725	$ (64,938)	$ -	$ 477,899	$ 18,752,323
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 820,725	$ (64,938)	$ -	$ 477,899	$ 18,752,323
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(68)	
41									
42		Net (Salvage)/Cost of Removal						14,346	
43		Accumulated Depreciation						(4,652,195)	$ (4,652,195)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(4,652,195)	(4,652,195)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(4,653,246)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (4,652,195)	$ 1,051
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				14	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	9,741			-	26,681
5	310.3	Other Source of Supply Land	0.00%	0.00%	5,500			-	141,027
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	1,114,941			64,763	3,057,958
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	521			1,783	69,101
10	325	Electtric Pumping Equipment	2.59%	2.59%	235,612			38,888	1,619,281
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	10,733			1,583	66,477
14	332	Water Treatment Equipment	2.59%	2.59%	8,846			4,586	181,507
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	(108)			26,754	1,032,908
17	343	Transmission & Distribution Mains	2.59%	2.59%	388,960	(1,827)		257,394	10,131,554
18	344	Fire Sprinkler Taps	2.59%	2.59%	61,229			13,009	532,904
19	345	Services	2.59%	2.59%	181,307	(8,876)		50,646	2,041,667
20	346	Meters	2.59%	2.59%	32,597	(613)		11,946	477,222
21	348	Hydrants	2.59%	2.59%	119,886	(2,099)		23,571	968,964
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,401	54,081
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				3,785	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	3,614			2,919	114,502
26	393	Warehouse Equipment	2.59%	2.59%				174	6,711
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	4,894			1,806	72,194
28	395	Laboratory Equipment	2.59%	2.59%	934			124	5,237
29	396	Power Operated Equipment	2.59%	2.59%	1,021			318	12,799
30	397	Communication Equipment	2.59%	2.59%	8,022			3,231	128,775
31	398	Miscellaneous Equipment	2.59%	2.59%	5,296			600	25,816
32		**TOTAL DIRECT WATER PLANT**			$ 2,193,545	$ (13,415)	$ -	$ 509,301	$ 20,932,453
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 2,193,545	$ (13,415)	$ -	$ 509,301	$ 20,932,453
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(68)	
41									
42		Net (Salvage)/Cost of Removal						76	
43		Accumulated Depreciation						(5,148,073)	$ (5,148,073)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(5,148,073)	(5,148,073)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(5,149,124)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (5,148,073)	$ 1,051
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				14	935
3	303	Other Intanglbles	See Acct. 111	See Acct. 111	1,579			-	1,579
4	310.1	Water Rights	0.00%	0.00%	5,501			-	32,182
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	141,027
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	18,771			79,444	3,076,729
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	1,577			1,810	70,678
10	325	Electtric Pumping Equipment	2.59%	2.59%	144,615	(76,153)		42,826	1,687,743
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	26,200			2,061	92,677
14	332	Water Treatment Equipment	2.59%	2.59%	2,326			4,731	183,833
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%				26,752	1,032,908
17	343	Transmission & Distribution Mains	2.59%	2.59%	239,661	(13,673)	(9,032)	265,217	10,348,510
18	344	Fire Sprinkler Taps	2.59%	2.59%	33,156			14,232	566,060
19	345	Services	2.59%	2.59%	125,029	(7,692)		54,399	2,159,004
20	346	Meters	2.59%	2.59%	13,336			12,533	490,557
21	348	Hydrants	2.59%	2.59%	111,957			26,546	1,080,922
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	2,694			1,436	56,776
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	2,063	(200)		2,990	116,364
26	393	Warehouse Equipment	2.59%	2.59%	1,573			194	8,284
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	1,448			1,889	73,642
28	395	Laboratory Equipment	2.59%	2.59%	962			148	6,199
29	396	Power Operated Equipment	2.59%	2.59%	1,205			347	14,004
30	397	Communication Equipment	2.59%	2.59%				3,335	128,775
31	398	Miscellaneous Equipment	2.59%	2.59%	1,404			687	27,220
32		**TOTAL DIRECT WATER PLANT**			$ 735,057	$ (97,718)	$ (9,032)	$ 541,596	$ 21,560,760
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 735,057	$ (97,718)	$ (9,032)	$ 541,596	$ 21,560,760
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(68)	
41									
42		Net (Salvage)/Cost of Removal						(11)	
43		Accumulated Depreciation						(5,592,029)	$ (5,592,029)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(5,592,029)	(5,592,029)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(5,593,081)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (5,592,029)	$ 1,052
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				48	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	1,579
4	310.1	Water Rights	0.00%	0.00%	9,901			-	42,083
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	141,027
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	1,858,730			103,758	4,935,459
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	41			1,831	70,719
10	325	Electtric Pumping Equipment	2.59%	2.59%	430,486	(178,888)		46,971	1,939,341
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	65,061			3,243	157,738
14	332	Water Treatment Equipment	2.59%	2.59%	1,244			4,777	185,077
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	370			26,757	1,033,277
17	343	Transmission & Distribution Mains	2.59%	2.59%	560,111	(2,606)		275,246	10,906,015
18	344	Fire Sprinkler Taps	2.59%	2.59%	18,451			14,900	584,511
19	345	Services	2.59%	2.59%	210,652	(8,221)		58,540	2,361,435
20	346	Meters	2.59%	2.59%	22,337	(2,593)		12,961	510,301
21	348	Hydrants	2.59%	2.59%	77,058	(2,186)		28,965	1,155,794
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	115			1,472	56,891
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	47,178
25	391	Office Furniture & Equipment	2.59%	2.59%	994			3,027	117,358
26	393	Warehouse Equipment	2.59%	2.59%	702			224	8,986
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	1,343	(20)		1,924	74,965
28	395	Laboratory Equipment	2.59%	2.59%				161	6,199
29	396	Power Operated Equipment	2.59%	2.59%	977			375	14,981
30	397	Communication Equipment	2.59%	2.59%	4,439			3,393	133,213
31	398	Miscellaneous Equipment	2.59%	2.59%	2,909			743	30,129
32		**TOTAL DIRECT WATER PLANT**			$ 3,265,922	$ (194,514)	$ -	$ 589,321	$ 24,632,168
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 3,265,922	$ (194,514)	$ -	$ 589,321	$ 24,632,168
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(68)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(5,986,905)	$ (5,986,905)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(5,986,905)	(5,986,905)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(5,982,061)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (5,986,905)	$ (4,844)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				37	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	1,579
4	310.1	Water Rights	0.00%	0.00%	16,688			-	58,771
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	141,027
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	(1,215)	(653)		127,804	4,933,591
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	7			1,832	70,726
10	325	Electtric Pumping Equipment	2.59%	2.59%	41,817			50,770	1,981,158
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				4,085	157,738
14	332	Water Treatment Equipment	2.59%	2.59%	196,580			7,339	381,657
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	1,713			26,784	1,034,990
17	343	Transmission & Distribution Mains	2.59%	2.59%	678,208	(10,191)		291,117	11,574,032
18	344	Fire Sprinkler Taps	2.59%	2.59%	7,648			15,238	592,160
19	345	Services	2.59%	2.59%	133,028	(6,692)		62,797	2,487,771
20	346	Meters	2.59%	2.59%	38,191	(130)		13,710	548,362
21	348	Hydrants	2.59%	2.59%	193,266	(270)		32,434	1,348,790
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,473	56,891
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	2,460			137	49,638
25	391	Office Furniture & Equipment	2.59%	2.59%	5,949	(300)		3,113	123,008
26	393	Warehouse Equipment	2.59%	2.59%				233	8,986
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	6,496			2,026	81,461
28	395	Laboratory Equipment	2.59%	2.59%	2,189			189	8,388
29	396	Power Operated Equipment	2.59%	2.59%	6,501			472	21,482
30	397	Communication Equipment	2.59%	2.59%	7,860			3,552	141,073
31	398	Miscellaneous Equipment	2.59%	2.59%				780	30,129
32		**TOTAL DIRECT WATER PLANT**			$ 1,337,388	$ (18,236)	$ -	$ 645,929	$ 25,951,319
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,337,388	$ (18,236)	$ -	$ 645,929	$ 25,951,319
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(7)	
43		Accumulated Depreciation						(6,614,604)	$ (6,614,604)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(6,614,604)	(6,614,604)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(6,609,761)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (6,614,604)	$ (4,843)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				37	935
3	303	Other Intangibles	See Acct. 111	See Acct. 111				79	1,579
4	310.1	Water Rights	0.00%	0.00%	27,898			-	86,669
5	310.3	Other Source of Supply Land	0.00%	0.00%	39,027		(18,215)	-	161,839
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	1,433,375	(1,111,876)		131,943	5,255,089
8	320	Pumping Plant Land	0.00%	0.00%				-	3,805
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				1,832	70,726
10	325	Electtric Pumping Equipment	2.59%	2.59%	357,545	(147,061)		54,038	2,191,642
11	328	Gas Engine Equipment	2.59%	2.59%				6	223
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	9,964			4,214	167,702
14	332	Water Treatment Equipment	2.59%	2.59%	240,226			12,996	621,884
15	340	Transmission and Distribution Land	0.00%	0.00%				-	112,947
16	342	Storage Tanks	2.59%	2.59%	237,733			29,885	1,272,723
17	343	Transmission & Distribution Mains	2.59%	2.59%	5,241,741	(33,285)	(2,216,972)	338,507	14,565,516
18	344	Fire Sprinkler Taps	2.59%	2.59%	29,662	(874)		15,710	620,948
19	345	Services	2.59%	2.59%	387,072	(10,711)		69,307	2,864,132
20	346	Meters	2.59%	2.59%	15,604			14,405	563,966
21	348	Hydrants	2.59%	2.59%	110,470	(2,797)		36,328	1,456,462
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	75,400			2,450	132,291
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	317			1,696	49,955
25	391	Office Furniture & Equipment	2.59%	2.59%	14,060			3,368	137,068
26	393	Warehouse Equipment	2.59%	2.59%	16,788			450	25,774
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	425	(29)		2,115	81,858
28	395	Laboratory Equipment	2.59%	2.59%	3,140	(1,635)		237	9,894
29	396	Power Operated Equipment	2.59%	2.59%				556	21,482
30	397	Communication Equipment	2.59%	2.59%	6,187			3,734	147,260
31	398	Miscellaneous Equipment	2.59%	2.59%				780	30,129
32		**TOTAL DIRECT WATER PLANT**			$ 8,246,634	$ (1,308,268)	$ (2,235,186)	$ 724,673	$ 30,654,499
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 8,246,634	$ (1,308,268)	$ (2,235,186)	$ 724,673	$ 30,654,499
35									
36		**Company Direct Plant As Filed**							30,654,499
37									
38		**RUCO Direct Plant Adjustment**							$ (0)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(6,031,009)	$ (6,031,009)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(6,031,009)	(6,031,009)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(6,026,166)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (6,031,009)	$ (4,843)
49									
50		**RUCO Net Adjustment**							$ (4,844)
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
			Dec. 58120 1/1/1993 To Present					
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56	Notes					
57	Acct. 302 - Franchises amortized over 25 years.					
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59	Acct. 310.4 - Wells - Other amortized over 24 years.					
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								
56		Notes						
57		Acct. 302 - Franchises amortized over 25 years.						
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.						
59		Acct. 310.4 - Wells - Other amortized over 24 years.						
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.						

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								
56	Notes							
57	Acct. 302 - Franchises amortized over 25 years.							
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59	Acct. 310.4 - Wells - Other amortized over 24 years.							
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								
56		Notes						
57		Acct. 302 - Franchises amortized over 25 years.						
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.						
59		Acct. 310.4 - Wells - Other amortized over 24 years.						
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.						

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 55	$ -	8.45%	$ -
2	302	Franchises	935	-	8.45%	-
3	303	Other Intangibles	2,297	-	8.45%	-
4	310.1	Water Rights	86,669	-	8.45%	-
5	310.3	Other Source of Supply Land	161,846	-	8.45%	-
6	310.4	Wells - Other	-	-	8.45%	-
7	314	Wells	5,668,874	-	8.45%	-
8	320	Pumping Plant Land	3,805	-	8.45%	-
9	321	Pumping Plant Structures & Imprm'ts	70,726	-	8.45%	-
10	325	Electtric Pumping Equipment	2,191,674	-	8.45%	-
11	328	Gas Engine Equipment	223	-	8.45%	-
12	330	Water Treatment Plant Land	-	-	8.45%	-
13	331	Water Treatment Structures & Imprm'ts	167,702	-	8.45%	-
14	332	Water Treatment Equipment	1,129,423	-	8.45%	-
15	340	Transmission and Distribution Land	112,947	-	8.45%	-
16	342	Storage Tanks	1,272,723	-	8.45%	-
17	343	Transmission & Distribution Mains	16,783,007	-	8.45%	-
18	344	Fire Sprinkler Taps	620,948	-	8.45%	-
19	345	Services	2,864,132	-	8.45%	-
20	346	Meters	563,966	-	8.45%	-
21	348	Hydrants	1,456,462	-	8.45%	-
22	389	General Plant Land	-	-	8.45%	-
23	390	General Plant Structures	140,328	-	8.45%	-
24	390.1	Leasehold Improvements	161,155	-	8.45%	-
25	391	Office Furniture & Equipment	513,013	120,057	8.45%	10,145
26	393	Warehouse Equipment	26,271	-	8.45%	-
27	394	Tools, Shop & Garage Equipment	102,400	-	8.45%	-
28	395	Laboratory Equipment	10,228	-	8.45%	-
29	396	Power Operated Equipment	21,605	-	8.45%	-
30	397	Communication Equipment	160,462	-	8.45%	-
31	398	Miscellaneous Equipment	30,738	-	8.45%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 34,324,616	$ 120,057		$ 10,145
34		Company As Filed	$ 34,324,616	120,057		10,145
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (10,145)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 338
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 87,691	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(130,629)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (218,320)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 51,656	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	51,656	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 43,468	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	43,468	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 45,383	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	45,383	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See WAR-2, Column (K))	$ (218,320)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 518,834	$ -	$ 518,834	35.92	$ 18,636,517
2	Payroll	42,663	(25,582)	17,081	14.00	239,136
3	Purchased Water	-	-	-	-	-
4	Chemicals	8,650	-	8,650	20.43	176,679
5	Property & Liability Insurance	25,243	-	25,243	(45.27)	(1,142,751)
6	Workman's Compensation Insurance	12,619	-	12,619	(46.50)	(586,784)
7	Health Insurance	170,235	(84)	170,151	(8.92)	(1,517,750)
8	Other Operating & Maintenance Expenses	1,462,349	(14,083)	1,448,266	30.00	43,447,980
9	Federal Current Income Taxes	566,716	(256,841)	309,875	37.00	11,465,385
10	State Current Income Taxes	124,842	(56,579)	68,263	37.00	2,525,722
11	FICA Taxes	56,756	(4,067)	52,689	14.00	737,644
12	FUTA & SUTA Taxes	1,358	-	1,358	83.10	112,850
13	Property Taxes	125,837	(12,297)	113,540	212.00	24,070,454
14	Registration, Svc. Contracts, & Misc. Fees	48,046	-	48,046	(98.83)	(4,748,386)
15	Retirement Annuities (401k)	56,189	(2,077)	54,111	34.72	1,878,748
16	Subtotal	3,220,336	(371,610)	2,848,726		95,295,443
17	Synchronized Interest	$ 668,291	$ (124,076)	$ 544,215	91.25	$ 49,659,615
18	Cost of Equity	1,100,095	(1,100,095)	-	-	-
19	Subtotal	$ 1,768,386	$ (1,224,171)	$ 544,215		$ 49,659,615
20	Total	$ 4,988,722	$ (1,595,781)	$ 3,392,941		$ 144,955,058

21	Expense Lag	Line 17, Col. (E) / (C)	42.72
22	Revenue Lag	Company B-5 Schedules	28.67
23	Net Lag	Line 18 - Line 17	(14.05)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 3,392,941
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(130,629)
26	Company As Filed	Co. Schedule B-6, Page 1	87,691
27	Difference	Line 21 - Line 22	$ (218,320)
28	ADJUSTMENT	Line 27	$ (218,320)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule WAR-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 2,500,263	$ (1,731)	$ 2,498,532	$ 581,668	$ 3,080,200
2	Commercial	957,571	(828)	956,743	351,686	1,308,430
3	Industrial	315	2	317	(22)	295
4	Private Fire Service	7,692	-	7,692	30,758	38,450
5	Other Water Revenues	26,716	(30)	26,686	11,149	37,835
6	Total Water Revenues	$ 3,492,558	$ (2,587)	$ 3,489,970	$ 975,239	$ 4,465,209
7	Miscellaneous	$ 28,567	$ -	$ 28,567	$ 306	$ 28,873
8	Total Operating Revenues	$ 3,521,124	$ (2,587)	$ 3,518,537	$ 975,545	$ 4,494,082
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	7,247	-	7,247	-	7,247
11	Pumping Expenses:	-				
12	Purchased Power	518,834	-	518,834	-	518,834
13	Purchased Gas	2,626	-	2,626	-	2,626
14	Other	129,182	-	129,182	-	129,182
15	Water Treatment Expenses	319,722	-	319,722	-	319,722
16	Transmission & Distribution Expenses	400,194	-	400,194	-	400,194
17	Customer Accounting Expenses	323,108	-	323,108	-	323,108
18	Sales Expense	2,838	-	2,838	-	2,838
19	Administrative & General Expenses	641,077	(145,009)	496,067	-	496,067
20	Total Operations & Maintenance Expense	$ 2,344,827	$ (145,009)	$ 2,199,817	$ -	$ 2,199,817
21	Depreciation & Amortization Expenses	$ 731,033	$ (117,962)	$ 613,071	$ -	$ 613,071
	Taxes					
22	Federal Income Taxes	$ (125,482)	$ 126,784	$ 1,302	$ 308,573	$ 309,875
23	State Income Taxes	(27,643)	27,929	287	67,976	68,263
24	Property Taxes	125,837	(12,297)	113,540	-	113,540
25	Other	47,845	(4,067)	43,778	-	43,778
26	Total Taxes	$ 20,557	$ 138,349	$ 158,906	$ 376,549	$ 535,456
27	Total Operating Expenses	$ 3,096,417	$ (124,622)	$ 2,971,795	$ 376,549	$ 3,348,344
28	Operating Income	$ 424,708	$ 122,034	$ 546,742	$ 598,995	$ 1,145,738

References:
Column (A): Company Schedule C-1
Column (B): WAR-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): WAR-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 2,500,263	$ -	$ -	$ -	$ -	$ (1,731)	$ -	$ -	$ -	$ -	$ -	$ 2,498,532
2	Commercial	957,571	-	-	-	-	(828)	-	-	-	-	-	956,743
3	Industrial	315	-	-	-	-	2	-	-	-	-	-	317
4	Private Fire Service	7,692	-	-	-	-	-	-	-	-	-	-	7,692
5	Other Water Revenues	26,716	-	-	-	-	(30)	-	-	-	-	-	26,686
6	Total Water Revenues	$ 3,492,558	$ -	$ -	$ -	$ -	$ (2,587)	$ -	$ -	$ -	$ -	$ -	$ 3,489,970
7	Miscellaneous	$ 28,567	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,567
8	Total Operating Revenues	$ 3,521,124	$ -	$ -	$ -	$ -	$ (2,587)	$ -	$ -	$ -	$ -	$ -	$ 3,518,537
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	7,247	-	-	-	-	-	-	-	-	-	-	7,247
11	Pumping Expenses:					-							
12	Purchased Power	518,834	-	-	-	-	-	-	-	-	-	-	518,834
13	Purchased Gas	2,626	-	-	-	-	-	-	-	-	-	-	2,626
14	Other	129,182	-	-	-	-	-	-	-	-	-	-	129,182
15	Water Treatment Expenses	319,722	-	-	-	-	-	-	-	-	-	-	319,722
16	Transmission & Distribution Expenses	400,194	-	-	-	-	-	-	-	-	-	-	400,194
17	Customer Accounting Expenses	323,108	-	-	-	-	-	-	-	-	-	-	323,108
18	Sales Expense	2,838	-	-	-	-	-	-	-	-	-	-	2,838
19	Administrative & General Expenses	641,077	(25,582)	-	(2,077)	(111,634)	-	(84)	-	-	(5,633)	-	496,067
20	Total Operations & Maintenance Expense	$ 2,344,827	$ (25,582)	$ -	$ (2,077)	$ (111,634)	$ -	$ (84)	$ -	$ -	$ (5,633)	$ -	$ 2,199,817
21	Depreciation & Amortization Expenses	$ 731,033	$ -	$ -	$ -	$ -	$ -	$ -	$ (117,962)	$ -	$ -	$ -	$ 613,071
	Taxes												
22	Federal Income Taxes	$ (125,482)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 126,784	$ 1,302
23	State Income Taxes	(27,643)	-	-	-	-	-	-	-	-	-	27,929	287
24	Property Taxes	125,837	-	-	-	-	-	-	-	(12,297)	-	-	113,540
25	Other	47,845	-	(4,067)	-	-	-	-	-	-	-	-	43,778
26	Total Taxes	$ 20,557	$ -	$ (4,067)	$ -	$ -	$ -	$ -	$ -	$ (12,297)	$ -	$ 154,714	$ 158,906
27	Total Operating Expenses	$ 3,096,417	$ (25,582)	$ (4,067)	$ (2,077)	$ (111,634)	$ -	$ (84)	$ (117,962)	$ (12,297)	$ (5,633)	$ 154,714	$ 2,971,795
28	Operating Income	$ 424,708	$ 25,582	$ 4,067	$ 2,077	$ 111,634	$ (2,587)	$ 84	$ 117,962	$ 12,297	$ 5,633	$ (154,714)	$ 546,742

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule WAR-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule WAR-10
7 - Depreciation Expense	Testimony, WAR And Schedule WAR-11
8 - Property Tax Expense	Testimony, WAR And Schedule WAR-12
9 - Rate Case Expense	Testimony, WAR And Schedule WAR-13
10 - Income Tax	Testimony, WAR And Schedule WAR-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		8.45%
21			
22	RUCO Adjustment		$ (25,582)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				
42	**Calculation Notes:**			
43	Average of Hourly Rate	$ 21.65		
44	OT Hourly Rate 1.5	32.48		

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	8.45%
6		
7	RUCO Allocated Payroll by District	$ 25,582
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	15.90%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (4,067)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	8.45%
6		
7	RUCO Allocated Payroll by District	$ 25,582
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.12%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (2,077)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 55	0.00%	$ -
2	302	Franchises	935	See Acct. 111	-
3	303	Other Intangibles	2,297	See Acct. 111	-
4	310.1	Water Rights	86,669	0.00%	-
5	310.3	Other Source of Supply Land	161,846	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	2,271,156	3.13%	71,087
8	320	Pumping Plant Land	3,805	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	70,726	2.86%	2,023
10	325	Electtric Pumping Equipment	2,184,913	5.88%	128,473
11	328	Gas Engine Equipment	223	4.00%	9
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	167,702	2.50%	4,193
14	332	Water Treatment Equipment	1,129,423	2.86%	32,301
15	340	Transmission and Distribution Land	112,947	0.00%	-
16	342	Storage Tanks	1,272,723	2.00%	25,454
17	343	Transmission & Distribution Mains	16,121,269	1.79%	288,571
18	344	Fire Sprinkler Taps	620,948	2.00%	12,419
19	345	Services	2,864,132	2.38%	68,166
20	346	Meters	563,966	4.55%	25,660
21	348	Hydrants	1,456,462	1.82%	26,508
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	140,328	2.50%	3,508
24	390.1	Leasehold Improvements	161,155	See Acct. 108.2	-
25	391	Office Furniture & Equipment	502,869	6.67%	33,541
26	393	Warehouse Equipment	26,271	5.00%	1,314
27	394	Tools, Shop & Garage Equipment	102,400	4.00%	4,096
28	395	Laboratory Equipment	10,228	5.00%	511
29	396	Power Operated Equipment	21,605	6.67%	1,441
30	397	Communication Equipment	160,462	6.67%	10,703
31	398	Miscellaneous Equipment	30,738	3.33%	1,024
32		Rounding	-		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 30,248,254		$ 741,002
34					
35		AMORTIZATION OF CONTRIBUTIONS	(6,396,542)	2.00%	(127,931)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 613,071
38					
39	Company As Filed				731,033
40	Difference				$ (117,962)
41					
42	RUCO Adjustment (See WAR-8, Column (B))				$ (117,962)
43					
44					

45	3-Factor Allocator By District:			
46	Superstition	24.94%	White Tank	2.37%
47	Bisbee	4.98%	Ajo	0.81%
48	Sierra Vista	2.58%	Coolidge	5.27%
49	San Manuel	1.68%	Lakeside	6.20%
50	Oracle	2.28%	Overgaard	3.99%
51	Winkelman	0.22%	Sedona	8.45%
52	Miami	4.98%	Pinewood	2.95%
53	Casa Grande	26.55%	Rimrock	1.48%
54	Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	$ 3,518,537	
2	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	3,518,537	
3	Proposed Revenues	Sch. WAR-7, Col (E), Ln 8	4,494,082	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 11,531,156	
5	Average Annual Operating Revenues	Line 4 / 3	3,843,719	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 7,687,437
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 3,262,159	
8	10% Of CWIP	Line 7 X 10%		$ 326,216
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (177,913)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 7,835,740
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 1,763,042	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	6.44%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	6.44%	
	Property Tax			$ 113,540
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 113,540
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		125,837
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (12,297)
21	RUCO Adjustment (See WAR-8, Column (C))	Line 20		$ (12,297)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			8.45%
3	Sedona System (Line 1 X Line 2)			$ 25,350
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 8,450
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 14,083
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (5,633)
8	RUCO Adjustment (Line 7) (See WAR-8, Column (E))			$ (5,633)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. WAR-7, Column (C), L28 + L22 + L23	$ 548,331
	LESS:		
2	Arizona State Tax	Line 11	287
3	Interest Expense	Note (A) Line 21	544,215
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 3,829
5	Federal Tax Rate	Sch. WAR-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 1,302
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 548,331
	LESS:		
8	Interest Expense	Note (A) Line 21	544,215
9	State Taxable Income	Line 7 - Line 8	$ 4,116
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 287
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 1,302
13	State Income Tax Expense	Line 11	287
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 1,589
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(125,482)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(27,643)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 126,784
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 27,929

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. WAR-2, Col. (H), L17)	$	14,673,180
20	Weighted Cost of Debt (Sch. WAR-16 Col. (F), L1)		3.71%
21	Interest Expense (L18 X L19)	$	544,215

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Pinewood System

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

Pinewood System

TABLE OF CONTENTS TO WAR SCHEDULES

SCH. NO.	PAGE NO.	TITLE
WAR-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
WAR-2	1	RATE BASE
WAR-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
WAR-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
WAR-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
WAR-7	1	OPERATING INCOME
WAR-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
WAR-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
WAR-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
WAR-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
WAR-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
WAR-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
WAR-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
WAR-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 1,882,836	$ 1,806,850
2	Adjusted Operating Income (Loss)	$ 104,677	$ 146,358
3	Current Rate of Return (L2 / L1)	5.56%	8.10%
4	Required Operating Income (L5 X L1)	$ 184,787	$ 141,086
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 80,110	$ (5,272)
7	Gross Revenue Conversion Factor (WAR-1, Page 2)	1.6286	1.3703
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 130,470	$ (7,224)
9	Adjusted Test Year Revenue	$ 1,047,463	$ 1,046,390
10	Proposed Annual Revenue (L8 + L9)	$ 1,177,933	$ 1,039,166
11	Required Percentage Increase in Revenue (L8 / L9)	12.46%	-0.69%
12	Consolidated Revenue Adjustment (Sedona/Pinewood/Rimrock)	$ 6,107	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 136,993	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 1,183,734	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	13.09%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule WAR-2, WAR-7, and WAR-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.2702			
3	Subtotal (L1 - L2)	0.7298			
4	**Revenue Conversion Factor** (L1 / L3)	**1.3703**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	21.5564%			
9	Effective Federal Income Tax Rate (L7 X L8)	20.0544%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	27.0224%			
11	Required Operating Income (Sch. WAR-1, Pg 1, C (B), L4)	$ 141,086			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. WAR-1, Pg 1, C (B), L2)	146,358			
13	Required Increase In Operating Income (L11 - L12)		$ (5,272)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 27,427			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	29,379			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (1,952)		
17	Total Required Increase In Revenue (L13 + L16)		$ (7,224)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. WAR-1, Pg 1, Col. (B), L12)			$ 1,039,166	
19	Operating Expense Excluding Income Tax (WAR-7, Col. (E), L27 - L22 - L23)			870,653	
20	Synchronized Interest (Col. (C), L37)			67,014	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 101,499	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 7,072
24	Fed. Taxable Income (L21 - L23)			$ 94,426	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 6,605	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ -	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 20,355
31	Combined Federal and State Income Tax (L23 + L30)				$ 27,427
32	Test Year Combined Income Tax, RUCO as Adjusted (WAR-7, Col. (C), L22 + L23)				$ 29,379
33	RUCO Adjustment (L31 - L32) (See WAR-6, Col. (D), L23)				$ (1,952)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				21.56%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 1,806,850	
36	Weighted Avg. Cost of Debt (Sch. WAR-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 67,014	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 863	$ -	$ 863
2	Source of Supply Plant	1,146,589	(13,512)	1,133,076
3	Pumping Plant	471,603	(40,464)	431,139
4	Water Treatment Plant	32,915	-	32,915
5	Transmission & Distribution Plant	3,563,550	(89)	3,563,461
6	General Plant	239,448	(3,542)	235,907
7	Total Gross Plant in Service	$ 5,454,969	$ (57,607)	$ 5,397,362
8	Accumulated Depreciation	(2,349,271)	12,479	(2,336,792)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 3,105,698	$ (45,128)	$ 3,060,570
10	Advances In Aid Of Const.	$ (249,075)	$ -	$ (249,075)
11	Contribution In Aid of Const.	$ (783,751)	$ -	$ (783,751)
12	Accumulated Amortization of CIAC	$ 296,411	-	296,411
13	NET CIAC (L5 + L6)	$ (487,340)	$ -	$ (487,340)
14	Deferred Income Tax	$ (565,368)	$ -	$ (565,368)
15	Allowance for Working Capital	$ 78,921	$ (30,858)	$ 48,063
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 1,882,836	$ (75,986)	$ 1,806,850

References:
Column (A): Company Schedule B-1
Column (B): Schedule WAR-3
Column (C): Column (A) + Column (B)

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

Pinewood System
Schedule WAR-3
Page 1 of 1

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4 REMOVE PTY PLANT	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 863	$ -	$ -	$ -	$ -	$ -	$ -	$ 863
2	Source of Supply Plant	1,146,589	-	-	(13,512)	-	-	-	1,133,076
3	Pumping Plant	471,603	-	-	-	(40,464)	-	-	431,139
4	Water Treatment Plant	32,915	-	-	-	-	-	-	32,915
5	Transmission & Distribution Plant	3,563,550	-	-	-	(89)	-	-	3,563,461
6	General Plant	239,448	-	(3,542)	-	-	-	-	235,907
7	Total Gross Plant in Service	$ 5,454,969	$ -	$ (3,542)	$ (13,512)	$ (40,553)	$ -	$ -	$ 5,397,362
8	Accumulated Depreciation	(2,349,271)	496	118	10,674	1,191	-	-	(2,336,792)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 3,105,698	$ 496	$ (3,424)	$ (2,838)	$ (39,362)	$ -	$ -	$ 3,060,570
10	Advances In Aid Of Const.	$ (249,075)	$ -	$ -	$ -	$ -	$ -	$ -	$ (249,075)
11	Contribution In Aid of Const.	$ (783,751)	$ -	$ -	$ -	$ -	$ -	$ -	$ (783,751)
12	Accumulated Amortization of CIAC	296,411	-	-	-	-	-	-	296,411
13	NET CIAC (L5 + L6)	$ (487,340)	$ -	$ -	$ -	$ -	$ -	$ -	$ (487,340)
14	Deferred Income Tax	$ (565,368)	$ -	$ -	$ -	$ -	$ -	$ -	$ (565,368)
15	Allowance for Working Capital	78,921	$ -	$ -	$ -	$ -	$ -	$ (30,858)	$ 48,063
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 1,882,836	$ 496	$ (3,424)	$ (2,838)	$ (39,362)	$ -	$ (30,858)	$ 1,806,850

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See WAR-4 Total, WAR-4 Direct, WAR-4 PHX OFF and WAR-4 MS Schedules and WAR Testi
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Remove Company PTY Plant Adjustment JMR-1
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) Decision 64282 1/1/2002 To Present	(C) 12/31/1999 Per Decision No. 64282	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/1999
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	2,215	-	2,215
5	310.3	Other Source of Supply Land	0.00%	0.00%	69,340	-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	2.59%	993,976	-	993,976
8	320	Pumping Plant Land	0.00%	0.00%	95	-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	29,870	-	29,870
10	325	Electtric Pumping Equipment	2.59%	2.59%	240,210	-	240,210
11	328	Gas Engine Equipment	2.59%	2.59%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	7,060	-	7,060
14	332	Water Treatment Equipment	2.59%	2.59%	55,795	-	55,795
15	340	Transmission and Distribution Land	0.00%	0.00%	18,146	-	18,146
16	342	Storage Tanks	2.59%	2.59%	331,865	-	331,865
17	343	Transmission & Distribution Mains	2.59%	2.59%	1,757,450	-	1,757,450
18	344	Fire Sprinkler Taps	2.59%	2.59%	10,608	-	10,608
19	345	Services	2.59%	2.59%	641,270	-	641,270
20	346	Meters	2.59%	2.59%	133,287	-	133,287
21	348	Hydrants	2.59%	2.59%	111,924	-	111,924
22	389	General Plant Land	0.00%	0.00%	2,858	-	2,858
23	390	General Plant Structures	2.59%	2.59%	13,590	-	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-	-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	130	-	130
26	393	Warehouse Equipment	2.59%	2.59%	-	-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	4,835	-	4,835
28	395	Laboratory Equipment	2.59%	2.59%	-	-	-
29	396	Power Operated Equipment	2.59%	2.59%	1,382	-	1,382
30	397	Communication Equipment	2.59%	2.59%	14,265	-	14,265
31	398	Miscellaneous Equipment	2.59%	2.59%	-	-	-
32		**TOTAL DIRECT WATER PLANT**			$ 4,440,171	$ -	$ 4,440,171
33		Post Test Year Plant (PTYP)			156,638	(156,638)	-
34		**RUCO Total Water Plant In Service**			$ 4,596,809	$ (156,638)	$ 4,440,171
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(1,576,616)		$ (1,576,616)
44		Accumulated Depreciation - PTYP			(98,700)	98,700.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (1,675,316)		$ (1,576,616)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,576,616)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (1,675,316)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2000 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2000
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	504			-	2,719
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	14,724			25,935	1,008,700
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	1,050			787	30,920
10	325	Electtric Pumping Equipment	2.59%	2.59%	99,292	(9,236)		7,388	330,266
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	616			191	7,676
14	332	Water Treatment Equipment	2.59%	2.59%	14,307	(9,500)		1,507	60,602
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%				8,595	331,865
17	343	Transmission & Distribution Mains	2.59%	2.59%	22,330			45,807	1,779,780
18	344	Fire Sprinkler Taps	2.59%	2.59%				275	10,608
19	345	Services	2.59%	2.59%	5,812			16,684	647,082
20	346	Meters	2.59%	2.59%	3,594			3,499	136,881
21	348	Hydrants	2.59%	2.59%	87			2,900	112,011
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	219			6	349
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	2,177			153	7,012
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				36	1,382
30	397	Communication Equipment	2.59%	2.59%	1,835			393	16,100
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 166,548	$ (18,736)	$ -	$ 114,508	$ 4,587,983
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 166,548	$ (18,736)	$ -	$ 114,508	$ 4,587,983
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						232	
43		Accumulated Depreciation						(1,672,157)	$ (1,672,157)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,672,157)	$ (1,672,157)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,672,556)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,672,157)	$ 399
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2001 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2001
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	132			-	2,851
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	34,304			26,570	1,043,004
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	204			803	31,124
10	325	Electtric Pumping Equipment	2.59%	2.59%	45,781	(18,742)		8,904	357,305
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%	1,187			1,585	61,789
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%	1,090			8,609	332,955
17	343	Transmission & Distribution Mains	2.59%	2.59%	96,971			47,352	1,876,751
18	344	Fire Sprinkler Taps	2.59%	2.59%				275	10,608
19	345	Services	2.59%	2.59%	5,778			16,834	652,860
20	346	Meters	2.59%	2.59%	4,125			3,599	141,006
21	348	Hydrants	2.59%	2.59%	4,636	(1,330)		2,944	115,317
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				9	349
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%				182	7,012
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%	3,090			76	4,472
30	397	Communication Equipment	2.59%	2.59%	888			429	16,989
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 198,187	$ (20,072)	$ -	$ 118,721	$ 4,766,099
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 198,187	$ (20,072)	$ -	$ 118,721	$ 4,766,099
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,770,806)	$ (1,770,806)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(1,770,806)	$ (1,770,806)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,771,348)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,770,806)	$ 542
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	2,378			-	5,229
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	1,436			27,032	1,044,441
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	8,612			918	39,736
10	325	Electtric Pumping Equipment	2.59%	2.59%	26,528	(23,155)		9,298	360,677
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%				1,600	61,789
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%	173			8,626	333,128
17	343	Transmission & Distribution Mains	2.59%	2.59%	13,761			48,786	1,890,512
18	344	Fire Sprinkler Taps	2.59%	2.59%	5,715			349	16,323
19	345	Services	2.59%	2.59%	20,589	(572)		17,168	672,878
20	346	Meters	2.59%	2.59%		(141)		3,650	140,865
21	348	Hydrants	2.59%	2.59%	6,305	(1,459)		3,049	120,163
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				9	349
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	1,181			197	8,192
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				116	4,472
30	397	Communication Equipment	2.59%	2.59%				440	16,989
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 86,678	$ (25,327)	$ -	$ 121,789	$ 4,827,450
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 86,678	$ (25,327)	$ -	$ 121,789	$ 4,827,450
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(4)	
43		Accumulated Depreciation						(1,867,272)	$ (1,867,272)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,867,272)	(1,867,272)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,867,814)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,867,272)	$ 542
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	3,845			-	9,074
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				27,051	1,044,441
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	234			1,032	39,970
10	325	Electtric Pumping Equipment	2.59%	2.59%	19,828	(17,531)		9,371	362,974
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%	5,432	(6,955)		1,581	60,266
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%				8,628	333,128
17	343	Transmission & Distribution Mains	2.59%	2.59%	14,254			49,149	1,904,766
18	344	Fire Sprinkler Taps	2.59%	2.59%				423	16,323
19	345	Services	2.59%	2.59%	10,049			17,558	682,927
20	346	Meters	2.59%	2.59%	326			3,653	141,191
21	348	Hydrants	2.59%	2.59%	4,031			3,164	124,194
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				9	349
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	3,319			255	11,511
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				116	4,472
30	397	Communication Equipment	2.59%	2.59%				440	16,989
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 61,318	$ (24,486)	$ -	$ 122,980	$ 4,864,283
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 61,318	$ (24,486)	$ -	$ 122,980	$ 4,864,283
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(7)	
43		Accumulated Depreciation						(1,965,774)	$ (1,965,774)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,965,774)	(1,965,774)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,966,315)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,965,774)	$ 541
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	593			-	593
4	310.1	Water Rights	0.00%	0.00%	2,066			-	11,140
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				27,051	1,044,441
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				1,035	39,970
10	325	Electric Pumping Equipment	2.59%	2.59%	81,100	(89,661)		9,290	354,413
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%	1,902	(36,990)		1,107	25,179
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%				8,628	333,128
17	343	Transmission & Distribution Mains	2.59%	2.59%				49,333	1,904,766
18	344	Fire Sprinkler Taps	2.59%	2.59%				423	16,323
19	345	Services	2.59%	2.59%	11,071	(292)		17,827	693,706
20	346	Meters	2.59%	2.59%	6,833	(180)		3,743	147,844
21	348	Hydrants	2.59%	2.59%				3,217	124,194
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	239			12	588
26	393	Warehouse Equipment	2.59%	2.59%	243			3	243
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	830			309	12,341
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				116	4,472
30	397	Communication Equipment	2.59%	2.59%	453			446	17,441
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 105,330	$ (127,123)	$ -	$ 123,091	$ 4,842,489
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 105,330	$ (127,123)	$ -	$ 123,091	$ 4,842,489
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(4)	
43		Accumulated Depreciation						(1,961,745)	$ (1,961,745)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,961,745)	(1,961,745)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,962,287)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,961,745)	$ 542
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	593
4	310.1	Water Rights	0.00%	0.00%	3,720			-	14,860
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				27,051	1,044,441
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				1,035	39,970
10	325	Electtric Pumping Equipment	2.59%	2.59%	3,213	(1,314)		9,204	356,312
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%				652	25,179
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%				8,628	333,128
17	343	Transmission & Distribution Mains	2.59%	2.59%	69			49,334	1,904,836
18	344	Fire Sprinkler Taps	2.59%	2.59%				423	16,323
19	345	Services	2.59%	2.59%	12,285	(985)		18,113	705,005
20	346	Meters	2.59%	2.59%				3,829	147,844
21	348	Hydrants	2.59%	2.59%				3,217	124,194
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	460			21	1,048
26	393	Warehouse Equipment	2.59%	2.59%	748			16	992
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	643			328	12,984
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				116	4,472
30	397	Communication Equipment	2.59%	2.59%				452	17,441
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 21,138	$ (2,299)	$ -	$ 122,970	$ 4,861,328
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 21,138	$ (2,299)	$ -	$ 122,970	$ 4,861,328
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(2,082,416)	$ (2,082,416)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,082,416)	(2,082,416)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,082,958)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,082,416)	$ 542
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) Decision 64282 1/1/2002 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	593
4	310.1	Water Rights	0.00%	0.00%	5,918			-	20,778
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	2,288			27,081	1,046,728
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				1,035	39,970
10	325	Electtric Pumping Equipment	2.59%	2.59%	13			9,229	356,325
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%				652	25,179
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%				8,628	333,128
17	343	Transmission & Distribution Mains	2.59%	2.59%	159,062			51,395	2,063,898
18	344	Fire Sprinkler Taps	2.59%	2.59%				423	16,323
19	345	Services	2.59%	2.59%	22,444	(1,205)		18,535	726,244
20	346	Meters	2.59%	2.59%	1,928			3,854	149,773
21	348	Hydrants	2.59%	2.59%				3,217	124,194
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				27	1,048
26	393	Warehouse Equipment	2.59%	2.59%				26	992
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	656			345	13,640
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				116	4,472
30	397	Communication Equipment	2.59%	2.59%				452	17,441
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 192,309	$ (1,205)	$ -	$ 125,564	$ 5,052,432
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 192,309	$ (1,205)	$ -	$ 125,564	$ 5,052,432
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(11)	
43		Accumulated Depreciation						(2,206,785)	$ (2,206,785)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,206,785)	(2,206,785)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,207,327)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,206,785)	$ 542
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				30	593
4	310.1	Water Rights	0.00%	0.00%	9,739			-	30,517
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	69,340
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				27,110	1,046,728
8	320	Pumping Plant Land	0.00%	0.00%				-	95
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				1,035	39,970
10	325	Electtric Pumping Equipment	2.59%	2.59%	53,737	(18,988)		9,679	391,074
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				199	7,676
14	332	Water Treatment Equipment	2.59%	2.59%				652	25,179
15	340	Transmission and Distribution Land	0.00%	0.00%				-	18,146
16	342	Storage Tanks	2.59%	2.59%				8,628	333,128
17	343	Transmission & Distribution Mains	2.59%	2.59%	48,867	(381)		54,083	2,112,384
18	344	Fire Sprinkler Taps	2.59%	2.59%				423	16,323
19	345	Services	2.59%	2.59%	77,966	(1,795)		19,796	802,415
20	346	Meters	2.59%	2.59%	2,583			3,913	152,356
21	348	Hydrants	2.59%	2.59%	4,337			3,273	128,531
22	389	General Plant Land	0.00%	0.00%				-	2,858
23	390	General Plant Structures	2.59%	2.59%				352	13,590
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%		(220)		24	828
26	393	Warehouse Equipment	2.59%	2.59%				26	992
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	426			359	14,066
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				116	4,472
30	397	Communication Equipment	2.59%	2.59%				452	17,441
31	398	Miscellaneous Equipment	2.59%	2.59%				-	-
32		**TOTAL DIRECT WATER PLANT**			$ 197,656	$ (21,384)	$ -	$ 130,149	$ 5,228,704
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 197,656	$ (21,384)	$ -	$ 130,149	$ 5,228,704
35									
36		**Company Direct Plant As Filed**							5,228,703
37									
38		**RUCO Direct Plant Adjustment**							$ 1
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(2,315,550)	$ (2,315,550)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,315,550)	(2,315,550)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,316,092)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,315,550)	$ 542
49									
50		**RUCO Net Adjustment**							$ 542
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	*Other Intangibles*	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		*Company As Filed* - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								
56	Notes							
57	Acct. 302 - Franchises amortized over 25 years.							
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59	Acct. 310.4 - Wells - Other amortized over 24 years.							
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 19	$ -	2.95%	$ -
2	302	Franchises	-	-	2.95%	-
3	303	Other Intangibles	844	-	2.95%	-
4	310.1	Water Rights	30,517	-	2.95%	-
5	310.3	Other Source of Supply Land	69,342	-	2.95%	-
6	310.4	Wells - Other	-	-	2.95%	-
7	314	Wells	1,046,728	-	2.95%	-
8	320	Pumping Plant Land	95	-	2.95%	-
9	321	Pumping Plant Structures & Imprm'ts	39,970	-	2.95%	-
10	325	Electtric Pumping Equipment	431,538	-	2.95%	-
11	328	Gas Engine Equipment	-	-	2.95%	-
12	330	Water Treatment Plant Land	-	-	2.95%	-
13	331	Water Treatment Structures & Imprm'ts	7,676	-	2.95%	-
14	332	Water Treatment Equipment	25,239	-	2.95%	-
15	340	Transmission and Distribution Land	18,146	-	2.95%	-
16	342	Storage Tanks	333,128	-	2.95%	-
17	343	Transmission & Distribution Mains	2,112,652	-	2.95%	-
18	344	Fire Sprinkler Taps	16,323	-	2.95%	-
19	345	Services	802,415	-	2.95%	-
20	346	Meters	152,356	-	2.95%	-
21	348	Hydrants	128,531	-	2.95%	-
22	389	General Plant Land	2,858	-	2.95%	-
23	390	General Plant Structures	16,396	-	2.95%	-
24	390.1	Leasehold Improvements	38,821	-	2.95%	-
25	391	Office Furniture & Equipment	132,075	120,057	2.95%	3,542
26	393	Warehouse Equipment	1,165	-	2.95%	-
27	394	Tools, Shop & Garage Equipment	21,238	-	2.95%	-
28	395	Laboratory Equipment	117	-	2.95%	-
29	396	Power Operated Equipment	4,515	-	2.95%	-
30	397	Communication Equipment	22,050	-	2.95%	-
31	398	Miscellaneous Equipment	213	-	2.95%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 5,454,969	$ 120,057		$ 3,542
34		Company As Filed	$ 5,454,969	120,057		3,542
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (3,542)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 118
40						
41						
42		References:				
43		Column (A): Company Schedules B-2				
44		Column (B): Post Test Year Phoenix Office Plant Allocation				
45		Column (C): 3-Factor Allocator				
46		Column (D): Adjustment				

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 24,661	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(6,197)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (30,858)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 23,241	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	23,241	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 15,175	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	15,175	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 15,844	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	15,844	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See WAR-2, Column (K))	$ (30,858)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 84,846	$ -	$ 84,846	35.92	$ 3,047,668
2	Payroll	294,552	(8,931)	285,621	14.00	3,998,698
3	Purchased Water	-	-	-	-	-
4	Chemicals	345	-	345	20.43	7,047
5	Property & Liability Insurance	8,812	-	8,812	(45.27)	(398,919)
6	Workman's Compensation Insurance	4,405	-	4,405	(46.50)	(204,833)
7	Health Insurance	76,799	(38)	76,761	(8.92)	(684,711)
8	Other Operating & Maintenance Expenses	218,087	(4,917)	213,170	30.00	6,395,108
9	Federal Current Income Taxes	59,219	(38,864)	20,355	37.00	753,131
10	State Current Income Taxes	13,045	(5,973)	7,072	37.00	261,680
11	FICA Taxes	19,814	(1,420)	18,394	14.00	257,518
12	FUTA & SUTA Taxes	474	-	474	83.10	39,389
13	Property Taxes	41,350	(3,158)	38,192	212.00	8,096,780
14	Registration, Svc. Contracts, & Misc. Fees	16,774	-	16,774	(98.83)	(1,657,774)
15	Retirement Annuities (401k)	25,349	(725)	24,624	34.72	854,940
16	Subtotal	863,872	(64,025)	799,847		20,765,722
17	Synchronized Interest	$ 69,833	$ (2,819)	$ 67,014	91.25	$ 6,115,068
18	Cost of Equity	114,954	(114,954)	-	-	-
19	Subtotal	$ 184,787	$ (117,773)	$ 67,014		$ 6,115,068
20	Total	$ 1,048,659	$ (181,797)	$ 866,861		$ 26,880,790

21	Expense Lag	Line 17, Col. (E) / (C)	31.01
22	Revenue Lag	Company B-5 Schedules	28.40
23	Net Lag	Line 18 - Line 17	(2.61)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 866,861
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(6,197)
26	Company As Filed	Co. Schedule B-6, Page 1	-
27	Difference	Line 21 - Line 22	$ (6,197)
28	ADJUSTMENT	Line 27	$ (6,197)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule WAR-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,015,253	$ (1,022)	$ 1,014,231	$ (11,926)	$ 1,002,305
2	Commercial	22,880	(49)	22,832	3,029	25,860
3	Industrial	507	0	507	83	590
4	Private Fire Service	179	-	179	721	900
5	Other Water Revenues	1,784	(2)	1,782	565	2,346
6	Total Water Revenues	$ 1,040,604	$ (1,073)	$ 1,039,531	$ (7,530)	$ 1,032,001
7	Miscellaneous	$ 6,859	$ -	$ 6,859	$ 306	$ 7,165
8	Total Operating Revenues	$ 1,047,463	$ (1,073)	$ 1,046,390	$ (7,224)	$ 1,039,166
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	3,239	-	3,239	-	3,239
11	Pumping Expenses:	-				
12	Purchased Power	84,846	-	84,846	-	84,846
13	Purchased Gas	-	-	-	-	-
14	Other	56,303	-	56,303	-	56,303
15	Water Treatment Expenses	33,840	-	33,840	-	33,840
16	Transmission & Distribution Expenses	173,376	-	173,376	-	173,376
17	Customer Accounting Expenses	133,433	-	133,433	-	133,433
18	Sales Expense	1,188	-	1,188	-	1,188
19	Administrative & General Expenses	243,746	(40,012)	203,734	-	203,734
20	Total Operations & Maintenance Expense	$ 729,970	$ (40,012)	$ 689,958	$ -	$ 689,958
21	Depreciation & Amortization Expenses	$ 132,206	$ (5,641)	$ 126,565	$ -	$ 126,565
	Taxes					
22	Federal Income Taxes	$ 17,950	$ 3,854	$ 21,804	$ (1,449)	$ 20,355
23	State Income Taxes	3,954	3,622	7,576	(503)	7,072
24	Property Taxes	41,350	(3,158)	38,193	-	38,193
25	Other	17,357	(1,420)	15,937	-	15,937
26	Total Taxes	$ 80,611	$ 2,898	$ 83,509	$ (1,952)	$ 81,557
27	Total Operating Expenses	$ 942,787	$ (42,755)	$ 900,032	$ (1,952)	$ 898,080
28	Operating Income	$ 104,677	$ 41,681	$ 146,358	$ (5,272)	$ 141,086

References:
Column (A): Company Schedule C-1
Column (B): WAR-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): WAR-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,015,253	$ -	$ -	$ -	$ -	$ (1,022)	$ -	$ -	$ -	$ -	$ -	$ 1,014,231
2	Commercial	22,880	-	-	-	-	(49)	-	-	-	-	-	22,832
3	Industrial	507	-	-	-	-	0	-	-	-	-	-	507
4	Private Fire Service	179	-	-	-	-		-	-	-	-	-	179
5	Other Water Revenues	1,784	-	-	-	-	(2)	-	-	-	-	-	1,782
6	Total Water Revenues	$ 1,040,604	$ -	$ -	$ -	$ -	$ (1,073)	$ -	$ -	$ -	$ -	$ -	$ 1,039,531
7	Miscellaneous	$ 6,859	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,859
8	Total Operating Revenues	$ 1,047,463	$ -	$ -	$ -	$ -	$ (1,073)	$ -	$ -	$ -	$ -	$ -	$ 1,046,390
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	3,239	-	-	-	-	-	-	-	-	-	-	3,239
11	Pumping Expenses:												
12	Purchased Power	84,846	-	-	-	-	-	-	-	-	-	-	84,846
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	56,303	-	-	-	-	-	-	-	-	-	-	56,303
15	Water Treatment Expenses	33,840	-	-	-	-	-	-	-	-	-	-	33,840
16	Transmission & Distribution Expenses	173,376	-	-	-	-	-	-	-	-	-	-	173,376
17	Customer Accounting Expenses	133,433	-	-	-	-	-	-	-	-	-	-	133,433
18	Sales Expense	1,188	-	-	-	-	-	-	-	-	-	-	1,188
19	Administrative & General Expenses	243,746	(8,931)	-	(725)	(28,351)	-	(38)		-	(1,967)	-	203,734
20	Total Operations & Maintenance Expense	$ 729,970	$ (8,931)	$ -	$ (725)	$ (28,351)	$ -	$ (38)	$ -	$ -	$ (1,967)	$ -	$ 689,958
21	Depreciation & Amortization Expenses	$ 132,206	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,641)	$ -	$ -	$ -	$ 126,565
	Taxes												
22	Federal Income Taxes	$ 17,950	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,854	$ 21,804
23	State Income Taxes	3,954	-	-	-	-	-	-	-	-	-	3,622	7,576
24	Property Taxes	41,350	-	-	-	-	-	-	-	(3,158)	-	-	38,193
25	Other	17,357	-	(1,420)	-	-	-	-	-	-	-	-	15,937
26	Total Taxes	$ 80,611	$ -	$ (1,420)	$ -	$ -	$ -	$ -	$ -	$ (3,158)	$ -	$ 7,475	$ 83,509
27	Total Operating Expenses	$ 942,787	$ (8,931)	$ (1,420)	$ (725)	$ (28,351)	$ -	$ (38)	$ (5,641)	$ (3,158)	$ (1,967)	$ 7,475	$ 900,032
28	Operating Income	$ 104,677	$ 8,931	$ 1,420	$ 725	$ 28,351	$ (1,073)	$ 38	$ 5,641	$ 3,158	$ 1,967	$ (7,475)	$ 146,358

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule WAR-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule WAR-10
7 - Depreciation Expense	Testimony, WAR And Schedule WAR-11
8 - Property Tax Expense	Testimony, WAR And Schedule WAR-12
9 - Rate Case Expense	Testimony, WAR And Schedule WAR-13
10 - Income Tax	Testimony, WAR And Schedule WAR-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		2.95%
21			
22	RUCO Adjustment		$ (8,931)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.95%
6		
7	RUCO Allocated Payroll by District	$ 8,931
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	15.90%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (1,420)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.95%
6		
7	RUCO Allocated Payroll by District	$ 8,931
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.12%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (725)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO	
1	System				
2					
3	Eastern Group				
4	Supersition	$ 2,224	$ (273)	$ 1,950	
5	Apache Junction				
6	Superior				
7	Bisbee	122	(45)	77	
8	Sierra Vista	115	(38)	77	
9	San Manuel	5	(20)	(16)	
10	Oracle	25	(20)	5	
11	Saddlebrook	5	(0)	4	
12	Winkelman	0	(2)	(2)	
13	Miami	(338)	(40)	(378)	
14	Subtotal	$ 2,157	$ (439)	$ 1,718	
15					
16	Western Group				
17	Casa Grande	2,137	(298)	1,839	
18	Stanfield	20	(3)	17	
19	White Tank	148	(22)	126	
20	Ajo	58	(9)	49	
21	Coolidge	(127)	(62)	(189)	
22	Subtotal	$ 2,235	$ (393)	$ 1,842	
23					
24	Northern Group				
25	Lakeside	570	(65)	506	
26	Overgaard	507	(55)	452	
27	Sedona	445	(84)	361	
28	Pinewood	199	(38)	162	
29	Rimrock	87	(16)	71	
30	Subtotal	$ 1,809	$ (257)	$ 1,551	
31					
32					
33	Total Company	$ 6,201	$ (1,090)	$ 5,111	(a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 19	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	844	See Acct. 111	-
4	310.1	Water Rights	30,517	0.00%	-
5	310.3	Other Source of Supply Land	69,342	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	1,033,216	3.13%	32,340
8	320	Pumping Plant Land	95	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	39,970	2.86%	1,143
10	325	Electtric Pumping Equipment	391,074	5.88%	22,995
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	7,676	2.50%	192
14	332	Water Treatment Equipment	25,239	2.86%	722
15	340	Transmission and Distribution Land	18,146	0.00%	-
16	342	Storage Tanks	333,128	2.00%	6,663
17	343	Transmission & Distribution Mains	2,112,563	1.79%	37,815
18	344	Fire Sprinkler Taps	16,323	2.00%	326
19	345	Services	802,415	2.38%	19,097
20	346	Meters	152,356	4.55%	6,932
21	348	Hydrants	128,531	1.82%	2,339
22	389	General Plant Land	2,858	0.00%	-
23	390	General Plant Structures	16,396	2.50%	410
24	390.1	Leasehold Improvements	38,821	See Acct. 108.2	-
25	391	Office Furniture & Equipment	128,533	6.67%	8,573
26	393	Warehouse Equipment	1,165	5.00%	58
27	394	Tools, Shop & Garage Equipment	21,238	4.00%	850
28	395	Laboratory Equipment	117	5.00%	6
29	396	Power Operated Equipment	4,515	6.67%	301
30	397	Communication Equipment	22,050	6.67%	1,471
31	398	Miscellaneous Equipment	213	3.33%	7
32		Rounding	-		
33		*TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE*	$ 5,397,362		$ 142,240
34					
35		AMORTIZATION OF CONTRIBUTIONS	(783,751)	2.00%	(15,675)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 126,565
38					
39	Company As Filed				132,206
40	Difference				$ (5,641)
41					
42	RUCO Adjustment (See WAR-8, Column (B))				$ (5,641)
43					
44					

45	3-Factor Allocator By District:			
46	Superstition	24.94%	White Tank	2.37%
47	Bisbee	4.98%	Ajo	0.81%
48	Sierra Vista	2.58%	Coolidge	5.27%
49	San Manuel	1.68%	Lakeside	6.20%
50	Oracle	2.28%	Overgaard	3.99%
51	Winkelman	0.22%	Sedona	8.45%
52	Miami	4.98%	Pinewood	2.95%
	Casa Grande	26.55%	Rimrock	1.48%
	Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	$ 1,046,390	
2	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	1,046,390	
3	Proposed Revenues	Sch. WAR-7, Col (E), Ln 8	1,039,166	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 3,131,945	
5	Average Annual Operating Revenues	Line 4 / 3	1,043,982	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 2,087,964
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 74,403	
8	10% Of CWIP	Line 7 X 10%		$ 7,440
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (35,406)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 2,059,998
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 463,500	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	8.24%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	8.24%	
	Property Tax			$ 38,192
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 38,192
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		41,350
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (3,158)
21	RUCO Adjustment (See WAR-8, Column (C))	Line 20		$ (3,158)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			2.95%
3	Pinewood System (Line 1 X Line 2)			$ 8,850
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 2,950
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 4,917
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (1,967)
8	RUCO Adjustment (Line 7) (See WAR-8, Column (E))			$ (1,967)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. WAR-7, Column (C), L28 + L22 + L23	$ 175,737
	LESS:		
2	Arizona State Tax	Line 11	7,576
3	Interest Expense	Note (A) Line 21	67,014
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 101,147
5	Federal Tax Rate	Sch. WAR-1, Pg 2, Col. (D), L34	21.56%
6	Federal Income Tax Expense	Line 4 X line 5	$ 21,804
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 175,737
	LESS:		
8	Interest Expense	Note (A) Line 21	67,014
9	State Taxable Income	Line 7 - Line 8	$ 108,723
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 7,576
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 21,804
13	State Income Tax Expense	Line 11	7,576
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 29,379
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		17,950
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		3,954
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 3,854
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 3,622

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. WAR-2, Col. (H), L17)	$ 1,806,850
20	Weighted Cost Of Debt (Sch. WAR-16 Col. (F), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 67,014

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Rimrock System

TABLE OF CONTENTS TO WAR SCHEDULES

SCH. NO.	PAGE NO.	TITLE
WAR-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
WAR-2	1	RATE BASE
WAR-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
WAR-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
WAR-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
WAR-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
WAR-7	1	OPERATING INCOME
WAR-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
WAR-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
WAR-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #
WAR-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
WAR-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
WAR-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
WAR-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
WAR-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
WAR-14	1	OPERATING INCOME ADJUSTMENT NO. 1(- INCOME TAX EXPENSE
WAR-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 2,338,005	$ 2,293,279
2	Adjusted Operating Income (Loss)	$ (75,247)	$ (73,924)
3	Current Rate of Return (L2 / L1)	-3.22%	-3.22%
4	Required Operating Income (L5 X L1)	$ 229,458	$ 179,068
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 304,705	$ 252,992
7	Gross Revenue Conversion Factor (WAR-1, Page 2)	1.6286	1.4482
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 496,253	$ 366,377
9	Adjusted Test Year Revenue	$ 507,981	$ 507,512
10	Proposed Annual Revenue (L8 + L9)	$ 1,004,234	$ 873,888
11	Required Percentage Increase in Revenue (L8 / L9)	97.69%	72.19%
12	Consolidated Revenue Adjustment (Sedona/Pinewood/Rimrock)	$ (222,992)	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 273,068	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 780,936	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	53.77%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule WAR-2, WAR-7, and WAR-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3095			
3	Subtotal (L1 - L2)	0.6905			
4	**Revenue Conversion Factor** (L1 / L3)	**1.4482**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	25.7756%			
9	Effective Federal Income Tax Rate (L7 X L8)	23.9795%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	30.9475%			
11	Required Operating Income (Sch. WAR-1, Pg 1, C (B), L4)	$ 179,068			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. WAR-1, Pg 1, C (B), L2)	(73,924)			
13	Required Increase In Operating Income (L11 - L12)		$ 252,992		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 42,134			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(71,251)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 113,384		
17	Total Required Increase In Revenue (L13 + L16)		$ 366,377		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. WAR-1, Pg 1, Col. (B), L12)			$ 873,888	
19	Operating Expense Excluding Income Tax (WAR-7, Col. (E), L27 - L22 - L23)			652,687	
20	Synchronized Interest (Col. (C), L37)			85,056	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 136,146	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 9,487
24	Fed. Taxable Income (L21 - L23)			$ 126,659	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 10,397	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 32,647
31	Combined Federal and State Income Tax (L23 + L30)				$ 42,134
32	Test Year Combined Income Tax, RUCO as Adjusted (WAR-7, Col. (C), L22 + L23)				$ (71,251)
33	RUCO Adjustment (L31 - L32) (See WAR-6, Col. (D), L23)				$ 113,384
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				25.78%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 2,293,279	
36	Weighted Avg. Cost of Debt (Sch. WAR-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 85,056	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 401	$ -	$ 401
2	Source of Supply Plant	597,457	(62,097)	535,360
3	Pumping Plant	419,745	-	419,745
4	Water Treatment Plant	372,768	-	372,768
5	Transmission & Distribution Plant	3,355,961	-	3,355,961
6	General Plant	196,495	(1,777)	194,719
7	Total Gross Plant in Service	$ 4,942,827	$ (63,874)	$ 4,878,954
8	Accumulated Depreciation	(1,104,418)	60,858	(1,043,560)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 3,838,409	$ (3,015)	$ 3,835,394
10	Advances In Aid Of Const.	$ (1,080,835)	$ -	$ (1,080,835)
11	Contribution In Aid of Const.	$ (260,411)	$ -	$ (260,411)
12	Accumulated Amortization of CIAC	69,153	-	69,153
13	NET CIAC (L5 + L6)	$ (191,258)	$ -	$ (191,258)
14	Deferred Income Tax	$ (283,642)	$ -	$ (283,642)
15	Allowance for Working Capital	$ 55,331	$ (41,710)	$ 13,620
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,338,005	$ (44,726)	$ 2,293,279

References:
Column (A): Company Schedule B-1
Column (B): Schedule WAR-3
Column (C): Column (A) + Column (B)

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

Rimrock System
Schedule WAR-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 401	$ -	$ -	$ -	$ -	$ -	$ -	$ 401
2	Source of Supply Plant	597,457	-	-	(62,097)	-	-	-	535,360
3	Pumping Plant	419,745	-	-	-	-	-	-	419,745
4	Water Treatment Plant	372,768	-	-	-	-	-	-	372,768
5	Transmission & Distribution Plant	3,355,961	-	-	-	-	-	-	3,355,961
6	General Plant	196,495	-	(1,777)	-	-	-	-	194,719
7	Total Gross Plant in Service	$ 4,942,827	$ -	$ (1,777)	$ (62,097)	$ -	$ -	$ -	$ 4,878,954
8	Accumulated Depreciation	(1,104,418)	487	59	60,312	-	-	-	(1,043,560)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 3,838,409	$ 487	$ (1,718)	$ (1,785)	$ -	$ -	$ -	$ 3,835,394
10	Advances In Aid Of Const.	$ (1,080,835)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,080,835)
11	Contribution In Aid of Const.	$ (260,411)	$ -	$ -	$ -	$ -	$ -	$ -	$ (260,411)
12	Accumulated Amortization of CIAC	69,153	-	-	-	-	-	-	69,153
13	NET CIAC (L5 + L6)	$ (191,258)	$ -	$ -	$ -	$ -	$ -	$ -	$ (191,258)
14	Deferred Income Tax	$ (283,642)	$ -	$ -	$ -	$ -	$ -	$ -	$ (283,642)
15	Allowance for Working Capital	55,331	$ -	$ -	$ -	$ -	$ -	$ (41,710)	$ 13,620
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,338,005	$ 487	$ (1,718)	$ (1,785)	$ -	$ -	$ (41,710)	$ 2,293,279

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See WAR-4 Total, WAR-4 Direct, WAR-4 PHX OFF and WAR-4 MS Schedules and WAR Testimc
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	(C) 12/31/1999 Per Decision No. 64282	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/1999
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	1,082	-	1,082
5	310.3	Other Source of Supply Land	0.00%	0.00%	13,010	-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	2.59%	47,994	-	47,994
8	320	Pumping Plant Land	0.00%	0.00%	1,644	-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%	4,633	-	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	123,630	-	123,630
11	328	Gas Engine Equipment	2.59%	2.59%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	13,292	-	13,292
14	332	Water Treatment Equipment	2.59%	2.59%	33,144	-	33,144
15	340	Transmission and Distribution Land	0.00%	0.00%	3,431	-	3,431
16	342	Storage Tanks	2.59%	2.59%	206,513	-	206,513
17	343	Transmission & Distribution Mains	2.59%	2.59%	922,973	-	922,973
18	344	Fire Sprinkler Taps	2.59%	2.59%	-	-	-
19	345	Services	2.59%	2.59%	264,975	-	264,975
20	346	Meters	2.59%	2.59%	50,945	-	50,945
21	348	Hydrants	2.59%	2.59%	16,132	-	16,132
22	389	General Plant Land	0.00%	0.00%	-	-	-
23	390	General Plant Structures	2.59%	2.59%	1,408	-	1,408
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-	-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	-	-	-
26	393	Warehouse Equipment	2.59%	2.59%	-	-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	5,063	-	5,063
28	395	Laboratory Equipment	2.59%	2.59%	-	-	-
29	396	Power Operated Equipment	2.59%	2.59%	2,148	-	2,148
30	397	Communication Equipment	2.59%	2.59%	14,892	-	14,892
31	398	Miscellaneous Equipment	2.59%	2.59%	335	-	335
32		**TOTAL DIRECT WATER PLANT**			$ 1,727,244	$ -	$ 1,727,244
33		Post Test Year Plant (PTYP)			165,793	(165,793)	-
34		**RUCO Total Water Plant In Service**			$ 1,893,037	$ (165,793)	$ 1,727,244
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(578,350)		$ (578,350)
44		Accumulated Depreciation - PTYP			(43,603)	43,603.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (621,953)		$ (578,350)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(578,350)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (621,953)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2000 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2000
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	251			-	1,333
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	3,964	(1,072)		1,281	50,887
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	243			3,205	123,873
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				344	13,292
14	332	Water Treatment Equipment	2.59%	2.59%	3,681	(9,500)		783	27,325
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,349	206,513
17	343	Transmission & Distribution Mains	2.59%	2.59%	105,182	(1,492)		25,248	1,026,663
18	344	Fire Sprinkler Taps	2.59%	2.59%				-	-
19	345	Services	2.59%	2.59%	28,334	(698)		7,221	292,611
20	346	Meters	2.59%	2.59%		(914)		1,308	50,031
21	348	Hydrants	2.59%	2.59%	128			419	16,260
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%	45,882			631	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				-	-
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%				131	5,063
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				56	2,148
30	397	Communication Equipment	2.59%	2.59%				386	14,892
31	398	Miscellaneous Equipment	2.59%	2.59%				9	335
32		**TOTAL DIRECT WATER PLANT**			$ 187,666	$ (13,676)	$ -	$ 46,489	$ 1,901,233
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 187,666	$ (13,676)	$ -	$ 46,489	$ 1,901,233
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						84	
43		Accumulated Depreciation						(611,079)	$ (611,079)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(611,079)	$ (611,079)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(611,231)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (611,079)	$ 152
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2001 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2001
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	69			-	1,402
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	113			1,319	51,000
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	23,314	(9,745)		3,384	137,442
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				344	13,292
14	332	Water Treatment Equipment	2.59%	2.59%	7,802			809	35,126
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,349	206,513
17	343	Transmission & Distribution Mains	2.59%	2.59%	215,164	(1,437)		29,358	1,240,390
18	344	Fire Sprinkler Taps	2.59%	2.59%				-	-
19	345	Services	2.59%	2.59%	29,794	(3,782)		7,915	318,623
20	346	Meters	2.59%	2.59%	2,492	(663)		1,319	51,859
21	348	Hydrants	2.59%	2.59%	6,066			500	22,326
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				-	-
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	984			144	6,047
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				56	2,148
30	397	Communication Equipment	2.59%	2.59%	1,710			408	16,602
31	398	Miscellaneous Equipment	2.59%	2.59%				9	335
32		**TOTAL DIRECT WATER PLANT**			$ 287,508	$ (15,627)	$ -	$ 52,259	$ 2,173,114
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 287,508	$ (15,627)	$ -	$ 52,259	$ 2,173,114
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						147	
43		Accumulated Depreciation						(647,563)	$ (647,563)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(647,563)	$ (647,563)
46									
47		*Company As Filed - Accumulated Depreciation*			-	-	-	-	(648,073)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (647,563)	$ 510
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	967			-	2,369
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				1,321	51,000
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	7,865			3,662	145,307
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				344	13,292
14	332	Water Treatment Equipment	2.59%	2.59%	887	(922)		909	35,092
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%	237			5,352	206,750
17	343	Transmission & Distribution Mains	2.59%	2.59%	18,576	(1,384)		32,349	1,257,582
18	344	Fire Sprinkler Taps	2.59%	2.59%				-	-
19	345	Services	2.59%	2.59%	14,703	(199)		8,440	333,127
20	346	Meters	2.59%	2.59%	2,993	(380)		1,377	54,473
21	348	Hydrants	2.59%	2.59%				578	22,326
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				-	-
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	976			169	7,024
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%	4,338			112	6,486
30	397	Communication Equipment	2.59%	2.59%				430	16,602
31	398	Miscellaneous Equipment	2.59%	2.59%	287			12	622
32		**TOTAL DIRECT WATER PLANT**			$ 51,831	$ (2,885)	$ -	$ 56,400	$ 2,222,060
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 51,831	$ (2,885)	$ -	$ 56,400	$ 2,222,060
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(96)	
43		Accumulated Depreciation						(701,174)	$ (701,174)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(701,174)	(701,174)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(701,684)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (701,174)	$ 510
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	1,557			-	3,926
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	518,446			8,035	569,446
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	219,991	(23,980)		6,302	341,319
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	10,733			483	24,025
14	332	Water Treatment Equipment	2.59%	2.59%	9,483			1,032	44,575
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,355	206,750
17	343	Transmission & Distribution Mains	2.59%	2.59%	9,552			32,695	1,267,134
18	344	Fire Sprinkler Taps	2.59%	2.59%	65			1	65
19	345	Services	2.59%	2.59%	24,843	(152)		8,948	357,818
20	346	Meters	2.59%	2.59%		(578)		1,403	53,895
21	348	Hydrants	2.59%	2.59%				578	22,326
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%	410			5	410
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	3,409			226	10,433
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				168	6,486
30	397	Communication Equipment	2.59%	2.59%	16,853			648	33,456
31	398	Miscellaneous Equipment	2.59%	2.59%				16	622
32		**TOTAL DIRECT WATER PLANT**			$ 815,342	$ (24,710)	$ -	$ 67,240	$ 3,012,692
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 815,342	$ (24,710)	$ -	$ 67,240	$ 3,012,692
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(111)	
43		Accumulated Depreciation						(743,815)	$ (743,815)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(743,815)	(743,815)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(744,325)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (743,815)	$ 510
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	266			-	266
4	310.1	Water Rights	0.00%	0.00%	926			-	4,852
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				14,749	569,446
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%				8,840	341,319
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	3,517			668	27,541
14	332	Water Treatment Equipment	2.59%	2.59%	26,035			1,492	70,610
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,355	206,750
17	343	Transmission & Distribution Mains	2.59%	2.59%	21,774	(632)		33,093	1,288,276
18	344	Fire Sprinkler Taps	2.59%	2.59%	5,939			79	6,004
19	345	Services	2.59%	2.59%	48,195			9,892	406,013
20	346	Meters	2.59%	2.59%	1,440	(164)		1,412	55,171
21	348	Hydrants	2.59%	2.59%	2,311			608	24,637
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				11	410
26	393	Warehouse Equipment	2.59%	2.59%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	256			274	10,688
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				168	6,486
30	397	Communication Equipment	2.59%	2.59%	750			876	34,206
31	398	Miscellaneous Equipment	2.59%	2.59%				16	622
32		**TOTAL DIRECT WATER PLANT**			$ 111,409	$ (796)	$ -	$ 78,876	$ 3,123,306
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 111,409	$ (796)	$ -	$ 78,876	$ 3,123,306
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(74)	
43		Accumulated Depreciation						(821,969)	$ (821,969)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(821,969)	(821,969)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(822,479)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (821,969)	$ 510
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	266
4	310.1	Water Rights	0.00%	0.00%	1,666			-	6,518
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%				14,749	569,446
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	3,827			8,890	345,146
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	8,815			827	36,356
14	332	Water Treatment Equipment	2.59%	2.59%				1,829	70,610
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,355	206,750
17	343	Transmission & Distribution Mains	2.59%	2.59%	156,917	(372)		35,394	1,444,821
18	344	Fire Sprinkler Taps	2.59%	2.59%				155	6,004
19	345	Services	2.59%	2.59%	60,575	(183)		11,298	466,405
20	346	Meters	2.59%	2.59%	50	(26)		1,429	55,195
21	348	Hydrants	2.59%	2.59%	(1,139)			623	23,499
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				11	410
26	393	Warehouse Equipment	2.59%	2.59%	748			10	748
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%				277	10,688
28	395	Laboratory Equipment	2.59%	2.59%				-	-
29	396	Power Operated Equipment	2.59%	2.59%				168	6,486
30	397	Communication Equipment	2.59%	2.59%				886	34,206
31	398	Miscellaneous Equipment	2.59%	2.59%				16	622
32		**TOTAL DIRECT WATER PLANT**			$ 231,459	$ (581)	$ -	$ 83,261	$ 3,354,184
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 231,459	$ (581)	$ -	$ 83,261	$ 3,354,184
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(904,649)	$ (904,649)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(904,649)	(904,649)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(905,159)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (904,649)	$ 510
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	266
4	310.1	Water Rights	0.00%	0.00%	2,797			-	9,315
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	762			14,759	570,208
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	6,634	(1,314)		9,008	350,466
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%	275			945	36,630
14	332	Water Treatment Equipment	2.59%	2.59%	265,496			5,267	336,106
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,355	206,750
17	343	Transmission & Distribution Mains	2.59%	2.59%	94,745	(1,245)		38,632	1,538,321
18	344	Fire Sprinkler Taps	2.59%	2.59%				155	6,004
19	345	Services	2.59%	2.59%	49,637	(69)		12,722	515,973
20	346	Meters	2.59%	2.59%	10,119	(53)		1,560	65,261
21	348	Hydrants	2.59%	2.59%				609	23,499
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				11	410
26	393	Warehouse Equipment	2.59%	2.59%				19	748
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%	499			283	11,187
28	395	Laboratory Equipment	2.59%	2.59%	238			3	238
29	396	Power Operated Equipment	2.59%	2.59%				168	6,486
30	397	Communication Equipment	2.59%	2.59%				886	34,206
31	398	Miscellaneous Equipment	2.59%	2.59%				16	622
32		**TOTAL DIRECT WATER PLANT**			$ 431,199	$ (2,681)	$ -	$ 91,742	$ 3,782,702
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 431,199	$ (2,681)	$ -	$ 91,742	$ 3,782,702
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(18)	
43		Accumulated Depreciation						(993,727)	$ (993,727)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(993,727)	(993,727)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(994,237)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (993,727)	$ 510
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE Decision 58120 1/1/1993 To 12/31/2001	(B) DEPRECIATION RATE Decision 64282 1/1/2002 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				13	266
4	310.1	Water Rights	0.00%	0.00%	4,886			-	14,201
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	13,010
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	2.59%	37			14,769	570,245
8	320	Pumping Plant Land	0.00%	0.00%				-	1,644
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.59%				120	4,633
10	325	Electtric Pumping Equipment	2.59%	2.59%	78,289	(15,287)		9,893	413,468
11	328	Gas Engine Equipment	2.59%	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.59%				949	36,630
14	332	Water Treatment Equipment	2.59%	2.59%				8,705	336,106
15	340	Transmission and Distribution Land	0.00%	0.00%				-	3,431
16	342	Storage Tanks	2.59%	2.59%				5,355	206,750
17	343	Transmission & Distribution Mains	2.59%	2.59%	758,403	(194)		49,661	2,296,530
18	344	Fire Sprinkler Taps	2.59%	2.59%	25,512			486	31,516
19	345	Services	2.59%	2.59%	180,075	(1,396)		15,678	694,652
20	346	Meters	2.59%	2.59%	6,520	(13)		1,775	71,768
21	348	Hydrants	2.59%	2.59%	27,725			968	51,223
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.59%				1,225	47,290
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	2.59%				11	410
26	393	Warehouse Equipment	2.59%	2.59%				19	748
27	394	Tools, Shop & Garage Equipment	2.59%	2.59%				290	11,187
28	395	Laboratory Equipment	2.59%	2.59%				6	238
29	396	Power Operated Equipment	2.59%	2.59%	2,393			199	8,879
30	397	Communication Equipment	2.59%	2.59%				886	34,206
31	398	Miscellaneous Equipment	2.59%	2.59%				16	622
32		**TOTAL DIRECT WATER PLANT**			$ 1,083,841	$ (16,890)	$ -	$ 111,022	$ 4,849,654
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,083,841	$ (16,890)	$ -	$ 111,022	$ 4,849,654
35									
36		**Company Direct Plant As Filed**							4,849,656
37									
38		**RUCO Direct Plant Adjustment**							$ (2)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,087,860)	$ (1,087,860)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,087,860)	(1,087,860)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,088,370)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,087,860)	$ 510
49									
50		**RUCO Net Adjustment**							$ 508
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		*Acct. 302 - Franchises amortized over 25 years.*				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Im				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 10	$ -	1.48%	$ -
2	302	Franchises	-	-	1.48%	-
3	303	Other Intangibles	392	-	1.48%	-
4	310.1	Water Rights	14,201	-	1.48%	-
5	310.3	Other Source of Supply Land	13,011	-	1.48%	-
6	310.4	Wells - Other	-	-	1.48%	-
7	314	Wells	570,245	-	1.48%	-
8	320	Pumping Plant Land	1,644	-	1.48%	-
9	321	Pumping Plant Structures & Imprm'ts	4,633	-	1.48%	-
10	325	Electtric Pumping Equipment	413,468	-	1.48%	-
11	328	Gas Engine Equipment	-	-	1.48%	-
12	330	Water Treatment Plant Land	-	-	1.48%	-
13	331	Water Treatment Structures & Imprm'ts	36,630	-	1.48%	-
14	332	Water Treatment Equipment	336,136	-	1.48%	-
15	340	Transmission and Distribution Land	3,431	-	1.48%	-
16	342	Storage Tanks	206,750	-	1.48%	-
17	343	Transmission & Distribution Mains	2,296,620	-	1.48%	-
18	344	Fire Sprinkler Taps	31,516	-	1.48%	-
19	345	Services	694,652	-	1.48%	-
20	346	Meters	71,768	-	1.48%	-
21	348	Hydrants	51,223	-	1.48%	-
22	389	General Plant Land	-	-	1.48%	-
23	390	General Plant Structures	48,698	-	1.48%	-
24	390.1	Leasehold Improvements	19,476	-	1.48%	-
25	391	Office Furniture & Equipment	66,256	120,057	1.48%	1,777
26	393	Warehouse Equipment	835	-	1.48%	-
27	394	Tools, Shop & Garage Equipment	14,785	-	1.48%	-
28	395	Laboratory Equipment	296	-	1.48%	-
29	396	Power Operated Equipment	8,901	-	1.48%	-
30	397	Communication Equipment	36,518	-	1.48%	-
31	398	Miscellaneous Equipment	729	-	1.48%	-
32		Rounding	2			
33		**TOTAL PTY WATER PLANT**	$ 4,942,827	$ 120,057		$ 1,777
34		Company As Filed	$ 4,942,827	120,057		1,777
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (1,777)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 59
40						
41						
42	References:					
43	Column (A): Company Schedules B-2					
44	Column (B): Post Test Year Phoenix Office Plant Allocation					
45	Column (C): 3-Factor Allocator					
46	Column (D): Adjustment					

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 29,652	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(12,058)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (41,710)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 10,117	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	10,117	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 7,613	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	7,613	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 7,949	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	7,949	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See WAR-2, Column (K))	$ (41,710)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 43,401	$ -	$ 43,401	35.92	$ 1,558,964
2	Payroll	133,621	(4,481)	129,140	14.00	1,807,965
3	Purchased Water	-	-	-	-	-
4	Chemicals	2,079	-	2,079	20.43	42,467
5	Property & Liability Insurance	4,421	-	4,421	(45.27)	(200,139)
6	Workman's Compensation Insurance	2,210	-	2,210	(46.50)	(102,765)
7	Health Insurance	33,272	(16)	33,256	(8.92)	(296,640)
8	Other Operating & Maintenance Expenses	286,170	(2,467)	283,703	30.00	8,511,075
9	Federal Current Income Taxes	73,535	(40,888)	32,647	37.00	1,207,946
10	State Current Income Taxes	16,199	(6,712)	9,487	37.00	351,007
11	FICA Taxes	9,941	(712)	9,229	14.00	129,201
12	FUTA & SUTA Taxes	238	-	238	83.10	19,778
13	Property Taxes	27,191	(2,623)	24,568	212.00	5,208,319
14	Registration, Svc. Contracts, & Misc. Fees	8,415	-	8,415	(98.83)	(831,654)
15	Retirement Annuities (401k)	10,982	(364)	10,618	34.72	368,647
16	Subtotal	651,674	(58,264)	593,410		17,774,170
17	Synchronized Interest	$ 86,714	$ (1,658)	$ 85,056	91.25	$ 7,761,327
18	Cost of Equity	142,744	(142,744)	-	-	-
19	Subtotal	$ 229,458	$ (144,402)	$ 85,056		$ 7,761,327
20	Total	$ 881,132	$ (202,666)	$ 678,466		$ 25,535,498

21	Expense Lag	Line 17, Col. (E) / (C)	37.64
22	Revenue Lag	Company B-5 Schedules	31.15
23	Net Lag	Line 18 - Line 17	(6.49)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 678,466
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(12,058)
26	Company As Filed	Co. Schedule B-6, Page 1	29,652
27	Difference	Line 21 - Line 22	$ (41,710)
28	ADJUSTMENT	Line 27	$ (41,710)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule WAR-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 471,523	$ (436)	$ 471,087	$ 337,175	$ 808,263
2	Commercial	17,845	(14)	17,831	17,593	35,424
3	Industrial	-	-	-	-	-
4	Private Fire Service	51	-	51	199	250
5	Other Water Revenues	10,101	(19)	10,082	11,103	21,185
6	Total Water Revenues	$ 499,521	$ (469)	$ 499,051	$ 366,071	$ 865,122
7	Miscellaneous	$ 8,461	$ -	$ 8,461	$ 306	$ 8,766
8	Total Operating Revenues	$ 507,981	$ (469)	$ 507,512	$ 366,376	$ 873,888
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	1,425	-	1,425	-	1,425
11	Pumping Expenses:	-				
12	Purchased Power	43,401	-	43,401	-	43,401
13	Purchased Gas	-	-	-	-	-
14	Other	24,368	-	24,368	-	24,368
15	Water Treatment Expenses	201,774	-	201,774	-	201,774
16	Transmission & Distribution Expenses	73,189	-	73,189	-	73,189
17	Customer Accounting Expenses	61,306	-	61,306	-	61,306
18	Sales Expense	537	-	537	-	537
19	Administrative & General Expenses	118,572	(25,668)	92,905	-	92,905
20	Total Operations & Maintenance Expense	$ 524,571	$ (25,668)	$ 498,904	$ -	$ 498,904
21	Depreciation & Amortization Expenses	$ 124,861	$ (3,352)	$ 121,508	$ -	$ 121,508
	Taxes					
22	Federal Income Taxes	$ (83,435)	$ 28,226	$ (55,208)	$ 87,855	$ 32,647
23	State Income Taxes	(18,380)	2,337	(16,042)	25,529	9,487
24	Property Taxes	27,191	(2,623)	24,567	-	24,567
25	Other	8,420	(712)	7,707	-	7,707
26	Total Taxes	$ (66,204)	$ 27,228	$ (38,976)	$ 113,384	$ 74,408
27	Total Operating Expenses	$ 583,228	$ (1,792)	$ 581,436	$ 113,384	$ 694,820
28	Operating Income	$ (75,247)	$ 1,323	$ (73,924)	$ 252,992	$ 179,068

References:
Column (A): Company Schedule C-1
Column (B): WAR-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): WAR-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 471,523	$ -	$ -	$ -	$ (436)	$ -	$ -	$ -	$ -	$ -	$ -	$ 471,087
2	Commercial	17,845	-	-	-	(14)	-	-	-	-	-	-	17,831
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	51	-	-	-	-	-	-	-	-	-	-	51
5	Other Water Revenues	10,101	-	-	-	(19)	-	-	-	-	-	-	10,082
6	Total Water Revenues	$ 499,521	$ -	$ -	$ -	$ (469)	$ -	$ -	$ -	$ -	$ -	$ -	$ 499,051
7	Miscellaneous	$ 8,461	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,461
8	Total Operating Revenues	$ 507,981	$ -	$ -	$ -	$ (469)	$ -	$ -	$ -	$ -	$ -	$ -	$ 507,512
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	1,425	-	-	-	-	-	-	-	-	-	-	1,425
11	Pumping Expenses:												
12	Purchased Power	43,401	-	-	-	-	-	-	-	-	-	-	43,401
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	24,368	-	-	-	-	-	-	-	-	-	-	24,368
15	Water Treatment Expenses	201,774	-	-	-	-	-	-	-	-	-	-	201,774
16	Transmission & Distribution Expenses	73,189	-	-	-	-	-	-	-	-	-	-	73,189
17	Customer Accounting Expenses	61,306	-	-	-	-	-	-	-	-	-	-	61,306
18	Sales Expense	537	-	-	-	-	-	-	-	-	-	-	537
19	Administrative & General Expenses	118,572	(4,481)	-	(364)	-	(19,820)	(16)	-	-	(987)	-	92,905
20	Total Operations & Maintenance Expense	$ 524,571	$ (4,481)	$ -	$ (364)	$ -	$ (19,820)	$ (16)	$ -	$ -	$ (987)	$ -	$ 498,904
21	Depreciation & Amortization Expenses	$ 124,861	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,352)	$ -	$ -	$ -	$ 121,508
	Taxes												
22	Federal Income Taxes	$ (83,435)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,226	$ (55,208)
23	State Income Taxes	(18,380)	-	-	-	-	-	-	-	-	-	2,337	(16,042)
24	Property Taxes	27,191	-	-	-	-	-	-	-	(2,623)	-	-	24,567
25	Other	8,420	-	(712)	-	-	-	-	-	-	-	-	7,707
26	Total Taxes	$ (66,204)	$ -	$ (712)	$ -	$ -	$ -	$ -	$ -	$ (2,623)	$ -	$ 30,564	$ (38,976)
27	Total Operating Expenses	$ 583,228	$ (4,481)	$ (712)	$ (364)	$ -	$ (19,820)	$ (16)	$ (3,352)	$ (2,623)	$ (987)	$ 30,564	$ 581,436
28	Operating Income	$ (75,247)	$ 4,481	$ 712	$ 364	$ (469)	$ 19,820	$ 16	$ 3,352	$ 2,623	$ 987	$ (30,564)	$ (73,924)

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule WAR-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule WAR-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule WAR-10
7 - Depreciation Expense	Testimony, WAR And Schedule WAR-11
8 - Property Tax Expense	Testimony, WAR And Schedule WAR-12
9 - Rate Case Expense	Testimony, WAR And Schedule WAR-13
10 - Income Tax	Testimony, WAR And Schedule WAR-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		1.48%
21			
22	RUCO Adjustment		$ (4,481)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	1.48%
6		
7	RUCO Allocated Payroll by District	$ 4,481
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	15.90%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (712)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	1.48%
6		
7	RUCO Allocated Payroll by District	$ 4,481
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.12%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (364)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 10	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	392	See Acct. 111	13
4	310.1	Water Rights	14,201	0.00%	-
5	310.3	Other Source of Supply Land	13,011	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	508,148	3.13%	15,905
8	320	Pumping Plant Land	1,644	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	4,633	2.86%	133
10	325	Electtric Pumping Equipment	413,468	5.88%	24,312
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	36,630	2.50%	916
14	332	Water Treatment Equipment	336,136	2.86%	9,613
15	340	Transmission and Distribution Land	3,431	0.00%	-
16	342	Storage Tanks	206,750	2.00%	4,135
17	343	Transmission & Distribution Mains	2,296,620	1.79%	41,109
18	344	Fire Sprinkler Taps	31,516	2.00%	630
19	345	Services	694,652	2.38%	16,533
20	346	Meters	71,768	4.55%	3,265
21	348	Hydrants	51,223	1.82%	932
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	48,698	2.50%	1,217
24	390.1	Leasehold Improvements	19,476	See Acct. 108.2	-
25	391	Office Furniture & Equipment	64,480	6.67%	4,301
26	393	Warehouse Equipment	835	5.00%	42
27	394	Tools, Shop & Garage Equipment	14,785	4.00%	591
28	395	Laboratory Equipment	296	5.00%	15
29	396	Power Operated Equipment	8,901	6.67%	594
30	397	Communication Equipment	36,518	6.67%	2,436
31	398	Miscellaneous Equipment	729	3.33%	24
32		Rounding	3		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 4,878,954		$ 126,717
34					
35		AMORTIZATION OF CONTRIBUTIONS	(260,411)	2.00%	(5,208)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 121,509
38					
39	Company As Filed				124,861
40	*Difference*				$ (3,352)
41					
42	RUCO Adjustment (See WAR-8, Column (B))				$ (3,352)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	$ 507,512	
2	Adjusted Revenues In Year Ended December 2007	Sch. WAR-7, Col (C), Ln 8	507,512	
3	Proposed Revenues	Sch. WAR-7, Col (E), Ln 8	873,888	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 1,888,912	
5	Average Annual Operating Revenues	Line 4 / 3	629,637	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 1,259,275
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 1,857	
8	10% Of CWIP	Line 7 X 10%		$ 186
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (15,849)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 1,243,611
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 279,813	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	8.78%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	8.78%	
	Property Tax			$ 24,568
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 24,568
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		27,191
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (2,623)
21	RUCO Adjustment (See WAR-8, Column (C))	Line 20		$ (2,623)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			1.48%
3	Rimrock System (Line 1 X Line 2)			$ 4,440
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 1,480
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 2,467
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (987)
8	RUCO Adjustment (Line 7) (See WAR-8, Column (E))			$ (987)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. WAR-7, Column (C), L28 + L22 + L23	$ (145,175)
	LESS:		
2	Arizona State Tax	Line 11	(16,042)
3	Interest Expense	Note (A) Line 21	85,056
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (214,188)
5	Federal Tax Rate	Sch. WAR-1, Pg 2, Col. (D), L34	25.78%
6	Federal Income Tax Expense	Line 4 X line 5	$ (55,208)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ (145,175)
	LESS:		
8	Interest Expense	Note (A) Line 21	85,056
9	State Taxable Income	Line 7 - Line 8	$ (230,230)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (16,042)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (55,208)
13	State Income Tax Expense	Line 11	(16,042)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (71,251)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(83,435)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(18,380)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 28,226
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 2,337

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. WAR-2, Col. (H), L17)	$	2,293,279
20	Weighted Cost Of Debt (Sch. WAR-16 Col. (F), L1)		3.71%
21	Interest Expense (L18 X L19)	$	85,056

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-08-0440

DIRECT TESTIMONY
ON REVENUE REQUIREMENT

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JUNE 12, 2009

TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 2

SUMMARY OF ADJUSTMENTS 5

Rate Base 5

REVENUE REQUIREMENTS 7

RATE BASE ADJUSTMENTS 7

Rate Base Summary 7

RUCO Rate Base Adjustment #1 – Utility Plant in Service (..... 8
RUCO Rate Base Adjustment #2 – Remove Post Test Year Phoenix Office Plant 10
RUCO Rate Base Adjustment #3 – Remove Plant Held for Future Use (..... 15
RUCO Rate Base Adjustment #4 – Remove Other Post Test Year Plant 17
RUCO Rate Base Adjustment #5 – Remove Post Test Year HWY 179 Improvement 19
RUCO Rate Base Adjustment #6 – Working Capital 20

OTHER RATE BASE ISSUES 26

APPENDIX 1 – TIMOTHY J. COLEY

<u>EASTERN GROUP SCHEDULES</u>:

SUPERSTITION – SCHEDULES TJC-1 THROUGH TJC-15

BISBEE – SCHEDULES TJC-1 THROUGH TJC-15

SIERRA VISTA – SCHEDULES TJC-1 THROUGH TJC-15

SAN MANUEL – SCHEDULES TJC-1 THROUGH TJC-15

ORACLE – SCHEDULES TJC-1 THROUGH TJC-15

WINKELMAN – SCHEDULES TJC-1 THROUGH TJC-15

MIAMI – SCHEDULES TJC-1 THROUGH TJC-15

WESTERN GROUP SCHEDULES:

CASA GRANDE – SCHEDULES TJC-1 THROUGH TJC-15

STANFIELD – SCHEDULES TJC-1 THROUGH TJC-15

WHITE TANK – SCHEDULES TJC-1 THROUGH TJC-15

AJO – SCHEDULES TJC-1 THROUGH TJC-15

COOLIDGE – SCHEDULES TJC-1 THROUGH TJC-15

INTRODUCTION

Q. Please state your name, position, employer and address.

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

Q. Please state your educational background and qualifications in the utility regulation field.

A. Appendix 1, which is attached to this testimony, describes my educational background and includes a list of the rate cases and regulatory matters in which I have participated.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations regarding Arizona Water Company's ("AWC" or "Company") application for a determination of the current fair value of its utility plant and property and for a permanent increase in its rates and charges based thereon for utility service. The test year utilized by the Company in connection with the preparation of this application is the 12-month period that ended December 31, 2007.

BACKGROUND

Q. Please describe your work effort on this project.

A. I obtained and reviewed data and performed analytical procedures necessary to understand the Company's filing as it relates to operating income, rate base, and the Company's overall revenue requirement. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of several sets of data requests, the review and analysis of the Company's responses to Commission Staff data requests, and review of prior ACC dockets related to AWC.

The Company's filing consists of an application for increases in rates and charges for the following seventeen systems classified in three Groups:

Eastern Group	Western Group	Northern Group
Superstition	Casa Grande	Lakeside
Bisbee	Stanfield	Overgaard
Sierra Vista	White Tank	Sedona
San Manuel	Ajo	Pinewood
Oracle	Coolidge	Rimrock
Winkleman		
Miami		

RUCO's participation in this proceeding is the cumulative effort of three RUCO witnesses; myself (Timothy J. Coley), William A. Rigsby, and Rodney L. Moore. For the review and analysis procedures, specific systems were assigned to Mr. Rigsby and myself. Mr. Moore was responsible for the rate design of all the systems. I was assigned the Eastern and Western Groups' systems while Mr. Rigsby analyzed the Northern Group systems. However, to avoid confusion and duplication, the testimony filed by RUCO in support of its analysis was allocated among the analysts by ratemaking elements.

Q. Please explain how these ratemaking elements were allocated?

A. I will address issues related to the rate base. Mr. Rigsby will address issues related to operating income. Mr. Rigsby will also provide an analysis of the cost of capital. Moreover, each witness will address the appropriate revenue requirement for the systems analyzed.

RUCO analyzed each system on a stand-alone basis. The Company proposes a partial consolidation for some systems. RUCO reserves the right to amend its testimony in surrebuttal based upon rate design and engineering reports, which are to be filed on June 26, 2009.

Mr. Moore will file rate design schedules and Mr. Rigsby will address RUCO's rate design in his testimony to be filed June 26, 2009.

Q. Will Mr. Rigsby, Mr. Moore or you offer direct testimony on rate consolidation at this time?

A. No. RUCO reserves the right to file testimony on rate consolidation during the surrebuttal phase of the proceeding upon review of rate design and engineering reports to be filed June 26, 2009. RUCO Director Jodi Jerich will file testimony on RUCO's position regarding the issue of rate consolidation at that time. Mr. Rigsby, Mr. Moore and I will present updated ratemaking and rate design schedules that reflect RUCO's position regarding rate consolidation at that time also. The ratemaking schedules sponsored by Mr. Rigsby and I during the direct testimony phase of the proceeding will present the effects of RUCO's recommended levels of rate base, operating revenue and operating expenses on a stand-alone basis for each of the seventeen systems included in AWC's filing. Mr. Moore's direct testimony on rate design will also reflect rates on a stand-alone basis also.

Q. Please identify the exhibits you are sponsoring.

A. I am sponsoring schedules for the Eastern and Western Groups' systems numbered TJC-1 through TJC-15.

...

SUMMARY OF ADJUSTMENTS

Q. Please summarize the adjustments to the rate base in your testimony.

A. My testimony addresses the following issues:

Rate Base

RUCO is in substantial agreement with several of the Company's pro-forma adjustments. Nevertheless, RUCO reserves the right to alter its position if additional evidence is produced in this case, which warrants RUCO's reconsideration of its position. RUCO did not make any direct adjustments to the Company's pro-forma rate base adjustments unless otherwise noted and identified as:

JMR-1 – Post Test Year Plant Additions

JMR-2 – Net Regulatory Liability

JMR-3 – Net Regulatory Asset

However, through the analytic process, RUCO did make prudent revisions to the Company's filing. In summary, RUCO rate base adjustments are identified as:

<u>RUCO Rate Base Adjustment #1 – Plant and Accumulated Depreciation</u> – This adjustment reflects RUCO's recommended Utility Plant in Service ("UPIS") and Accumulated Depreciation balances since the last rate case for each Group. I started with the last Commission approved balance and

reconstructed all plant additions, retirements, and adjustments at the approved depreciation rates.

RUCO Rate Base Adjustment #2 – Remove Post Test Year Phoenix Office Plant Additions – This adjustment reverses the Company's portion of the Phoenix Office adjustment in JMR-6 related to post test year plant additions.

RUCO Rate Base Adjustment #3 – Remove Plant Held for Future Use ("PHFFU") and Record Retirements not Included in the Rate Application – This is a conforming adjustment to remove PHFFU and to record certain retirements identified by the Company in its response to Commission Staff data request BKB 11.16.

RUCO Rate Base Adjustment #4 – Remove Other Post Test Year Plant Additions Not Related to Federal or State Mandated Laws – This adjustment removes any post test year plant not related to arsenic or nitrate removal that was included in the Company's rate application.

RUCO Rate Base Adjustment #5 – Remove Post Test Year HWY 179 Improvement – This adjustment removes 35 percent of the costs associated with a post test year improvement project that involved the

replacement of transmission mains for an Arizona Department of Transportation ("ADOT") highway project in Sedona.

RUCO Rate Base Adjustment #6 - Working Capital – This adjustment reduces the cash working capital element of the working capital allowance requested by the Company.

REVENUE REQUIREMENTS

Q. Please summarize the results of RUCO's analysis of the Company's filing and state RUCO's recommended revenue requirement.

A. Mr. Rigsby summarizes RUCO's revenue requirements in his testimony. The details are shown on Schedules TJC-1 and WAR-1.

RATE BASE ADJUSTMENTS

Rate Base Summary

Q. Is RUCO recommending any changes to the Company's proposed rate base?

A. Yes. RUCO analyzed the Company's rate base adjustments to its historical test-year elements of rate base and made adjustments to the rate base as filed by the Company. The cumulative review, analysis and adjustments made by RUCO are explained on the succeeding pages.

RUCO Rate Base Adjustment #1 – Utility Plant in Service ("UPIS") and Accumulated Depreciation

Q. Please explain RUCO's adjustment to the Company's UPIS and accumulated depreciation balances.

A. This adjustment is common for all systems filed in this case. Each system is comprised of its direct plant and an allocation of the Company's Phoenix office and meter shop. RUCO reconstructed the UPIS additions, adjustments, and retirements since the last rate case to determine the proper plant and accumulated depreciation balances for the test year in this case.

Q. Does RUCO accept the Company's balances of Utility Plant In Service ("UPIS") and accumulated depreciation for a starting point?

A. Yes.

...

Q. Did RUCO make any adjustments to UPIS or accumulated depreciation adjustments to the systems?

A. Yes. RUCO made adjustments to the UPIS and accumulated depreciation balances for each system as follows:

Eastern Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Superstition	$ 6,282	($ 22,612)
Bisbee	$ 6,328	($ 10,913)
Sierra Vista	$ 0	$ 6,701
San Manuel	$ 2,058	$ 33,929
Oracle	$ 0	($ 1,038)
Winkelman	$ 0	$ 3,162
Miami	$ 0	$ 25,492

Western Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Casa Grande	($ 822,694)	($ 1,579)
Stanfield	$ 0	($ 9,692)
White Tank	$ 0	$ 54
Ajo	$ 0	($ 13)
Coolidge	$ 0	$ 5,582

...

Northern Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Lakeside	$ 0	$ 1,784
Overgaard	$ 0	$ 629
Sedona	$ 0	($ 4,975)
Pinewood	$ 0	$ 496
Rimrock	$ 0	$ 487

Those adjustments are on Schedule TJC-2 and WAR-2. The supporting detail is on Schedules TJC-3 and WAR-3.

RUCO Rate Base Adjustment #2 – Remove Post Test Year Phoenix Office Plant

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

A. Yes. The Company is requesting all Company invested plant be included in rate base that is revenue neutral, used and useful, and placed in service prior to filing the rate application. The total PTY plant requested by the Company equals $6,681,894. However, there is some PTY plant that the Company requested that is not servicing customers yet.

...

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

A. Yes. RUCO has consistently held that including PTY plant creates a mismatch of rate base items that strongly favors the stockholders at the detriment of the ratepayers.

Q. Please explain why PTY plant additions are likely to result in unfair and unreasonable rates.

A. The problem with allowing PTY plant additions is there is no recognition of all the other rate base items in the same base year as PTY plant additions. For example, in this case, when one rate base item that makes up a substantial amount of rate base is recognized PTY and the other entire rate base items are based on a historical test-year, severe mismatches are created to the detriment of the ratepayers. Whereas, a historical test-year automatically matches all rate base items. The matching principle is a long-standing principle in regulatory utility ratemaking, and with good reason. Fair and reasonable rates cannot be determined when mismatches occur. Furthermore, Commission rules allow a utility to choose its own test year. If the Company wished, it could have chosen a 2008 test year instead of 2007. Obviously, the Company believes its request to raise rates is better promoted through a 2007 test year. So, to allow cost recovery for new plant in 2007 and 2008 allows the Company, in effect, two bites at the apple.

Q. Does RUCO recommend the allowance of any PTY plant that the Company requested in its rate application?

A. Yes. RUCO recommends the inclusion of all PTY arsenic and nitrate removal plant be allowed in rate base. This will eliminate the need for the Arsenic Cost Recovery Mechanism ("ACRM") surcharge that exists in some of the systems.

Q. Why did RUCO deviate from its general opposition in the inclusion of PTY plant in the case of arsenic and nitrate removal plant?

A. RUCO recommends allowance of PTY plant for arsenic and nitrate removal because these are costs mandated by the government. In 2006, the federal government lowered the maximum allowable amount of arsenic in drinking water to 10 parts per billion ("ppb") from 50 ppb. This resulted in AWC, and several other Arizona water utilities, to construct arsenic removal systems. Furthermore, costs for arsenic removal are being recovered from ratepayers through the Arsenic Cost Recovery Mechanism ("ACRM"). Costs recovered for arsenic removal plant in service will be taken out of the ACRM and moved into base rates in the rate proceeding. RUCO sees little or no benefit in retaining cost recovery of PTY arsenic removal plant in the ACRM instead of base rates.

The government also mandates the amount of nitrates acceptable in drinking water. In order to comply with the government mandates, the

Company, as was the case with arsenic, had to build the necessary treatment plant in aid to its source of supply. RUCO believes that aside from promoting good public policy, the treatment plant for nitrate should be included in rate base as the Company is acting in good faith to comply with the legal nitrate standards.

Q. What adjustment was necessary to remove the Phoenix Office PTY plant?

A. The total Company adjustment was $120,057. That amount was allocated to each system using the 3-Factor Allocator to make the adjustment as follows:

Eastern Group

Superstition	($ 29,942)	Bisbee	($ 5,979)
Sierra Vista	($ 3,097)	San Manuel	($ 2,017)
Oracle	($ 2,737)	Winkleman	($ 264)
Miami	($ 5,979)		

Western Group

Casa Grande	($ 31,875)	Stanfield	($ 324)
White Tank	($ 2,845)	Ajo	($ 972)
Coolidge	($ 6,327)		

Northern Group

Lakeside	($ 7,444)	Overgaard	($ 4,790)
Sedona	($ 10,145)	Pinewood	($ 3,542)
Rimrock	($ 1,777)		

An accompanying adjustment to decrease accumulated depreciation is necessary for the following amounts:

Eastern Group

Superstition	$ 999	Bisbee	$ 199
Sierra Vista	$ 103	San Manuel	$ 67
Oracle	$ 91	Winkleman	$ 9
Miami	$ 199		

Western Group

Casa Grande	$ 1,063	Stanfield	$ 11
White Tank	$ 95	Ajo	$ 32
Coolidge	$ 211		

Northern Group

Lakeside	$ 248	Overgaard	$ 160
Sedona	$ 338	Pinewood	$ 118
Rimrock	$ 59		

These adjustments are on Schedule TJC-2 and WAR-2. The supporting detail is on Schedules TJC-3, WAR-3 and Schedules TJC-5 and WAR-5.

...

RUCO Rate Base Adjustment #3 – Remove Plant Held for Future Use ("PHFFU") and Record Plant Retirements

Q. Please explain RUCO's adjustment to remove PHFFU and to record certain plant retirements.

A. This adjustment incorporates the Company's response to Staff data request BKB 11.16. In the Company's response to that data request, AWC agreed it failed to properly remove certain PHFFU and to record certain retirements prior to filing its rate application. This adjustment accounts for the plant items properly.

Q. What adjustments did RUCO make to properly account for the plant items in question?

A. RUCO removed the plant items that were held for future use and accounted for the retirements and removed the necessary accumulated depreciation amounts related to the retirements and plant items held for future use for each system as follows:

Eastern Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Superstition	($ 877,585)	$ 235,225
Bisbee	($ 704)	$ 746
Sierra Vista	$ 0	$ 0
San Manuel	$ 0	$ 0
Oracle	$ 0	$ 0
Winkelman	($ 66,360)	$ 79,635

Eastern Group (Continued)

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Miami	($ 279,237)	$ 76,321

Western Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Casa Grande	($ 896,925)	$ 676,446
Stanfield	($ 42,641)	$ 17,077
White Tank	($ 36,008)	$ 27,491
Ajo	$ 0	$ 0
Coolidge	($ 856,324)	$ 46,188

Northern Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Lakeside	($ 313,824)	$ 207,265
Overgaard	$ 0	$ 0
Sedona	($ 1,392,903)	$ 926,106
Pinewood	($ 13,512)	$ 10,674
Rimrock	($ 62,097)	$ 60,312

These adjustments are on Schedule TJC-2 and WAR-2. The supporting detail is on Schedules TJC-3, WAR-3.

RUCO Rate Base Adjustment #4 – Remove Other Post Test Year Plant

Q. Please explain RUCO's adjustment that removes other post test year plant from rate base.

A. This adjustment removes post test year plant from rate base that is either not serving current ratepayers or is not federally or state mandated such as arsenic and nitrate removal treatment plant.

Q. When does RUCO believe that the recognition of post test year plant is appropriate?

A. Generally, RUCO does not believe that post test year plant should ever be recognized in a historical test year setting for rate making. Post test year plant is normally mismatched with the revenues, expenses, and the other rate base elements of the test year chosen by the Company. If post test year plant is recognized, RUCO believes the following items should also be recognized on a *post test year* basis:

1) Plant Retirements,
2) Plant Adjustments,
3) Accumulated Depreciation,
4) Advances in Aid of Construction,
5) Contributions in Aid of Construction,
6) Deferred Income Taxes,
7) Regulatory Assets and Liabilities,
8) Revenues, and;

9) Expenses.

Matching is a fundamental principle of accounting and ratemaking. The absence of matching distorts the meaning of and reduces the usefulness of the rate of return and operating income in determining the fairness and reasonableness of rates established in a rate proceeding.

Q. You mentioned earlier that some of the post test plant requested in the Company's rate application is still not in service today, please identify some of those plant items that RUCO refers to.

A. The Carroll Canyon well located in Sedona is currently not in service, a portion of a waterline relocation project in Sedona is not yet in service, an electrical panel located in Pinewood is also not in service.

Q. What adjustments were necessary for RUCO to remove the post test year plant items identified in RUCO rate base adjustment #4?

A. The following adjustments were necessary to the Sedona and Pinewood rate bases for plant items identified in adjustment #4:

Northern Group

	Increase/(Decrease) UPIS	(Increase)/Decrease Accumulated Depreciation
Sedona	($ 2,011,576)	$ 21,940
Pinewood	($ 40,553)	$ 1,191

Those adjustments are shown on Schedules WAR-2 and the supporting details are on Schedules WAR-3.

RUCO Rate Base Adjustment #5 – Remove Post Test Year HWY 179 Improvement

Q. Please explain your adjustment that removes 35 percent of the costs associated with a post test year plant project in the Northern Group's Sedona System.

A. The adjustment removes 35 percent of the costs associated with a post test year improvement project that involved the relocation of transmission mains for an Arizona Department of Transportation ("ADOT") highway project in Sedona. RUCO's adjustment can be viewed on Schedule WAR-3, in the direct testimony of RUCO witness William A. Rigsby.

Q. Why has RUCO only removed 35 percent of the costs associated with the project?

A. RUCO's decision to remove 35 percent of the costs associated with the project was based on information provided by the Company in response to an ACC Staff informal data request dated May 13, 2009. The Company responded that the project is 65 percent complete.

Q. What is the effect of RUCO's adjustment on the Company's plant in service account and associated accumulated depreciation for the Sedona System?

A. RUCO's adjustment reduces the Sedona System's plant in service account balance by $661,738. RUCO has also made a corresponding adjustment, which reduces the accumulated depreciation associated with the HWY 179 project by $5,923.

Q. Has RUCO also accounted for the removal of 35 percent of the HWY 179 project in its pro forma depreciation expense?

A. Yes. The effect of RUCO's adjustment is accounted for in the level of depreciation expense that RUCO is recommending for the Sedona System (Schedule WAR-11).

RUCO Rate Base Adjustment #6 – Working Capital

Q. Please explain the concept of cash working capital.

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

Q. Is RUCO proposing a cash working capital requirement adjustment in this case?

A. Yes. RUCO proposes cash working capital requirement adjustments that decrease the working capital requirement for each system. These adjustments are shown on Schedules TJC and WAR-6, page 1, with the details of the lead/lag studies on Schedules TJC and WAR-6, page 2.

Q. Did AWC file a lead/lag study supporting its requested cash working capital requirements in this case?

A. Yes.

Q. Did RUCO make any adjustments to the Company's lead/lag study?

A. Yes. However, RUCO developed and utilized its own lead/lag study in determining its required cash working capital adjustment.

Q. Does RUCO agree with the Company's revenue lag days?

A. Yes. The revenue lag days are comparable to RUCO's calculation using customer bills.

Q. Does RUCO agree with the Company's expense lag days?

A. RUCO does not agree with all of the Company's expense lags. However, RUCO does agree with the majority of the Company's expense lag days.

Q. Which expense lag days did RUCO differ with?

A. RUCO adjusted the expense lag days for the expense accounts to the following days:

		Company Lag Days	RUCO Lag Days
1.	Purchased Power	30.87	35.92
2.	Purchased Water	(0.11)	Varies[1]
3.	Chemicals	(18.11)	20.43
4.	Other O & M Expenses	(9.27)	30.00

Q. How did RUCO determine its lag days for those expenses?

A. The purchased power expense lag days are the same that was used in the Company's last rate case for the Western Group. For purchased water, RUCO analyzed the test year invoices in each system for those expenses at the Company's office in Phoenix. The same analysis was done for chemical expense lag days, which are comparable to other analyses RUCO has performed for other water companies in the past. Other operating and maintenance expense lag days were calculated at the Company's Phoenix office. The majority of those invoices indicated terms of net 30 days for an expense lag.

...

[1] The number of purchased water lag days is dependent on the system.

Q. What other element of expenses did RUCO adjust in its lead/lag study?

A. RUCO made some operating expense adjustments that are reflected in RUCO's recommended lead/lag expense levels. In addition, RUCO removed rate case expense from other operating and maintenance expenses. Rate case expense is a going forward non-cash expense just as depreciation and amortization expense. That expense is a nonrecurring cash expense once the Commission authorizes rates in this case.

Q. Did RUCO make any adjustments to the operating income elements in the lead/lag study?

A. Yes.

Q. Please describe the adjustments RUCO made to the operating income lead/lag elements.

A. RUCO's made some rate base adjustments that are reflected in its recommended level of rate base to synchronize interest. RUCO reduced the Company's cost of equity component to zero.

...

Q. Shouldn't the cost of common equity be included in a lead/lag study?

A. No. In AWC's lead/lag study, the Company treats the common equity as if AWC compensates stockholders on a daily basis. Normally, the fact is that compensation is received by stockholders in two forms; i.e., through quarterly dividend payments, if any, or upon the sale of the stock. If one were to measure the actual delay in the cash outlay by the utility to stockholders, one would refer to the quarterly dividend payments that are being paid and not simply assume a zero lag as the Company has done. But, because there is no contractual requirement for AWC to pay fixed quarterly dividends to stockholders, the cost of common equity should not be included in the cash working capital measurement in the first place.

Q. What is RUCO's rationale for including the interest expense in the lead/lag study?

A. Unlike the quarterly dividend payments, there are contractual requirements associated with AWC's debt issuances that obligate the Company to make fixed interest payments on certain dates. In this respect, debt interest more closely resembles AWC's other cash operating expenses. Thus, the payment lead for AWC's interest expense should be separately recognized in the lead/lag calculation as the Commission has recognized in numerous cases. Typically, long-term debt interest is paid semi-annually, creating a 91.25-day expense lead.

Q. Did the Company utilize the 91.25-day lead in calculating its interest expense for cash working capital?

A. Yes.

Q. What adjustments to cash working capital are necessary when taking all of RUCO's adjustments to the Company's lead/lag study into consideration?

A. The following adjustments are necessary when taking all of RUCO's adjustments to the Company's lead/lag study into consideration:

	Eastern Group		
Superstition	($ 535,541)	Bisbee	($ 46,375)
Sierra Vista	($ 31,875)	San Manuel	($ 43,131)
Oracle	($ 29,950)	Winkleman	($ 3,007)
Miami	($ 66,910)		
	Western Group		
Casa Grande	($ 372,867)	Stanfield	($ 13,366)
White Tank	($ 95,854)	Ajo	($ 28,274)
Coolidge	($ 52,375)		
	Northern Group		
Lakeside	($ 72,041)	Overgaard	($ 81,957)
Sedona	($ 223,231)	Pinewood	($ 30,858)
Rimrock	($ 41,710)		

OTHER RATE BASE ISSUES

Q. Does RUCO have any other rate base issues it would like to address?

A. Yes.

Q. Please discuss the other rate base issues RUCO would like to address at this time.

A. The Company uses a flat Gross Revenue Conversion Factor ("GRCF") across all systems. For instance, under RUCO's recommended revenue requirement, the Winkleman System has an operating income of $30,087, which is subject to federal and state income tax. The effective federal income tax rate is 15 percent not the 34 percent rate that the Company uses to gross up the operating income deficiency. That unfairly penalizes the ratepayers in Winkleman by overburdening the ratepayers with an amount of tax they neither incurred nor should legally shoulder.

Q. What impact does the Company's method of calculating the GRCF have on the Winkleman System?

A. Using a GRCF assuming a 34 percent federal income tax rate as the Company does increases the operating income by 30 percent alone. RUCO recommends the Commission reject such a proposal. The ratepayers of Winkleman and some of the other smaller systems do not have a 34 percent tax liability but a lower tax liability as the tax brackets indicate.

Q. Does your silence on any of the issues, matters or findings addressed in the Company's testimony constitute your acceptance of its positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony?

A. Yes, it does.

APPENDIX 1

Qualifications of Timothy J. Coley

WORK HISTORY

July 2000 – Present: **RESIDENTIAL UTILITY CONSUMER OFFICE,** Phoenix, Arizona
Public Utilities Analyst V. The Residential Utility Consumer Office (RUCO) is a consumer advocate group providing residential consumers a voice in utility regulation and backed by a professional staff with legal and financial expertise. Responsibilities include: audited, reviewed and analyzed public utility companies various filings; prepared written testimony, schedules, financial statements, and spreadsheet models and analyses. Testified and stand cross-examination before the Arizona Corporation Commission.

January 2000 - April 2000: **JACKSON HEWITT TAX SERVICE,** Phoenix, Arizona
Tax Preparer. Interviewed clients, determined tax situation, and explained how the tax laws benefited them in their specific situation. Ensured that each customer received every deduction that they were entitled. Prepared individual and business income tax returns, which best utilized each specific situation that minimized their tax obligations.

May 1998 - November 1999: **BENEFITS CONSULTING,** Cypress, Texas
Consultant Assistant. The consulting firm specialized in alleged medical claim charges brought against the government of Harris County in Houston, Texas. Assisted in the review, examination, and analysis of the attested charges. Determined if the purported medical claim charges were prudent, customary, and reasonable for the alleged sustained injuries. The firm analyzed cases for both the County's Risk Department and Attorneys Office.

January 1992 - April 1998: **PHOENIX SERVICES,** Villa Rica, Georgia
Owner. Provided landscaping services primarily in a high growth gated community where the Property Owners' Association approved mandated ordinances to be strictly adhered and abided by. Coordinated and supervised all aspects of projects from inception to completion, from master planning to site design to installation.

May 1989 - October 1991: **GEORGIA PUBLIC SERVICE COMMISSION,** Atlanta, GA
Senior Auditor. The Public Service Commission (PSC) was responsible for regulating many intrastate telecommunications, electric, and gas utility industries operating in Georgia. It was the PSC's job to ensure that consumers received adequate and reliable service at reasonable rates. It must also assure the utility companies and investors an opportunity to earn a fair rate of return on prudent investments. The Commission participated significantly in Georgia's economic health and growth. I was promoted to the PSC's Electric/Gas Division where I examined, verified, and analyzed various financial documents, accounting records, reports, ledgers, and statements. In addition, I was assigned to automate the PSC's Electric Division where I utilized a computer application process that I had developed earlier while with the (PSC) Telecommunication Division. I was later ascribed to work in conjunction with the Engineering Department and established a procedure to track and compare costs of operation and maintenance (O&M) expenses of nuclear electric generating plants. This effort determined a comparative price per kilowatt-hour produced that influenced the awareness for the company to control the O&M costs, which benefited the consumer through lower prices.

- Developed computer application system that streamlined audit procedures by 30 – 40%.
- Various other schedules were implemented to track, maintain, and control costs.

GEORGIA PUBLIC SERVICE COMMISSION (continued)

November 1986 - April 1989: **Georgia Public Service Commission,** Atlanta, Georgia **Auditor.** Regulated telecommunications and also oversaw the deregulation process that was currently under way in that industry. Examined and analyzed accounting records to determine financial status of companies and prepared financial reports concerning audit findings. Reviewed data including payroll, time sheets, purchase vouchers, cash receipt ledgers, financial reports, and disbursements. Verified statewide telephone company transaction classifications and documentation.

- Developed computer application utilizing Lotus to completely automate and streamline the entire telecommunication audit process. The results saved 25% in field audit time and produced a product of professional appearance.
- Created, coordinated, and implemented "Operational Project Training" automated procedure-training program. Trained and supervised staff of five auditors.
- Computerized "Desk Audit Analysis" program that identified 11 independent telephone companies in the state of over-earning and resulted in $4.1M annual savings to the Georgia ratepayers affected.

October 1985 - October 1986: **Georgia Public Service Commission,** Atlanta, Georgia **Junior Auditor.** Assisted in planning and performing telecommunication audit engagements. Examined financial records, internal management control, correspondence, bills, and records of services delivered in order to verify or recommend compliance with company specifications contained in contracts, agreements, regulations, and/or laws.

- As a special project, I was assigned to analyze the results of a survey designed to evaluate "Interest in Organizing a Multi-State Nuclear Management Review Group" by the Director of Utilities. Wrote the draft and findings for the speech that was presented to all participatory commissions.

PROFESSIONAL MEMBERSHIPS

- Elected Member of the National Honor Society for Public Affairs and Administration.
- Active Member of Delta Sigma Pi - Professional Business Fraternity.

SPECIAL TRAINING AND CERTIFICATES

- The Graduate School of Business Administration - Michigan State University; completed the Annual Regulatory Studies Program of the National Association of Regulatory Utility Commissioners.
- Completed Graduate Exit Paper on "Deregulation of the Electric Industry".
- Attended Eastern Utility Rate School in 2000 and 2005.

EDUCATION

- Currently enrolled at Arizona State University - West in the Post Baccalaureate Graduate Certificate Program in Accountancy with two courses remaining.
- Master of Public Administration, State University of West Georgia, 1997, GPA 3.5.
- BS Business Management & Administration, Minor in Economics, Sorrel School of Business, Troy State University, 1985.
- AA Business Administration, Miles Community College, 1981.

RESUME OF PUBLIC UTILITY RATE CASES & AUDITS PARTICIPATION

Residential Utility Consumer Office For Years 2000 To Present

Arizona-American Water Company – Docket No. WS-01303A-05-0405

Arizona Public Service Co. – Docket No. E-01345A-03-0437

Tucson Electric Power Company – Docket No. E-01933A-04-0408

UniSource Merger – Docket No. E-04230A-03-0933

Arizona-American Water Company – Docket No. WS-01303A-02-0867

Arizona Water Company (Eastern Group) – Docket No. W01445A-02-0619

Litchfield Park Service Company – Docket Nos. W-01427A-01-0487 & SW-01428A-01-0487

Arizona Water Company (Northern Group) – Docket No. W-01445A-00-0962

Rio Verde Utilities, Inc. – Docket Nos. W-02156A-00-0321 & SW-02156A-00-0323

Arizona-American Water Company (Paradise Valley) – Docket Nos. W-01303A-05-0405 & W-01303A-05-0910

Arizona-American Water Company (Mohave District) – Docket No. WS-01303A-06-0014

Arizona-American Water Company (Sun City & Sun Cit West Wastewater) – Docket No. WS-01303A-06-0491

Arizona-American Water Company - Docket No. W-01303A-07-0209

Chaparral City Water Company – Docket No. W-02113A-07-0551

Arizona-American Water Company - Docket No. W-01303A-08-0227 et. al.

Georgia Public Service Commission For Years 1985 – 1991

Atlanta Gas Light Company

Georgia Power Company

Atlanta Gas Light Company (Management Audit)

Georgia Power Company

Trenton Telephone Company

Fairmount Telephone Company

Ellijay Telephone Company

GTE, Inc.

ALL-TEL Telephone Company

Citizens Utilities Co.

Ball Ground Telephone Company

Lanett Telephone Company

Brantley Telephone Company

Blue Ridge Telephone Company

Waverly Hall Telephone Company

St. Marys Telephone Company

Darien Telephone Company

Statesboro Telephone Company

Statesboro Telephone Co-op

Wilkes Telephone Company

ARIZONA WATER COMPNAY

W-01445A-08-0440

EASTERN OPERATING GROUP

Superstition

Bisbee

Sierra Vista

San Manuel

Oracle

Winkelman

Miami

ARIZONA WATER COMPNAY

W-01445A-08-0440

Superstition System

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

Superstition System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 43,424,545	$ 42,201,371
2	Adjusted Operating Income (Loss)	$ 1,850,403	$ 1,968,683
3	Current Rate of Return (L2 / L1)	4.26%	4.66%
4	Required Operating Income (L5 X L1)	$ 4,261,800	$ 3,295,243
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 2,411,397	$ 1,326,560
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 3,927,284	$ 2,160,482
9	Adjusted Test Year Revenue	$ 11,939,904	$ 11,939,904
10	Proposed Annual Revenue (L8 + L9)	$ 15,867,189	$ 14,100,386
11	Required Percentage Increase in Revenue (L8 / L9)	32.89%	18.09%
12	Consolidated Revenue Adjustment (Superstition/Miami)	$ 937,341	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 4,864,542	$ 2,160,482
14	Required Revenue Under Company Proposed Consolidation	$ 16,804,800	$ 14,100,386
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	40.74%	18.09%
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6286**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 3,295,243			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	1,968,683			
13	Required Increase In Operating Income (L11 - L12)		$ 1,326,560		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 1,087,559			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	253,637			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 833,922		
17	Total Required Increase In Revenue (L13 + L16)		$ 2,160,482		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 14,100,386	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			9,717,585	
20	Synchronized Interest (Col. (C), L37)			1,565,211	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 2,817,591	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 196,330
24	Fed. Taxable Income (L21 - L23)			$ 2,621,261	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 91,650	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ 777,329	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 891,229
31	Combined Federal and State Income Tax (L23 + L30)				$ 1,087,559
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 253,637
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 833,922
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 42,201,371	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 1,565,211	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 12,555	$ 1	$ 12,556
2	Source of Supply Plant	5,528,785	(801,061)	4,727,724
3	Pumping Plant	7,692,391	(59,595)	7,632,796
4	Water Treatment Plant	6,885,736	(3,057)	6,882,679
5	Transmission & Distribution Plant	68,915,456	(502)	68,914,955
6	General Plant	4,555,508	(37,031)	4,518,478
7	Total Gross Plant in Service	$ 93,590,431	$ (901,245)	$ 92,689,186
8	Accumulated Depreciation	(17,724,938)	213,611	(17,511,326)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 75,865,493	$ (687,633)	$ 75,177,860
10	Advances In Aid Of Const.	$ (18,952,520)	$ -	$ (18,952,520)
11	Contribution In Aid Of Const.	$ (10,888,555)	$ -	$ (10,888,555)
12	Accumulated Amortization Of CIAC	1,733,417	-	1,733,417
13	NET CIAC (L5 + L6)	$ (9,155,138)	$ -	$ (9,155,138)
14	Deferred Income Tax	$ (4,779,751)	$ -	$ (4,779,751)
15	Allowance For Working Capital	$ 446,461	$ (535,541)	$ (89,081)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 43,424,545	$ (1,223,175)	$ 42,201,371

References:
Column (A): Company Schedule B-1
Column (B): Schedule RLM-3
Column (C): Column (A) + Column (B)

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

Superstition System
Schedule TJC-3
Page 1 of 1

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 12,555	$ 1	$ -	$ -	$ -	$ -	$ -	$ 12,556
2	Source of Supply Plant	5,528,785	(8)	-	(801,053)	-	-	-	4,727,724
3	Pumping Plant	7,692,391	6,292	-	(65,887)	-	-	-	7,632,796
4	Water Treatment Plant	6,885,736	(0)	-	(3,057)	-	-	-	6,882,679
5	Transmission & Distribution Plant	68,915,456	(2)	-	(500)	-	-	-	68,914,955
6	General Plant	4,555,508	(1)	(29,942)	(7,088)	-	-	-	4,518,478
7	Total Gross Plant in Service	$ 93,590,431	$ 6,282	$ (29,942)	$ (877,585)	$ -	$ -	$ -	$ 92,689,186
8	Accumulated Depreciation	$ (17,724,938)	(22,612)	999	235,225	-	-	-	(17,511,326)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 75,865,493	$ (16,330)	$ (28,944)	$ (642,360)	$ -	$ -	$ -	$ 75,177,860
10	Advances In Aid Of Const.	$ (18,952,520)	$ -	$ -	$ -	$ -	$ -	$ -	$ (18,952,520)
11	Contribution In Aid Of Const.	$ (10,888,555)	$ -	$ -	$ -	$ -	$ -	$ -	$ (10,888,555)
12	Accumulated Amortization Of CIAC	1,733,417	-	-	-	-	-	-	1,733,417
13	NET CIAC (L5 + L6)	$ (9,155,138)	$ -	$ -	$ -	$ -	$ -	$ -	$ (9,155,138)
14	Deferred Income Tax	$ (4,779,751)	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,779,751)
15	Allowance For Working Capital	$ 446,461	$ -	$ -	$ -	$ -	$ -	$ (535,541)	$ (89,081)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 43,424,545	$ (16,330)	$ (28,944)	$ (642,360)	$ -	$ -	$ (535,541)	$ 42,201,371

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	5,644	-	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	137,965	-	137,965
5	310.3	Other Source of Supply Land	0.00%	0.00%	63,190	-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	3.13%	2,642,831	-	2,642,831
8	320	Pumping Plant Land	0.00%	0.00%	14,187	-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	91,526	-	91,526
10	325	Electtric Pumping Equipment	2.59%	5.88%	3,051,746	-	3,051,746
11	328	Gas Engine Equipment	2.59%	4.00%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	17,821	-	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	250,198	-	250,198
15	340	Transmission and Distribution Land	0.00%	0.00%	185,773	-	185,773
16	342	Storage Tanks	2.59%	2.00%	3,935,713	-	3,935,713
17	343	Transmission & Distribution Mains	2.59%	1.79%	30,318,265	-	30,318,265
18	344	Fire Sprinkler Taps	2.59%	2.00%	360,748	-	360,748
19	345	Services	2.59%	2.38%	7,950,113	-	7,950,113
20	346	Meters	2.59%	4.55%	1,360,478	-	1,360,478
21	348	Hydrants	2.59%	1.82%	2,527,219	-	2,527,219
22	389	General Plant Land	0.00%	0.00%	47,015	-	47,015
23	390	General Plant Structures	2.59%	2.50%	429,882	-	429,882
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	165,979	-	165,979
25	391	Office Furniture & Equipment	2.59%	6.67%	233,941	-	233,941
26	393	Warehouse Equipment	2.59%	5.00%	3,528	-	3,528
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	187,477	-	187,477
28	395	Laboratory Equipment	2.59%	5.00%	12,433	-	12,433
29	396	Power Operated Equipment	2.59%	6.67%	35,709	-	35,709
30	397	Communication Equipment	2.59%	6.67%	733,769	-	733,769
31	398	Miscellaneous Equipment	2.59%	3.33%	35,332	-	35,332
32		**TOTAL DIRECT WATER PLANT**			$ 54,798,482	$ -	$ 54,798,482
33		Post Test Year Plant (PTYP)			1,459,122	(1,459,122)	-
34		**RUCO Total Water Plant In Service**			$ 56,257,604	$ (1,459,122)	$ 54,798,482
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			$ (9,681,966)		$ (9,681,966)
44		Accumulated Depreciation - PTYP			(1,367,524.00)	1,367,524.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (11,049,490)		$ (9,681,966)
46							
47		Company As Filed - Accumulated Depreciation			(11,049,490)	-	(9,651,742)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ (30,224)
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-	168	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-	-	-
4	310.1	Water Rights	0.00%	0.00%	18,525	-	-	-	156,490
5	310.3	Other Source of Supply Land	0.00%	0.00%	-	-	-	-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-	-	-
7	314	Wells	2.59%	3.13%	594,081	(24,552)	-	75,825	3,212,360
8	320	Pumping Plant Land	0.00%	0.00%	-	-	-	-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	7,066	-	-	2,462	98,592
10	325	Electtric Pumping Equipment	2.59%	5.88%	403,301	(72,208)	-	83,328	3,382,839
11	328	Gas Engine Equipment	2.59%	4.00%	-	-	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	-	-	-	462	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	10,147	(26,754)	-	6,265	233,591
15	340	Transmission and Distribution Land	0.00%	0.00%	-	-	-	-	185,773
16	342	Storage Tanks	2.59%	2.00%	45,793	-	-	102,528	3,981,506
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,374,833	(99,119)	(914)	801,752	31,593,065
18	344	Fire Sprinkler Taps	2.59%	2.00%	14,968	-	-	9,537	375,716
19	345	Services	2.59%	2.38%	748,923	(10,527)	-	215,470	8,688,509
20	346	Meters	2.59%	4.55%	112,121	(8,645)	-	36,576	1,463,954
21	348	Hydrants	2.59%	1.82%	148,909	(12,421)	-	67,222	2,663,707
22	389	General Plant Land	0.00%	0.00%	-	-	-	-	47,015
23	390	General Plant Structures	2.59%	2.50%	26,799	(69)	-	11,480	456,612
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-	-	-	6,804	165,979
25	391	Office Furniture & Equipment	2.59%	6.67%	13,060	-	-	6,228	247,001
26	393	Warehouse Equipment	2.59%	5.00%	846	-	-	102	4,374
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	15,506	(2,265)	-	5,027	200,718
28	395	Laboratory Equipment	2.59%	5.00%	1,845	-	-	346	14,278
29	396	Power Operated Equipment	2.59%	6.67%	-	-	-	925	35,709
30	397	Communication Equipment	2.59%	6.67%	6,618	-	-	19,090	740,387
31	398	Miscellaneous Equipment	2.59%	3.33%	-	(1,041)	-	902	34,291
32		**TOTAL DIRECT WATER PLANT**			$ 3,543,340	$ (257,601)	$ (914)	$ 1,452,500	$ 58,083,307
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 3,543,340	$ (257,601)	$ (914)	$ 1,452,500	$ 58,083,307
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (605)	
41									
42		Net (Salvage)/Cost of Removal						(2,345)	
43		Accumulated Depreciation						(10,879,815)	$ (10,879,815)
44		*Accumulated Depreciation - PTYP*						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(10,879,815)	$ (10,879,815)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	(10,850,481)	(10,850,481)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (29,334)	$ (29,334)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-	168	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-	-	-
4	310.1	Water Rights	0.00%	0.00%	29,599	-	-	-	186,089
5	310.3	Other Source of Supply Land	0.00%	0.00%	-	-	-	-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-	-	-
7	314	Wells	2.59%	3.13%	199	-	-	83,203	3,212,559
8	320	Pumping Plant Land	0.00%	0.00%	-	-	-	-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	3,757	-	-	2,602	102,349
10	325	Electtric Pumping Equipment	2.59%	5.88%	73,495	(4,479)	-	88,509	3,451,855
11	328	Gas Engine Equipment	2.59%	4.00%	-	-	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	-	-	-	462	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	-	(1,520)	-	6,030	232,071
15	340	Transmission and Distribution Land	0.00%	0.00%	-	-	-	-	185,773
16	342	Storage Tanks	2.59%	2.00%	-	-	-	103,121	3,981,506
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,383,387	(147,961)	(55,861)	833,536	32,772,630
18	344	Fire Sprinkler Taps	2.59%	2.00%	27,284	-	-	10,084	403,000
19	345	Services	2.59%	2.38%	657,331	(12,263)	-	233,386	9,333,577
20	346	Meters	2.59%	4.55%	73,103	(9,540)	-	38,740	1,527,516
21	348	Hydrants	2.59%	1.82%	135,297	(8,351)	-	70,634	2,790,653
22	389	General Plant Land	0.00%	0.00%	-	-	-	-	47,015
23	390	General Plant Structures	2.59%	2.50%	77,235	-	-	12,826	533,848
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-	-	-	6,804	165,979
25	391	Office Furniture & Equipment	2.59%	6.67%	17,556	-	-	6,625	264,557
26	393	Warehouse Equipment	2.59%	5.00%	-	(205)	-	111	4,169
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	13,479	(41)	-	5,373	214,156
28	395	Laboratory Equipment	2.59%	5.00%	7,395	-	-	466	21,673
29	396	Power Operated Equipment	2.59%	6.67%	44	-	-	925	35,753
30	397	Communication Equipment	2.59%	6.67%	35,167	-	-	19,631	775,554
31	398	Miscellaneous Equipment	2.59%	3.33%	-	-	-	888	34,291
32		**TOTAL DIRECT WATER PLANT**			$ 2,534,327	$ (184,360)	$ (55,861)	$ 1,524,124	$ 60,377,413
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 2,534,327	$ (184,360)	$ (55,861)	$ 1,524,124	$ 60,377,413
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (605)	
41									
42		Net (Salvage)/Cost of Removal						11,507	
43		Accumulated Depreciation						(12,208,676)	$ (12,208,676)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(12,208,676)	$ (12,208,676)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	(12,191,476)	(12,191,476)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (17,200)	$ (17,200)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-	168	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111	4,630	-	-	-	4,630
4	310.1	Water Rights	0.00%	0.00%	16,126	-	-	-	202,215
5	310.3	Other Source of Supply Land	0.00%	0.00%	-	-	-	-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-	-	-
7	314	Wells	2.59%	3.13%	5,389	-	-	96,297	3,217,948
8	320	Pumping Plant Land	0.00%	0.00%	-	-	-	-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	15,384	-	-	3,073	117,733
10	325	Electtric Pumping Equipment	2.59%	5.88%	1,135,006	(37,734)	-	202,325	4,549,127
11	328	Gas Engine Equipment	2.59%	4.00%	-	-	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	-	-	-	450	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	1,419	(1,517)	-	6,479	231,973
15	340	Transmission and Distribution Land	0.00%	0.00%	-	-	-	-	185,773
16	342	Storage Tanks	2.59%	2.00%	14,918	-	-	85,663	3,996,423
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,952,853	(20,556)	(30,612)	671,097	34,674,315
18	344	Fire Sprinkler Taps	2.59%	2.00%	43,084	-	-	9,117	446,084
19	345	Services	2.59%	2.38%	453,193	(12,308)	-	232,402	9,774,462
20	346	Meters	2.59%	4.55%	52,830	(5,084)	-	62,986	1,575,262
21	348	Hydrants	2.59%	1.82%	78,073	(3,270)	-	56,915	2,865,455
22	389	General Plant Land	0.00%	0.00%	-	-	-	-	47,015
23	390	General Plant Structures	2.59%	2.50%	28,348	-	-	13,824	562,196
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	645,207	-	-	23,558	811,186
25	391	Office Furniture & Equipment	2.59%	6.67%	17,805	(536)	-	15,435	281,826
26	393	Warehouse Equipment	2.59%	5.00%	-	-	-	183	4,169
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	15,951	(3,373)	-	8,041	226,734
28	395	Laboratory Equipment	2.59%	5.00%	3,756	-	-	1,036	25,428
29	396	Power Operated Equipment	2.59%	6.67%	-	-	-	2,020	35,753
30	397	Communication Equipment	2.59%	6.67%	3,300	(38,342)	-	42,829	740,512
31	398	Miscellaneous Equipment	2.59%	3.33%	5,930	-	-	1,172	40,221
32		**TOTAL DIRECT WATER PLANT**			$ 4,493,201	$ (122,720)	$ (30,612)	$ 1,535,068	$ 64,717,282
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 4,493,201	$ (122,720)	$ (30,612)	$ 1,535,068	$ 64,717,282
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (605)	
41									
42		Net (Salvage)/Cost of Removal						(552)	
43		Accumulated Depreciation						(13,622,182)	$ (13,622,182)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(13,622,182)	(13,622,182)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	(13,611,278)	(13,611,278)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (10,904)	$ (10,904)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				147	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111				1,434	4,630
4	310.1	Water Rights	0.00%	0.00%	29,027			-	231,242
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	5,936	(1,565)		100,790	3,222,319
8	320	Pumping Plant Land	0.00%	0.00%				-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	24,681	(208)		3,717	142,206
10	325	Electtric Pumping Equipment	2.59%	5.88%	687,101	(410,833)		275,611	4,825,395
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				446	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	560			6,642	232,533
15	340	Transmission and Distribution Land	0.00%	0.00%				-	185,773
16	342	Storage Tanks	2.59%	2.00%	10,144			80,030	4,006,567
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,517,331	(41,541)		642,829	37,150,105
18	344	Fire Sprinkler Taps	2.59%	2.00%	28,463	(6,943)		9,137	467,604
19	345	Services	2.59%	2.38%	520,065	(6,733)		238,741	10,287,794
20	346	Meters	2.59%	4.55%	68,160	(7,903)		73,045	1,635,519
21	348	Hydrants	2.59%	1.82%	100,943	(12,268)		52,958	2,954,130
22	389	General Plant Land	0.00%	0.00%				-	47,015
23	390	General Plant Structures	2.59%	2.50%	19,120			14,294	581,316
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	655			26,821	811,840
25	391	Office Furniture & Equipment	2.59%	6.67%	19,662	(5,053)		19,285	296,435
26	393	Warehouse Equipment	2.59%	5.00%				208	4,169
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	18,680	(1,489)		9,413	243,925
28	395	Laboratory Equipment	2.59%	5.00%	19,428			1,757	44,856
29	396	Power Operated Equipment	2.59%	6.67%		(662)		2,363	35,091
30	397	Communication Equipment	2.59%	6.67%	45,611	(189,236)		44,602	596,887
31	398	Miscellaneous Equipment	2.59%	3.33%	453			1,347	40,675
32		**TOTAL DIRECT WATER PLANT**			$ 4,116,017	$ (684,434)	$ -	$ 1,605,617	$ 68,148,865
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 4,116,017	$ (684,434)	$ -	$ 1,605,617	$ 68,148,865
35									
36		**Company Direct Plant As Filed**							
37									
38		***RUCO Direct Plant Adjustment***							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (605)	
41									
42		Net (Salvage)/Cost of Removal						(77)	
43		Accumulated Depreciation						(14,544,046)	$ (14,544,046)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(14,544,046)	(14,544,046)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	(14,522,561)	(14,522,561)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (21,485)	$ (21,485)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				168	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111				1	4,630
4	310.1	Water Rights	0.00%	0.00%	49,378			-	280,620
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	98,058	(2,240)		102,358	3,318,136
8	320	Pumping Plant Land	0.00%	0.00%				-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	3,479			4,117	145,685
10	325	Electtric Pumping Equipment	2.59%	5.88%	172,017	(247,662)		281,509	4,749,749
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				446	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	122,204	(79,069)		7,267	275,868
15	340	Transmission and Distribution Land	0.00%	0.00%				-	185,773
16	342	Storage Tanks	2.59%	2.00%	7,530			80,207	4,014,097
17	343	Transmission & Distribution Mains	2.59%	1.79%	651,080	(13,565)		670,693	37,787,619
18	344	Fire Sprinkler Taps	2.59%	2.00%	68,725			10,039	536,329
19	345	Services	2.59%	2.38%	451,153	(9,246)		250,108	10,729,701
20	346	Meters	2.59%	4.55%	71,334	(10,098)		75,809	1,696,755
21	348	Hydrants	2.59%	1.82%	79,790	(4,233)		54,453	3,029,688
22	389	General Plant Land	0.00%	0.00%				-	47,015
23	390	General Plant Structures	2.59%	2.50%	11,831			14,681	593,146
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				27,375	811,840
25	391	Office Furniture & Equipment	2.59%	6.67%	25,152	(1,037)		20,576	320,550
26	393	Warehouse Equipment	2.59%	5.00%	190			213	4,359
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	16,197	(714)		10,067	259,408
28	395	Laboratory Equipment	2.59%	5.00%	5,545			2,381	50,402
29	396	Power Operated Equipment	2.59%	6.67%	1,696			2,397	36,787
30	397	Communication Equipment	2.59%	6.67%	9,625			40,133	606,512
31	398	Miscellaneous Equipment	2.59%	3.33%	1,612			1,381	42,286
32		**TOTAL DIRECT WATER PLANT**			$ 1,846,597	$ (367,864)	$ -	$ 1,656,380	$ 69,627,598
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,846,597	$ (367,864)	$ -	$ 1,656,380	$ 69,627,598
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(347)	
43		Accumulated Depreciation						(15,832,909)	$ (15,832,909)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(15,832,909)	(15,832,909)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	(15,811,054)	(15,811,054)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (21,855)	$ (21,855)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				168	5,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111				231	4,630
4	310.1	Water Rights	0.00%	0.00%	82,340			-	362,960
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	63,190
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,938,781	(153,285)	(1,025)	131,785	5,102,607
8	320	Pumping Plant Land	0.00%	0.00%				-	14,187
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	10,355			4,315	156,041
10	325	Electtric Pumping Equipment	2.59%	5.88%	4,076,772	(74,039)	(1,224,027)	360,979	7,528,455
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				446	17,821
14	332	Water Treatment Equipment	2.59%	2.86%	13,210,571	(6,852)	(6,611,984)	102,146	6,867,403
15	340	Transmission and Distribution Land	0.00%	0.00%				-	185,773
16	342	Storage Tanks	2.59%	2.00%	949,228	(29,819)	(479,655)	84,679	4,453,852
17	343	Transmission & Distribution Mains	2.59%	1.79%	16,367,487	(36,387)	(6,937,969)	760,467	47,180,750
18	344	Fire Sprinkler Taps	2.59%	2.00%	37,343	(3,191)		11,068	570,481
19	345	Services	2.59%	2.38%	810,760	(15,080)	(10,798)	264,707	11,514,583
20	346	Meters	2.59%	4.55%	20,621	(1,337)		77,641	1,716,039
21	348	Hydrants	2.59%	1.82%	302,555	(2,291)	(37,486)	57,532	3,292,465
22	389	General Plant Land	0.00%	0.00%				-	47,015
23	390	General Plant Structures	2.59%	2.50%	141,900	(9,002)		16,490	726,045
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				23,132	811,840
25	391	Office Furniture & Equipment	2.59%	6.67%	26,739	(793)		22,246	346,496
26	393	Warehouse Equipment	2.59%	5.00%	162			222	4,520
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	27,812	(1,475)		10,903	285,745
28	395	Laboratory Equipment	2.59%	5.00%	15,854		(513)	2,904	65,743
29	396	Power Operated Equipment	2.59%	6.67%	(871)			2,425	35,916
30	397	Communication Equipment	2.59%	6.67%	11,622			40,842	618,134
31	398	Miscellaneous Equipment	2.59%	3.33%	6,037			1,509	48,323
32		**TOTAL DIRECT WATER PLANT**			$ 38,036,067	$ (333,551)	$ (15,303,457)	$ 1,976,835	$ 92,026,657
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 38,036,067	$ (333,551)	$ (15,303,457)	$ 1,976,835	$ 92,026,657
35									
36		**Company Direct Plant As Filed**							92,020,375
37									
38		**RUCO Direct Plant Adjustment**							$ 6,282
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(534)	
43		Accumulated Depreciation						(17,476,727)	$ (17,476,727)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(17,476,727)	(17,476,727)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	(17,454,502)	(17,454,502)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (22,225)	$ (22,225)
49									
50		**RUCO Net Adjustment**							$ (15,942)
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	*Transmission and Distribution Mains*	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		*Post Test Year Plant (PTYP)*						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56	Notes					
57	Acct. 302 - Franchises amortized over 25 years.					
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59	Acct. 310.4 - Wells - Other amortized over 24 years.					
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As *Filed***						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 162	$ -	24.94%	$ -
2	302	Franchises	5,644	-	24.94%	-
3	303	Other Intangibles	6,748	-	24.94%	-
4	310.1	Water Rights	362,960	-	24.94%	-
5	310.3	Other Source of Supply Land	63,210	-	24.94%	-
6	310.4	Wells - Other	-	-	24.94%	-
7	314	Wells	5,096,324	-	24.94%	-
8	320	Pumping Plant Land	14,187	-	24.94%	-
9	321	Pumping Plant Structures & Imprm'ts	156,041	-	24.94%	-
10	325	Electtric Pumping Equipment	7,528,455	-	24.94%	-
11	328	Gas Engine Equipment	-	-	24.94%	-
12	330	Water Treatment Plant Land	-	-	24.94%	-
13	331	Water Treatment Structures & Imprm'ts	17,821	-	24.94%	-
14	332	Water Treatment Equipment	6,867,915	-	24.94%	-
15	340	Transmission and Distribution Land	185,773	-	24.94%	-
16	342	Storage Tanks	4,453,852	-	24.94%	-
17	343	Transmission & Distribution Mains	47,182,263	-	24.94%	-
18	344	Fire Sprinkler Taps	570,481	-	24.94%	-
19	345	Services	11,514,583	-	24.94%	-
20	346	Meters	1,716,039	-	24.94%	-
21	348	Hydrants	3,292,465	-	24.94%	-
22	389	General Plant Land	47,015	-	24.94%	-
23	390	General Plant Structures	749,765	-	24.94%	-
24	390.1	Leasehold Improvements	1,140,045	-	24.94%	-
25	391	Office Furniture & Equipment	1,456,091	120,057	24.94%	29,942
26	393	Warehouse Equipment	5,987	-	24.94%	-
27	394	Tools, Shop & Garage Equipment	346,377	-	24.94%	-
28	395	Laboratory Equipment	66,730	-	24.94%	-
29	396	Power Operated Equipment	36,279	-	24.94%	-
30	397	Communication Equipment	657,099	-	24.94%	-
31	398	Miscellaneous Equipment	50,120	-	24.94%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 93,590,431	$ 120,057		$ 29,942
34		Company As Filed	$ 93,590,431	120,057		29,942
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (29,942)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 999
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement As Per Company	$ 172,162	Company Schedule B-5, PG. 1
2	Working Cash Requirement As Per RUCO	(363,379)	RUCO Schedule RLM-5, Page 2
3	Adjustment	$ (535,541)	Line 2 - Line 1
4	Material and Supplies Inventories As Per Company	$ 12,059	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories As Per RUCO	12,059	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances As Per Company	$ 128,294	Company Schedule B-5, PG. 1
8	Required Bank Balances As Per RUCO	128,294	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits As Per Company	$ 133,946	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits As Per RUCO	133,946	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See RLM-2, Column (K))	$ (535,541)	Sum Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 1,170,704	$ -	$ 1,170,704	35.92	$ 42,051,700
2	Payroll	2,085,023	(75,504)	2,009,518	14.00	28,133,258
3	Purchased Water	1,019,696	-	1,019,696	46.04	46,946,344
4	Chemicals	136,522	-	136,522	20.43	2,788,666
5	Property & Liability Insurance	74,503	-	74,503	(45.27)	(3,372,742)
6	Workman's Compensation Insurance	37,245	-	37,245	(46.50)	(1,731,871)
7	Health Insurance	508,881	(273)	508,607	(8.92)	(4,536,777)
8	Other Operating & Maintenance Expenses	1,478,516	(41,567)	1,436,949	30.00	43,108,483
9	Federal Current Income Taxes	1,365,782	(474,553)	891,229	37.00	32,975,467
10	State Current Income Taxes	300,869	(104,540)	196,330	37.00	7,264,200
11	FICA Taxes	167,515	(5,642)	161,873	14.00	2,266,221
12	FUTA & SUTA Taxes	4,009	-	4,009	83.10	333,122
13	Property Taxes	815,362	(63,929)	751,433	212.00	159,303,725
14	Registration, Svc. Contracts, & Misc. Fees	137,947	-	137,947	(98.83)	(13,633,332)
15	Retirement Annuities (401k)	167,966	(6,338)	161,628	34.72	5,611,737
16	Subtotal	9,470,539	(772,345)	8,698,193		347,508,201
17	Synchronized Interest	$ 1,610,577	$ (45,366)	$ 1,565,211	91.25	$ 142,825,466
18	Cost of Equity	2,651,223	(2,651,223)	-	-	-
19	Subtotal	$ 4,261,800	$ (2,696,589)	$ 1,565,211		$ 142,825,466
20	Total	$ 13,732,339	$ (3,468,935)	$ 10,263,404		$ 490,333,667

21	Expense Lag	Line 17, Col. (E) / (C)	47.77
22	Revenue Lag	Company B-5 Schedules	34.85
23	Net Lag	Line 18 - Line 17	(12.92)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 10,263,404
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(363,379)
26	Company As Filed	Co. Schedule B-6, Page 1	172,162
27	Difference	Line 21 - Line 22	$ (535,541)
28	ADJUSTMENT	Line 27	$ (535,541)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule WAR-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 8,708,171	$ -	$ 8,708,171	$ 1,816,925	$ 10,525,096
2	Commercial	2,125,918	-	2,125,918	279,921	2,405,839
3	Industrial	35,010	-	35,010	1,061	36,070
4	Private Fire Service	8,293	-	8,293	33,132	41,425
5	Other Water Revenues	346,347	-	346,347	29,712	376,059
6	Total Water Revenues	$ 11,223,738	$ -	$ 11,223,738	$ 2,160,751	$ 13,384,489
7	Miscellaneous	$ 716,166	$ -	$ 716,166	$ (269)	$ 715,897
8	Total Operating Revenues	$ 11,939,904	$ -	$ 11,939,904	$ 2,160,482	$ 14,100,386
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 1,019,696	$ -	$ 1,019,696	$ -	$ 1,019,696
10	Other	48,540	-	48,540	-	48,540
11	Pumping Expenses:					
12	Purchased Power	1,170,704	-	1,170,704	-	1,170,704
13	Purchased Gas	-	-	-	-	-
14	Other	307,004	-	307,004	-	307,004
15	Water Treatment Expenses	389,035	-	389,035	-	389,035
16	Transmission & Distribution Expenses	1,339,694	-	1,339,694	-	1,339,694
17	Customer Accounting Expenses	945,427	-	945,427	-	945,427
18	Sales Expense	5,489	-	5,489	-	5,489
19	Administrative & General Expenses	1,591,413	(98,742)	1,492,671	-	1,492,671
20	Total Operations & Maintenance Expense	$ 6,817,003	$ (98,742)	$ 6,718,261	$ -	$ 6,718,261
21	Depreciation & Amortization Expenses	$ 2,169,209	$ (52,840)	$ 2,116,369	$ -	$ 2,116,369
	Taxes					
22	Federal Income Taxes	$ 123,547	$ 84,302	$ 207,849	$ 683,379	$ 891,229
23	State Income Taxes	27,216	18,571	45,787	150,542	196,330
24	Property Taxes	815,362	(63,929)	751,433	-	751,433
25	Other	137,164	(5,642)	131,522	-	131,522
26	Total Taxes	$ 1,103,289	$ 33,303	$ 1,136,592	$ 833,922	$ 1,970,514
27	Total Operating Expenses	$ 10,089,501	$ (118,280)	$ 9,971,221	$ 833,922	$ 10,805,143
28	Operating Income	$ 1,850,403	$ 118,280	$ 1,968,683	$ 1,326,560	$ 3,295,243

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 8,708,171	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,708,171
2	Commercial	2,125,918	-	-	-	-	-	-	-	-	-	-	2,125,918
3	Industrial	35,010	-	-	-	-	-	-	-	-	-	-	35,010
4	Private Fire Service	8,293	-	-	-	-	-	-	-	-	-	-	8,293
5	Other Water Revenues	346,347	-	-	-	-	-	-	-	-	-	-	346,347
6	Total Water Revenues	$ 11,223,738	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,223,738
7	Miscellaneous	$ 716,166	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 716,166
8	Total Operating Revenues	$ 11,939,904	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,939,904
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 1,019,696	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,019,696
10	Other	48,540	-	-	-	-	-	-	-	-	-	-	48,540
11	Pumping Expenses:	-	-	-	-	-		-	-	-	-	-	-
12	Purchased Power	1,170,704	-	-	-	-	-	-	-	-	-	-	1,170,704
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	307,004	-	-	-	-	-	-	-	-	-	-	307,004
15	Water Treatment Expenses	389,035	-	-	-	-	-	-	-	-	-	-	389,035
16	Transmission & Distribution Expenses	1,339,694	-	-	-	-	-	-	-	-	-	-	1,339,694
17	Customer Accounting Expenses	945,427	-	-	-	-	-	-	-	-	-	-	945,427
18	Sales Expense	5,489	-	-	-	-	-	-	-	-	-	-	5,489
19	Administrative & General Expenses	1,591,413	(75,504)	-	(6,338)	-	-	(273)	-	-	(16,627)	-	1,492,671
20	Total Operations & Maintenance Expense	$ 6,817,003	$ (75,504)	$ -	$ (6,338)	$ -	$ -	$ (273)	$ -	$ -	$ (16,627)	$ -	$ 6,718,261
21	Depreciation & Amortization Expenses	$ 2,169,209	$ -	$ -	$ -	$ -	$ -	$ -	$ (52,840)	$ -	$ -	$ -	$ 2,116,369
	Taxes												
22	Federal Income Taxes	$ 123,547	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 84,302	$ 207,849
23	State Income Taxes	27,216	-	-	-	-	-	-	-	-	-	18,571	45,787
24	Property Taxes	815,362	-	-	-	-	-	-	-	(63,929)	-	-	751,433
25	Other	137,164	-	(5,642)	-	-	-	-	-	-	-	-	131,522
26	Total Taxes	$ 1,103,289	$ -	$ (5,642)	$ -	$ -	$ -	$ -	$ -	$ (63,929)	$ -	$ 102,874	$ 1,136,592
27	Total Operating Expenses	$ 10,089,501	$ (75,504)	$ (5,642)	$ (6,338)	$ -	$ -	$ (273)	$ (52,840)	$ (63,929)	$ (16,627)	$ 102,874	$ 9,971,221
28	Operating Income	$ 1,850,403	$ 75,504	$ 5,642	$ 6,338	$ -	$ -	$ 273	$ 52,840	$ 63,929	$ 16,627	$ (102,874)	$ 1,968,683

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		24.94%
21			
22	RUCO Adjustment		$ (75,504)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				
42	**Calculation Notes:**			
43	Average of Hourly Rate	$ 21.65		
44	OT Hourly Rate 1.5	32.48		

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	24.94%
6		
7	RUCO Allocated Payroll by District	$ 75,504
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (5,642)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	24.94%
6		
7	RUCO Allocated Payroll by District	$ 75,504
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (6,338)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 162	0.00%	$ -
2	302	Franchises	5,644	See Acct. 111	168
3	303	Other Intangibles	6,748	See Acct. 111	231
4	310.1	Water Rights	362,960	0.00%	-
5	310.3	Other Source of Supply Land	63,210	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	4,301,554	3.13%	134,639
8	320	Pumping Plant Land	14,187	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	154,868	2.86%	4,429
10	325	Electtric Pumping Equipment	7,463,741	5.88%	438,868
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	17,821	2.50%	446
14	332	Water Treatment Equipment	6,864,858	2.86%	196,335
15	340	Transmission and Distribution Land	185,773	0.00%	-
16	342	Storage Tanks	4,453,352	2.00%	89,067
17	343	Transmission & Distribution Mains	47,182,263	1.79%	844,563
18	344	Fire Sprinkler Taps	570,481	2.00%	11,410
19	345	Services	11,514,583	2.38%	274,047
20	346	Meters	1,716,039	4.55%	78,080
21	348	Hydrants	3,292,465	1.82%	59,923
22	389	General Plant Land	47,015	0.00%	-
23	390	General Plant Structures	749,765	2.50%	18,744
24	390.1	Leasehold Improvements	1,140,045	See Acct. 108.2	23,132
25	391	Office Furniture & Equipment	1,426,149	6.67%	95,124
26	393	Warehouse Equipment	5,987	5.00%	299
27	394	Tools, Shop & Garage Equipment	346,377	4.00%	13,855
28	395	Laboratory Equipment	66,730	5.00%	3,337
29	396	Power Operated Equipment	36,279	6.67%	2,420
30	397	Communication Equipment	650,011	6.67%	43,356
31	398	Miscellaneous Equipment	50,120	3.33%	1,669
32		Rounding	(1)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 92,689,186		$ 2,334,140
34					
35		AMORTIZATION OF CONTRIBUTIONS	(10,888,555)	2.00%	(217,771)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 2,116,369
38					
39	Company As Filed				2,169,209
40	Difference				$ (52,840)
41					
42	RUCO Adjustment (See RLM-8, Column (B))				$ (52,840)
43					
44					

45 3-Factor Allocator By District:

46	Superstition	24.94%	White Tank	2.37%
47	Bisbee	4.98%	Ajo	0.81%
48	Sierra Vista	2.58%	Coolidge	5.27%
49	San Manuel	1.68%	Lakeside	6.20%
50	Oracle	2.28%	Overgaard	3.99%
51	Winkelman	0.22%	Sedona	8.45%
52	Miami	4.98%	Pinewood	2.95%
	Casa Grande	26.55%	Rimrock	1.48%
	Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 11,939,904	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	11,939,904	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	14,100,386	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 37,980,194	
5	Average Annual Operating Revenues	Line 4 / 3	12,660,065	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 25,320,129
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 893,005	
8	10% Of CWIP	Line 7 X 10%		$ 89,301
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (449,021)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 24,960,409
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 5,616,092	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	13.38%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	13.38%	
	Property Tax			$ 751,433
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 751,433
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		815,362
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (63,929)
21	RUCO Adjustment (See RLM-8, Column (C))	Line 20		$ (63,929)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			24.94%
3	Superstition System (Line 1 X Line 2)			$ 74,820
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 24,940
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 41,567
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (16,627)
8	RUCO Adjustment (Line 7) (See RLM-8, Column (E))			$ (16,627)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 2,222,320
	LESS:		
2	Arizona State Tax	Line 11	45,787
3	Interest Expense	Note (A) Line 21	1,565,211
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 611,322
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 207,849
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 2,222,320
	LESS:		
8	Interest Expense	Note (A) Line 21	1,565,211
9	State Taxable Income	Line 7 - Line 8	$ 657,109
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 45,787
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 207,849
13	State Income Tax Expense	Line 11	45,787
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 253,637
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		123,547
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		27,216
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 84,302
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 18,571

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$	42,201,371
20	Weighted Cost Of Debt (Sch. TJC-16 Col. (F), L1)		3.71%
21	Interest Expense (L18 X L19)	$	1,565,211

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Bisbee System

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

Bisbee System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 4,660,984	$ 4,604,287
2	Adjusted Operating Income (Loss)	$ 168,796	$ 190,607
3	Current Rate of Return (L2 / L1)	3.62%	4.14%
4	Required Operating Income (L5 X L1)	$ 457,441	$ 359,520
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 288,646	$ 168,913
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6058
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 470,098	$ 271,233
9	Adjusted Test Year Revenue	$ 1,723,475	$ 1,723,475
10	Proposed Annual Revenue (L8 + L9)	$ 2,193,573	$ 1,994,707
11	Required Percentage Increase in Revenue (L8 / L9)	27.28%	15.74%
12	Consolidated Revenue Adjustment (Bisbee/Sierra Vista)	$ (106,651)	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 363,319	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 2,086,472	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	21.08%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3772			
3	Subtotal (L1 - L2)	0.6228			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6058**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	33.0596%			
9	Effective Federal Income Tax Rate (L7 X L8)	30.7560%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	37.7240%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 359,520			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	190,607			
13	Required Increase In Operating Income (L11 - L12)		$ 168,913		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 114,337			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	12,017			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 102,320		
17	Total Required Increase In Revenue (L13 + L16)		$ 271,233		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 1,994,707	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,520,850	
20	Synchronized Interest (Col. (C), L37)			170,769	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 303,089	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 21,119
24	Fed. Taxable Income (L21 - L23)			$ 281,969	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 70,968	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 93,218
31	Combined Federal and State Income Tax (L23 + L30)				$ 114,337
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 12,017
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 102,320
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				33.06%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 4,604,287	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 170,769	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 43,332	$ -	$ 43,332
2	Source of Supply Plant	849,846	-	849,846
3	Pumping Plant	889,639	6,328	895,967
4	Water Treatment Plant	46,503	-	46,503
5	Transmission & Distribution Plant	7,664,743	-	7,664,743
6	General Plant	820,594	(6,683)	813,912
7	Total Gross Plant in Service	$ 10,314,658	$ (355)	$ 10,314,303
8	Accumulated Depreciation	(4,218,432)	(9,968)	(4,228,399)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 6,096,226	$ (10,323)	$ 6,085,903
10	Advances in Aid Of Const.	$ (258,981)	$ -	$ (258,981)
11	Contribution in Aid of Const.	$ (452,659)	$ -	$ (452,659)
12	Accumulated Amortization of CIAC	106,681	-	106,681
13	NET CIAC (L5 + L6)	$ (345,978)	$ -	$ (345,978)
14	Deferred Income Tax	$ (954,417)	$ -	$ (954,417)
15	Allowance for Working Capital	$ 124,134	$ (46,375)	$ 77,759
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 4,660,984	$ (56,697)	$ 4,604,287

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 43,332	$ -	$ -	$ -	$ -	$ -	$ -	$ 43,332
2	Source of Supply Plant	849,846	-	-	-	-	-	-	849,846
3	Pumping Plant	889,639	6,328	-	-	-	-	-	895,967
4	Water Treatment Plant	46,503	-	-	-	-	-	-	46,503
5	Transmission & Distribution Plant	7,664,743	-	-	-	-	-	-	7,664,743
6	General Plant	820,594	-	(5,979)	(704)	-	-	-	813,912
7	Total Gross Plant in Service	$ 10,314,658	$ 6,328	$ (5,979)	$ (704)	$ -	$ -	$ -	$ 10,314,303
8	Accumulated Depreciation	(4,218,432)	(10,913)	199	746	-	-	-	(4,228,399)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 6,096,226	$ (4,585)	$ (5,779)	$ 42	$ -	$ -	$ -	$ 6,085,903
10	Advances in Aid Of Const.	$ (258,981)	$ -	$ -	$ -	$ -	$ -	$ -	$ (258,981)
11	Contribution in Aid of Const.	$ (452,659)	$ -	$ -	$ -	$ -	$ -	$ -	$ (452,659)
12	Accumulated Amortization of CIAC	106,681	-	-	-	-	-	-	106,681
13	NET CIAC (L5 + L6)	$ (345,978)	$ -	$ -	$ -	$ -	$ -	$ -	$ (345,978)
14	Deferred Income Tax	$ (954,417)	$ -	$ -	$ -	$ -	$ -	$ -	$ (954,417)
15	Allowance for Working Capital	$ 124,134	$ -	$ -	$ -	$ -	$ -	$ (46,375)	$ 77,759
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 4,660,984	$ (4,585)	$ (5,779)	$ 42	$ -	$ -	$ (46,375)	$ 4,604,287

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	-	-	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-		-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	5,294		5,294
5	310.3	Other Source of Supply Land	0.00%	0.00%	4,033		4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	48,766		48,766
8	320	Pumping Plant Land	0.00%	0.00%	7,054		7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	26,509		26,509
10	325	Electtric Pumping Equipment	2.59%	5.88%	519,733		519,733
11	328	Gas Engine Equipment	2.59%	4.00%	164,220		164,220
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	31,930		31,930
14	332	Water Treatment Equipment	2.59%	2.86%	38,243		38,243
15	340	Transmission and Distribution Land	0.00%	0.00%	5,044		5,044
16	342	Storage Tanks	2.59%	2.00%	353,044		353,044
17	343	Transmission & Distribution Mains	2.59%	1.79%	3,965,590		3,965,590
18	344	Fire Sprinkler Taps	2.59%	2.00%	29,546		29,546
19	345	Services	2.59%	2.38%	817,067		817,067
20	346	Meters	2.59%	4.55%	211,876		211,876
21	348	Hydrants	2.59%	1.82%	193,556		193,556
22	389	General Plant Land	0.00%	0.00%	-		-
23	390	General Plant Structures	2.59%	2.50%	16,438		16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	8,058		8,058
25	391	Office Furniture & Equipment	2.59%	6.67%	79,855		79,855
26	393	Warehouse Equipment	2.59%	5.00%	-		-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	37,681		37,681
28	395	Laboratory Equipment	2.59%	5.00%	543		543
29	396	Power Operated Equipment	2.59%	6.67%	15,583		15,583
30	397	Communication Equipment	2.59%	6.67%	242,999		242,999
31	398	Miscellaneous Equipment	2.59%	3.33%	20,062		20,062
32		**TOTAL DIRECT WATER PLANT**			$ 6,842,724	$ -	$ 6,842,724
33		Post Test Year Plant (PTYP)			783,155	(783,155)	-
34		**RUCO Total Water Plant In Service**			$ 7,625,879	$ (783,155)	$ 6,842,724
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(3,063,962)		$ (3,063,962)
44		Accumulated Depreciation - PTYP			(169,015)	169,015.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (3,232,977)		$ (3,063,962)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(3,071,420)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (3,232,977)	$ -	$ 7,458
49							
50		**RUCO Net Adjustment**					
51							
52							

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	3,564			-	8,858
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	486,276			7,560	535,042
8	320	Pumping Plant Land	0.00%	0.00%				-	7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	7,028			778	33,537
10	325	Electtric Pumping Equipment	2.59%	5.88%	131,452	(10,501)		15,027	640,684
11	328	Gas Engine Equipment	2.59%	4.00%				4,253	164,220
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				827	31,930
14	332	Water Treatment Equipment	2.59%	2.86%	2,328			1,021	40,571
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,044
16	342	Storage Tanks	2.59%	2.00%	1,716			9,166	354,760
17	343	Transmission & Distribution Mains	2.59%	1.79%	124,632	(2,933)	(250)	104,282	4,087,039
18	344	Fire Sprinkler Taps	2.59%	2.00%				765	29,546
19	345	Services	2.59%	2.38%	30,667	(3,106)		21,519	844,628
20	346	Meters	2.59%	4.55%	1,871	(758)		5,502	212,989
21	348	Hydrants	2.59%	1.82%	6,643			5,099	200,199
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				426	16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				780	8,058
25	391	Office Furniture & Equipment	2.59%	6.67%	5,854			2,144	85,709
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	5,936			1,053	43,617
28	395	Laboratory Equipment	2.59%	5.00%				14	543
29	396	Power Operated Equipment	2.59%	6.67%				404	15,583
30	397	Communication Equipment	2.59%	6.67%	2,234	(2,965)		6,284	242,268
31	398	Miscellaneous Equipment	2.59%	3.33%	720			529	20,782
32		**TOTAL DIRECT WATER PLANT**			$ 810,922	$ (20,263)	$ (250)	$ 187,433	$ 7,633,133
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 810,922	$ (20,263)	$ (250)	$ 187,433	$ 7,633,133
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(1,288)	
41									
42		Net (Salvage)/Cost of Removal						1,224	
43		Accumulated Depreciation						(3,231,195)	$ (3,231,195)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,231,195)	$ (3,231,195)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,239,889)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,231,195)	$ 8,694
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	5,810			-	14,668
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,098			13,872	536,140
8	320	Pumping Plant Land	0.00%	0.00%				-	7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				869	33,537
10	325	Electtric Pumping Equipment	2.59%	5.88%	11,655	(45,504)		16,155	606,835
11	328	Gas Engine Equipment	2.59%	4.00%				4,253	164,220
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				827	31,930
14	332	Water Treatment Equipment	2.59%	2.86%	3,167			1,092	43,738
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,044
16	342	Storage Tanks	2.59%	2.00%	13,465	(50)		9,362	368,174
17	343	Transmission & Distribution Mains	2.59%	1.79%	103,726	(2,868)		107,160	4,187,897
18	344	Fire Sprinkler Taps	2.59%	2.00%				765	29,546
19	345	Services	2.59%	2.38%	42,193	(2,919)		22,384	883,902
20	346	Meters	2.59%	4.55%		(776)		5,506	212,213
21	348	Hydrants	2.59%	1.82%	108	(19)		5,186	200,287
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				426	16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				9,036	8,058
25	391	Office Furniture & Equipment	2.59%	6.67%	924			2,232	86,634
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				1,130	43,617
28	395	Laboratory Equipment	2.59%	5.00%				14	543
29	396	Power Operated Equipment	2.59%	6.67%				404	15,583
30	397	Communication Equipment	2.59%	6.67%	15,341			6,473	257,610
31	398	Miscellaneous Equipment	2.59%	3.33%				538	20,782
32		**TOTAL DIRECT WATER PLANT**			$ 197,486	$ (52,136)	$ -	$ 207,685	$ 7,778,483
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 197,486	$ (52,136)	$ -	$ 207,685	$ 7,778,483
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(1,288)	
41									
42		Net (Salvage)/Cost of Removal						99	
43		Accumulated Depreciation						(3,387,933)	$ (3,387,933)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(3,387,933)	$ (3,387,933)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,387,427)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,387,933)	$ (506)
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Bisbee System
Schedule TJC-4 - Direct Plant
Page 4 of 7

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	24,122			-	24,122
4	310.1	Water Rights	0.00%	0.00%	3,189			-	17,857
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,677			16,082	537,817
8	320	Pumping Plant Land	0.00%	0.00%				-	7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				937	33,537
10	325	Electtric Pumping Equipment	2.59%	5.88%	50,248	(5,033)		31,834	652,050
11	328	Gas Engine Equipment	2.59%	4.00%				5,990	164,220
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				805	31,930
14	332	Water Treatment Equipment	2.59%	2.86%				1,221	43,738
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,044
16	342	Storage Tanks	2.59%	2.00%	36			7,907	368,210
17	343	Transmission & Distribution Mains	2.59%	1.79%	72,275	(518)		84,053	4,259,654
18	344	Fire Sprinkler Taps	2.59%	2.00%				635	29,546
19	345	Services	2.59%	2.38%	55,669	(4,057)		22,129	935,513
20	346	Meters	2.59%	4.55%	2,455	(557)		8,654	214,111
21	348	Hydrants	2.59%	1.82%	2,508			4,056	202,795
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				415	16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				9,036	8,058
25	391	Office Furniture & Equipment	2.59%	6.67%	1,528			4,938	88,162
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	5,758			1,696	49,375
28	395	Laboratory Equipment	2.59%	5.00%				24	543
29	396	Power Operated Equipment	2.59%	6.67%				880	15,583
30	397	Communication Equipment	2.59%	6.67%	7,243			14,760	264,852
31	398	Miscellaneous Equipment	2.59%	3.33%	2,568			694	23,350
32		**TOTAL DIRECT WATER PLANT**			$ 229,275	$ (10,165)	$ -	$ 216,746	$ 7,997,592
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 229,275	$ (10,165)	$ -	$ 216,746	$ 7,997,592
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(1,288)	
41									
42		Net (Salvage)/Cost of Removal						(824)	
43		Accumulated Depreciation						(3,596,626)	$ (3,596,626)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,596,626)	(3,596,626)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,585,895)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,596,626)	$ (10,731)
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Bisbee System
Schedule TJC-4 - Direct Plant
Page 5 of 7

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	16,644			-	16,644
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	24,122
4	310.1	Water Rights	0.00%	0.00%	53,758			-	71,615
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	617			16,843	538,434
8	320	Pumping Plant Land	0.00%	0.00%				-	7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				959	33,537
10	325	Electtric Pumping Equipment	2.59%	5.88%	12,160	(3,113)		38,606	661,096
11	328	Gas Engine Equipment	2.59%	4.00%				6,569	164,220
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				798	31,930
14	332	Water Treatment Equipment	2.59%	2.86%				1,251	43,738
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,044
16	342	Storage Tanks	2.59%	2.00%	1,528	(458)		7,375	369,280
17	343	Transmission & Distribution Mains	2.59%	1.79%	109,735	(4,495)		77,190	4,364,894
18	344	Fire Sprinkler Taps	2.59%	2.00%	20,364			795	49,910
19	345	Services	2.59%	2.38%	75,766	(4,012)		23,119	1,007,267
20	346	Meters	2.59%	4.55%	5,306	(626)		9,849	218,791
21	348	Hydrants	2.59%	1.82%	3,775			3,725	206,570
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				411	16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	8,058
25	391	Office Furniture & Equipment	2.59%	6.67%	8,571	(73)		6,164	96,659
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	3,851			2,052	53,226
28	395	Laboratory Equipment	2.59%	5.00%				27	543
29	396	Power Operated Equipment	2.59%	6.67%	976			1,072	16,559
30	397	Communication Equipment	2.59%	6.67%	519			17,683	265,371
31	398	Miscellaneous Equipment	2.59%	3.33%				778	23,350
32		**TOTAL DIRECT WATER PLANT**			$ 313,569	$ (12,777)	$ -	$ 215,265	$ 8,298,384
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 313,569	$ (12,777)	$ -	$ 215,265	$ 8,298,384
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(1,288)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(3,800,402)	$ (3,800,402)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,800,402)	(3,800,402)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,790,311)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,800,402)	$ (10,091)
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Bisbee System
Schedule TJC-4 - Direct Plant
Page 6 of 7

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	2,110			188	18,754
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	24,122
4	310.1	Water Rights	0.00%	0.00%	189,433			-	261,048
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				16,853	538,434
8	320	Pumping Plant Land	0.00%	0.00%				-	7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				959	33,537
10	325	Electtric Pumping Equipment	2.59%	5.88%	63,421	(42,573)		39,485	681,945
11	328	Gas Engine Equipment	2.59%	4.00%	7,665			6,722	171,885
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%		(30,478)		417	1,452
14	332	Water Treatment Equipment	2.59%	2.86%	1,211			1,268	44,949
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,044
16	342	Storage Tanks	2.59%	2.00%				7,386	369,280
17	343	Transmission & Distribution Mains	2.59%	1.79%	606,360	(4,969)		83,514	4,966,285
18	344	Fire Sprinkler Taps	2.59%	2.00%	5,171			1,050	55,080
19	345	Services	2.59%	2.38%	197,999	(3,155)		26,292	1,202,112
20	346	Meters	2.59%	4.55%	3,241	(537)		10,016	221,494
21	348	Hydrants	2.59%	1.82%	59,742	(1,992)		4,285	264,320
22	389	General Plant Land	0.00%	0.00%	1,872			-	1,872
23	390	General Plant Structures	2.59%	2.50%				411	16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	176			-	8,234
25	391	Office Furniture & Equipment	2.59%	6.67%	1,940			6,512	98,599
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	5,080			2,231	58,306
28	395	Laboratory Equipment	2.59%	5.00%				27	543
29	396	Power Operated Equipment	2.59%	6.67%				1,104	16,559
30	397	Communication Equipment	2.59%	6.67%	5,776			17,893	271,147
31	398	Miscellaneous Equipment	2.59%	3.33%				778	23,350
32		**TOTAL DIRECT WATER PLANT**			$ 1,151,196	$ (83,704)	$ -	$ 227,391	$ 9,365,876
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,151,196	$ (83,704)	$ -	$ 227,391	$ 9,365,876
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(1,126)	
43		Accumulated Depreciation						(3,945,216)	$ (3,945,216)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,945,216)	(3,945,216)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,934,752)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,945,216)	$ (10,464)
49									
50		***RUCO Net Adjustment***							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				750	18,754
3	303	Other Intangibles	See Acct. 111	See Acct. 111				1,206	24,122
4	310.1	Water Rights	0.00%	0.00%	46,037			-	307,085
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	4,033
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	289			16,858	538,724
8	320	Pumping Plant Land	0.00%	0.00%				-	7,054
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				959	33,537
10	325	Electtric Pumping Equipment	2.59%	5.88%	2,359	(813)		40,144	683,491
11	328	Gas Engine Equipment	2.59%	4.00%				6,875	171,885
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				36	1,452
14	332	Water Treatment Equipment	2.59%	2.86%				1,286	44,949
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,044
16	342	Storage Tanks	2.59%	2.00%				7,386	369,280
17	343	Transmission & Distribution Mains	2.59%	1.79%	422,692	(3,463)		92,649	5,385,514
18	344	Fire Sprinkler Taps	2.59%	2.00%		(3,514)		1,066	51,566
19	345	Services	2.59%	2.38%	149,570	(4,902)		30,332	1,346,780
20	346	Meters	2.59%	4.55%	5,423	(602)		10,188	226,315
21	348	Hydrants	2.59%	1.82%	16,795	(1,172)		4,953	279,943
22	389	General Plant Land	0.00%	0.00%	513			-	2,384
23	390	General Plant Structures	2.59%	2.50%				411	16,438
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				175	8,234
25	391	Office Furniture & Equipment	2.59%	6.67%	4,515			6,727	103,115
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	5,427			2,441	63,733
28	395	Laboratory Equipment	2.59%	5.00%				27	543
29	396	Power Operated Equipment	2.59%	6.67%				1,104	16,559
30	397	Communication Equipment	2.59%	6.67%	2,448			18,167	273,595
31	398	Miscellaneous Equipment	2.59%	3.33%				778	23,350
32		**TOTAL DIRECT WATER PLANT**			$ 656,067	$ (14,466)	$ -	$ 244,517	$ 10,007,478
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 656,067	$ (14,466)	$ -	$ 244,517	$ 10,007,478
35									
36		**Company Direct Plant As Filed**							10,001,150
37									
38		**RUCO Direct Plant Adjustment**							$ 6,328
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal							
43		Accumulated Depreciation						(4,175,267)	$ (4,175,267)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(4,175,267)	(4,175,267)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(4,164,431)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (4,175,267)	$ (10,836)
49									
50		**RUCO Net Adjustment**							$ (4,508)
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Bisbee System
Schedule TJC-4 MS - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 32	$ -	4.98%	$ -
2	302	Franchises	18,754	-	4.98%	-
3	303	Other Intangibles	24,545	-	4.98%	-
4	310.1	Water Rights	307,085	-	4.98%	-
5	310.3	Other Source of Supply Land	4,037	-	4.98%	-
6	310.4	Wells - Other	-	-	4.98%	-
7	314	Wells	538,724	-	4.98%	-
8	320	Pumping Plant Land	7,054	-	4.98%	-
9	321	Pumping Plant Structures & Imprm'ts	33,537	-	4.98%	-
10	325	Electtric Pumping Equipment	677,163	-	4.98%	-
11	328	Gas Engine Equipment	171,885	-	4.98%	-
12	330	Water Treatment Plant Land	-	-	4.98%	-
13	331	Water Treatment Structures & Imprm'ts	1,452	-	4.98%	-
14	332	Water Treatment Equipment	45,051	-	4.98%	-
15	340	Transmission and Distribution Land	5,044	-	4.98%	-
16	342	Storage Tanks	369,280	-	4.98%	-
17	343	Transmission & Distribution Mains	5,385,816	-	4.98%	-
18	344	Fire Sprinkler Taps	51,566	-	4.98%	-
19	345	Services	1,346,780	-	4.98%	-
20	346	Meters	226,315	-	4.98%	-
21	348	Hydrants	279,943	-	4.98%	-
22	389	General Plant Land	2,384	-	4.98%	-
23	390	General Plant Structures	21,174	-	4.98%	-
24	390.1	Leasehold Improvements	73,769	-	4.98%	-
25	391	Office Furniture & Equipment	324,678	120,057	4.98%	5,979
26	393	Warehouse Equipment	293	-	4.98%	-
27	394	Tools, Shop & Garage Equipment	75,839	-	4.98%	-
28	395	Laboratory Equipment	740	-	4.98%	-
29	396	Power Operated Equipment	16,632	-	4.98%	-
30	397	Communication Equipment	281,375	-	4.98%	-
31	398	Miscellaneous Equipment	23,709	-	4.98%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 10,314,658	$ 120,057		$ 5,979
34		Company As Filed	$ 10,314,658	120,057		5,979
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (5,979)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 199
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 14,949	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(31,426)	RUCO Schedule TJC-6, Page 2
3	Adjustment	$ (46,375)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 56,821	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	56,821	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 25,618	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	25,618	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 26,746	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	26,746	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (46,375)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 224,856	$ -	$ 224,856	35.92	$ 8,076,828
2	Payroll	426,619	(15,077)	411,542	14.00	5,761,593
3	Purchased Water	-	-	-	-	-
4	Chemicals	16,598	-	16,598	20.43	339,039
5	Property & Liability Insurance	14,877	-	14,877	(45.27)	(673,482)
6	Workman's Compensation Insurance	7,437	-	7,437	(46.50)	(345,821)
7	Health Insurance	161,575	(45)	161,530	(8.92)	(1,440,848)
8	Other Operating & Maintenance Expenses	219,974	(8,300)	211,674	30.00	6,350,220
9	Federal Current Income Taxes	146,597	(53,379)	93,218	37.00	3,449,069
10	State Current Income Taxes	32,294	(11,175)	21,119	37.00	781,411
11	FICA Taxes	33,449	(1,127)	32,322	14.00	452,515
12	FUTA & SUTA Taxes	800	-	800	83.10	66,480
13	Property Taxes	114,911	(11,144)	103,767	212.00	21,998,584
14	Registration, Svc. Contracts, & Misc. Fees	28,787	-	28,787	(98.83)	(2,845,019)
15	Retirement Annuities (401k)	53,331	(1,266)	52,065	34.72	1,807,714
16	Subtotal	1,482,105	(101,511)	1,380,594		43,778,282
17	Synchronized Interest	$ 172,872	$ (2,103)	$ 170,769	91.25	$ 15,582,656
18	Cost of Equity	284,570	(284,570)	-	-	-
19	Subtotal	$ 457,442	$ (286,673)	$ 170,769		$ 15,582,656
20	Total	$ 1,939,547	$ (388,185)	$ 1,551,362		$ 59,360,939

21	Expense Lag	Line 17, Col. (E) / (C)	38.26
22	Revenue Lag	Company B-5 Schedules	30.87
23	Net Lag	Line 18 - Line 17	(7.39)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,551,362
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(31,426)
26	Company As Filed	Co. Schedule B-6, Page 1	14,949
27	Difference	Line 21 - Line 22	$ (46,375)
28	ADJUSTMENT	Line 27	$ (46,375)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,192,596	$ -	$ 1,192,596	$ 181,690	$ 1,374,287
2	Commercial	491,700	-	491,700	86,094	577,794
3	Industrial	2,302	-	2,302	1,290	3,591
4	Private Fire Service	908	-	908	3,617	4,525
5	Other Water Revenues	12,628	-	12,628	(1,909)	10,720
6	Total Water Revenues	$ 1,700,135	$ -	$ 1,700,135	$ 270,782	$ 1,970,917
7	Miscellaneous	$ 23,340	$ -	$ 23,340	$ 451	$ 23,791
8	Total Operating Revenues	$ 1,723,475	$ -	$ 1,723,475	$ 271,233	$ 1,994,707
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	2,443	-	2,443	-	2,443
11	Pumping Expenses:	-				
12	Purchased Power	224,856	-	224,856	-	224,856
13	Purchased Gas	615	-	615	-	615
14	Other	50,077	-	50,077	-	50,077
15	Water Treatment Expenses	32,933	-	32,933	-	32,933
16	Transmission & Distribution Expenses	270,483	-	270,483	-	270,483
17	Customer Accounting Expenses	179,534	-	179,534	-	179,534
18	Sales Expense	529	-	529	-	529
19	Administrative & General Expenses	392,583	(19,707)	372,876	-	372,876
20	Total Operations & Maintenance Expense	$ 1,154,054	$ (19,707)	$ 1,134,347	$ -	$ 1,134,347
21	Depreciation & Amortization Expenses	$ 261,462	$ (4,413)	$ 257,048	$ -	$ 257,048
	Taxes					
22	Federal Income Taxes	$ (2,100)	$ 11,897	$ 9,798	$ 83,420	$ 93,218
23	State Income Taxes	(463)	2,682	2,220	18,900	21,119
24	Property Taxes	114,911	(11,144)	103,767	-	103,767
25	Other	26,815	(1,127)	25,688	-	25,688
26	Total Taxes	$ 139,163	$ 2,309	$ 141,472	$ 102,320	$ 243,792
27	Total Operating Expenses	$ 1,554,679	$ (21,812)	$ 1,532,867	$ 102,320	$ 1,635,187
28	Operating Income	$ 168,796	$ 21,812	$ 190,607	$ 168,913	$ 359,520

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,192,596	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,192,596
2	Commercial	491,700	-	-	-	-	-	-	-	-	-	-	491,700
3	Industrial	2,302	-	-	-	-	-	-	-	-	-	-	2,302
4	Private Fire Service	908	-	-	-	-	-	-	-	-	-	-	908
5	Other Water Revenues	12,628	-	-	-	-	-	-	-	-	-	-	12,628
6	Total Water Revenues	$ 1,700,135	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,700,135
7	Miscellaneous	$ 23,340	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,340
8	Total Operating Revenues	$ 1,723,475	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,723,475
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	2,443	-	-	-	-	-	-	-	-	-	-	2,443
11	Pumping Expenses:					-							
12	Purchased Power	224,856	-	-	-	-	-	-	-	-	-	-	224,856
13	Purchased Gas	615	-	-	-	-	-	-	-	-	-	-	615
14	Other	50,077	-	-	-	-	-	-	-	-	-	-	50,077
15	Water Treatment Expenses	32,933	-	-	-	-	-	-	-	-	-	-	32,933
16	Transmission & Distribution Expenses	270,483	-	-	-	-	-	-	-	-	-	-	270,483
17	Customer Accounting Expenses	179,534	-	-	-	-	-	-	-	-	-	-	179,534
18	Sales Expense	529	-	-	-	-	-	-	-	-	-	-	529
19	Administrative & General Expenses	392,583	(15,077)	-	(1,266)	-	-	(45)	-	-	(3,320)	-	372,876
20	Total Operations & Maintenance Expense	$ 1,154,054	$ (15,077)	$ -	$ (1,266)	$ -	$ -	$ (45)	$ -	$ -	$ (3,320)	$ -	$ 1,134,347
21	Depreciation & Amortization Expenses	$ 261,462	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,413)	$ -	$ -	$ -	$ 257,048
	Taxes												
22	Federal Income Taxes	$ (2,100)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,897	$ 9,798
23	State Income Taxes	(463)	-	-	-	-	-	-	-	-	-	2,682	2,220
24	Property Taxes	114,911	-	-	-	-	-	-	-	(11,144)	-	-	103,767
25	Other	26,815	-	(1,127)	-	-	-	-	-	-	-	-	25,688
26	Total Taxes	$ 139,163	$ -	$ (1,127)	$ -	$ -	$ -	$ -	$ -	$ (11,144)	$ -	$ 14,580	$ 141,472
27	Total Operating Expenses	$ 1,554,679	$ (15,077)	$ (1,127)	$ (1,266)	$ -	$ -	$ (45)	$ (4,413)	$ (11,144)	$ (3,320)	$ 14,580	$ 1,532,867
28	Operating Income	$ 168,796	$ 15,077	$ 1,127	$ 1,266	$ -	$ -	$ 45	$ 4,413	$ 11,144	$ 3,320	$ (14,580)	$ 190,607

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		4.98%
21			
22	RUCO Adjustment		$ (15,077)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	4.98%
6		
7	RUCO Allocated Payroll by District	$ 15,077
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (1,127)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	4.98%
6		
7	RUCO Allocated Payroll by District	$ 15,077
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (1,266)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 32	0.00%	$ -
2	302	Franchises	18,754	See Acct. 111	750
3	303	Other Intangibles	24,545	See Acct. 111	1,206
4	310.1	Water Rights	307,085	0.00%	-
5	310.3	Other Source of Supply Land	4,037	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	538,724	3.13%	16,862
8	320	Pumping Plant Land	7,054	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	33,537	2.86%	959
10	325	Electtric Pumping Equipment	683,491	5.88%	40,189
11	328	Gas Engine Equipment	171,885	4.00%	6,875
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	1,452	2.50%	36
14	332	Water Treatment Equipment	45,051	2.86%	1,288
15	340	Transmission and Distribution Land	5,044	0.00%	-
16	342	Storage Tanks	369,280	2.00%	7,386
17	343	Transmission & Distribution Mains	5,385,816	1.79%	96,406
18	344	Fire Sprinkler Taps	51,566	2.00%	1,031
19	345	Services	1,346,780	2.38%	32,053
20	346	Meters	226,315	4.55%	10,297
21	348	Hydrants	279,943	1.82%	5,095
22	389	General Plant Land	2,384	0.00%	-
23	390	General Plant Structures	21,174	2.50%	529
24	390.1	Leasehold Improvements	73,769	See Acct. 108.2	175
25	391	Office Furniture & Equipment	318,699	6.67%	21,257
26	393	Warehouse Equipment	293	5.00%	15
27	394	Tools, Shop & Garage Equipment	75,839	4.00%	3,034
28	395	Laboratory Equipment	740	5.00%	37
29	396	Power Operated Equipment	16,632	6.67%	1,109
30	397	Communication Equipment	280,671	6.67%	18,721
31	398	Miscellaneous Equipment	23,709	3.33%	790
32		Rounding	1		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 10,314,303		$ 266,102
34					
35		AMORTIZATION OF CONTRIBUTIONS	(452,659)	2.00%	(9,053)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 257,049
38					
39	Company As Filed				261,462
40	Difference				$ (4,413)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (4,413)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,723,475	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,723,475	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	1,994,707	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 5,441,656	
5	Average Annual Operating Revenues	Line 4 / 3	1,813,885	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 3,627,771
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 610	
8	10% Of CWIP	Line 7 X 10%		$ 61
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (157,657)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 3,470,175
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 780,789	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	13.29%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	13.29%	
	Property Tax			$ 103,767
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 103,767
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		114,911
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (11,144)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (11,144)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			4.98%
3	Bisbee System (Line 1 X Line 2)			$ 14,940
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 4,980
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 8,300
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (3,320)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (3,320)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 202,625
	LESS:		
2	Arizona State Tax	Line 11	2,220
3	Interest Expense	Note (A) Line 21	170,769
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 29,636
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	33.06%
6	Federal Income Tax Expense	Line 4 X line 5	$ 9,798
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 202,625
	LESS:		
8	Interest Expense	Note (A) Line 21	170,769
9	State Taxable Income	Line 7 - Line 8	$ 31,856
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 2,220
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 9,798
13	State Income Tax Expense	Line 11	2,220
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 12,017
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(2,100)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(463)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 11,897
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 2,682

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 4,604,287
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 170,769

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Sierra Vista System

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

Sierra Vista System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 2,520,716	$ 2,492,548
2	Adjusted Operating Income (Loss)	$ 275,060	$ 305,393
3	Current Rate of Return (L2 / L1)	10.91%	12.25%
4	Required Operating Income (L5 X L1)	$ 247,390	$ 194,628
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ (27,670)	$ (110,765)
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.4733
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ (45,064)	$ (163,188)
9	Adjusted Test Year Revenue	$ 1,461,897	$ 1,461,897
10	Proposed Annual Revenue (L8 + L9)	$ 1,416,833	$ 1,298,710
11	Required Percentage Increase in Revenue (L8 / L9)	-3.08%	-11.16%
12	Consolidated Revenue Adjustment (Bisbee/Sierra Vista)	$ 106,651	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 61,586	$ (163,188)
14	Required Revenue Under Company Proposed Consolidation	$ 1,523,034	$ 1,298,710
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	4.20%	-11.16%
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3212			
3	Subtotal (L1 - L2)	0.6788			
4	**Revenue Conversion Factor** (L1 / L3)	**1.4733**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	27.0401%			
9	Effective Federal Income Tax Rate (L7 X L8)	25.1559%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	32.1239%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 194,628			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	305,393			
13	Required Increase In Operating Income (L11 - L12)		$ (110,765)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 48,360			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	100,782			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (52,422)		
17	Total Required Increase In Revenue (L13 + L16)		$ (163,188)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 1,298,710	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,055,722	
20	Synchronized Interest (Col. (C), L37)			92,446	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 150,541	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 10,490
24	Fed. Taxable Income (L21 - L23)			$ 140,051	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 15,620	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 37,870
31	Combined Federal and State Income Tax (L23 + L30)				$ 48,360
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 100,782
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ (52,422)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				27.04%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 2,492,548	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 92,446	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 756	$ -	$ 756
2	Source of Supply Plant	688,417	-	688,417
3	Pumping Plant	719,189	-	719,189
4	Water Treatment Plant	92,922	-	92,922
5	Transmission & Distribution Plant	5,348,207	-	5,348,207
6	General Plant	546,855	(3,097)	543,757
7	Total Gross Plant in Service	$ 7,396,345	$ (3,097)	$ 7,393,247
8	Accumulated Depreciation	(2,113,607)	6,805	(2,106,802)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 5,282,738	$ 3,707	$ 5,286,446
10	Advances in Aid Of Const.	$ (1,453,186)	$ -	$ (1,453,186)
11	Contribution in Aid of Const.	$ (1,089,317)	$ -	$ (1,089,317)
12	Accumulated Amortization of CIAC	226,089	-	226,089
13	NET CIAC (L5 + L6)	$ (863,228)	$ -	$ (863,228)
14	Deferred Income Tax	$ (494,457)	$ -	$ (494,457)
15	Allowance for Working Capital	$ 48,849	$ (31,875)	$ 16,975
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,520,716	$ (28,168)	$ 2,492,548

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

Sierra Vista System
Schedule TJC-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 756	$ -	$ -	$ -	$ -	$ -	$ -	$ 756
2	Source of Supply Plant	688,417	-	-	-	-	-	-	688,417
3	Pumping Plant	719,189	-	-	-	-	-	-	719,189
4	Water Treatment Plant	92,922	-	-	-	-	-	-	92,922
5	Transmission & Distribution Plant	5,348,207	-	-	-	-	-	-	5,348,207
6	General Plant	546,855	-	(3,097)	-	-	-	-	543,757
7	Total Gross Plant in Service	$ 7,396,345	$ -	$ (3,097)	$ -	$ -	$ -	$ -	$ 7,393,247
8	Accumulated Depreciation	(2,113,607)	6,701	103	-	-	-	-	(2,106,802)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 5,282,738	$ 6,701	$ (2,994)	$ -	$ -	$ -	$ -	$ 5,286,446
10	Advances in Aid Of Const.	$ (1,453,186)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,453,186)
11	Contribution in Aid of Const.	$ (1,089,317)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,089,317)
12	Accumulated Amortization of CIAC	226,089	-	-	-	-	-	-	226,089
13	NET CIAC (L5 + L6)	$ (863,228)	$ -	$ -	$ -	$ -	$ -	$ -	$ (863,228)
14	Deferred Income Tax	$ (494,457)	$ -	$ -	$ -	$ -	$ -	$ -	$ (494,457)
15	Allowance for Working Capital	$ 48,849	$ -	$ -	$ -	$ -	$ -	$ (31,875)	$ 16,975
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,520,716	$ 6,701	$ (2,994)	$ -	$ -	$ -	$ (31,875)	$ 2,492,548

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Intentionally Left Blank
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	-		$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-		-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	3,470		3,470
5	310.3	Other Source of Supply Land	0.00%	0.00%	8,932		8,932
6	310.4	*Wells - Other*	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	665,211		665,211
8	320	Pumping Plant Land	0.00%	0.00%	1,881		1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	13,385		13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	626,077		626,077
11	328	Gas Engine Equipment	2.59%	4.00%	15,174		15,174
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	14,812		14,812
14	332	Water Treatment Equipment	2.59%	2.86%	117,341		117,341
15	340	Transmission and Distribution Land	0.00%	0.00%	-		-
16	342	Storage Tanks	2.59%	2.00%	380,625		380,625
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,034,956		2,034,956
18	344	Fire Sprinkler Taps	2.59%	2.00%	46,740		46,740
19	345	Services	2.59%	2.38%	522,118		522,118
20	346	Meters	2.59%	4.55%	143,103		143,103
21	348	Hydrants	2.59%	1.82%	191,343		191,343
22	389	General Plant Land	0.00%	0.00%	66		66
23	390	General Plant Structures	2.59%	2.50%	23,225		23,225
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-		-
25	391	Office Furniture & Equipment	2.59%	6.67%	63,433		63,433
26	393	Warehouse Equipment	2.59%	5.00%	-		-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	21,180		21,180
28	395	Laboratory Equipment	2.59%	5.00%	539		539
29	396	Power Operated Equipment	2.59%	6.67%	12,198		12,198
30	397	Communication Equipment	2.59%	6.67%	208,384		208,384
31	398	Miscellaneous Equipment	2.59%	3.33%	7,609		7,609
32		**TOTAL DIRECT WATER PLANT**			$ 5,121,802	$ -	$ 5,121,802
33		Post Test Year Plant (PTYP)			105,243	(105,243)	-
34		**RUCO Total Water Plant In Service**			$ 5,227,045	$ (105,243)	$ 5,121,802
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		*Accumulated Depreciation*			(1,380,265)		$ (1,380,265)
44		Accumulated Depreciation - PTYP			(122,403)	122,403.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (1,502,668)		$ (1,380,265)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,381,211)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (1,502,668)	$ -	$ 946
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	1,946			-	5,416
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	8,932
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				17,229	665,211
8	320	Pumping Plant Land	0.00%	0.00%				-	1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				347	13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	19,532	(16,139)		16,259	629,470
11	328	Gas Engine Equipment	2.59%	4.00%				393	15,174
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				384	14,812
14	332	Water Treatment Equipment	2.59%	2.86%	1,379	(42,383)		2,508	76,337
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	2,684	(3,439)		9,848	379,870
17	343	Transmission & Distribution Mains	2.59%	1.79%	211,789	(6)		55,448	2,246,739
18	344	Fire Sprinkler Taps	2.59%	2.00%	5,844			1,286	52,584
19	345	Services	2.59%	2.38%	118,407	(18,295)		14,819	622,230
20	346	Meters	2.59%	4.55%	14,385	(592)		3,885	156,896
21	348	Hydrants	2.59%	1.82%	19,494			5,208	210,837
22	389	General Plant Land	0.00%	0.00%				-	66
23	390	General Plant Structures	2.59%	2.50%				602	23,225
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	2,959			1,681	66,392
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	2,890			586	24,070
28	395	Laboratory Equipment	2.59%	5.00%				14	539
29	396	Power Operated Equipment	2.59%	6.67%				316	12,198
30	397	Communication Equipment	2.59%	6.67%	107			5,399	208,491
31	398	Miscellaneous Equipment	2.59%	3.33%				197	7,609
32		**TOTAL DIRECT WATER PLANT**			$ 401,415	$ (80,854)	$ -	$ 136,409	$ 5,442,363
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 401,415	$ (80,854)	$ -	$ 136,409	$ 5,442,363
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(36)	
41									
42		Net (Salvage)/Cost of Removal						(25)	
43		Accumulated Depreciation						(1,435,881)	$ (1,435,881)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,435,881)	$ (1,435,881)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,436,827)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,435,881)	$ 946
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 *References:*
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Sierra Vista System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	3,168			-	8,584
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	8,932
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%		(14,827)		17,037	650,384
8	320	Pumping Plant Land	0.00%	0.00%				-	1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				347	13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	23,512	(1,370)		16,590	651,613
11	328	Gas Engine Equipment	2.59%	4.00%				393	15,174
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				384	14,812
14	332	Water Treatment Equipment	2.59%	2.86%				1,977	76,337
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	3			9,839	379,873
17	343	Transmission & Distribution Mains	2.59%	1.79%	372,544	(2,022)		62,989	2,617,261
18	344	Fire Sprinkler Taps	2.59%	2.00%	5,572			1,434	58,155
19	345	Services	2.59%	2.38%	94,141	(6,780)		17,247	709,591
20	346	Meters	2.59%	4.55%	19,120	(57)		4,310	175,959
21	348	Hydrants	2.59%	1.82%	50,303			6,112	261,139
22	389	General Plant Land	0.00%	0.00%				-	66
23	390	General Plant Structures	2.59%	2.50%				602	23,225
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	185			1,722	66,577
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				623	24,070
28	395	Laboratory Equipment	2.59%	5.00%				14	539
29	396	Power Operated Equipment	2.59%	6.67%				316	12,198
30	397	Communication Equipment	2.59%	6.67%	12,016			5,556	220,507
31	398	Miscellaneous Equipment	2.59%	3.33%				197	7,609
32		**TOTAL DIRECT WATER PLANT**			$ 580,565	$ (25,056)	$ -	$ 147,688	$ 5,997,872
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 580,565	$ (25,056)	$ -	$ 147,688	$ 5,997,872
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		*Reserve Deficiency Accrual* - Decision No. 38733						(36)	
41									
42		Net (Salvage)/Cost of Removal						288	
43		Accumulated Depreciation						(1,558,261)	$ (1,558,261)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(1,558,261)	$ (1,558,261)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,559,208)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,558,261)	$ 947
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Sierra Vista System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	520			-	520
4	310.1	Water Rights	0.00%	0.00%	1,810			-	10,394
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	8,932
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,494			19,501	651,878
8	320	Pumping Plant Land	0.00%	0.00%				-	1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				374	13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	64,242	(23,496)		33,986	692,359
11	328	Gas Engine Equipment	2.59%	4.00%				553	15,174
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				374	14,812
14	332	Water Treatment Equipment	2.59%	2.86%	1,124			2,147	77,461
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	10,243			8,268	390,115
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,114	(530)		52,099	2,618,845
18	344	Fire Sprinkler Taps	2.59%	2.00%	3,149			1,283	61,304
19	345	Services	2.59%	2.38%	28,760	(9,279)		17,498	729,072
20	346	Meters	2.59%	4.55%	5,266	(86)		7,249	181,139
21	348	Hydrants	2.59%	1.82%				5,255	261,139
22	389	General Plant Land	0.00%	0.00%				-	66
23	390	General Plant Structures	2.59%	2.50%				586	23,225
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	1,417			3,802	67,994
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	2,294			920	26,364
28	395	Laboratory Equipment	2.59%	5.00%				24	539
29	396	Power Operated Equipment	2.59%	6.67%	1,871			742	14,069
30	397	Communication Equipment	2.59%	6.67%	6,196			12,634	226,703
31	398	Miscellaneous Equipment	2.59%	3.33%	2,548			279	10,157
32		**TOTAL DIRECT WATER PLANT**			$ 133,046	$ (33,391)	$ -	$ 167,573	$ 6,097,526
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 133,046	$ (33,391)	$ -	$ 167,573	$ 6,097,526
35									
36		**Company Direct Plant As Filed**							
37									
38		***RUCO Direct Plant Adjustment***							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(36)	
41									
42		Net (Salvage)/Cost of Removal						(14)	
43		Accumulated Depreciation						(1,692,494)	$ (1,692,494)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,692,494)	(1,692,494)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,692,868)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,692,494)	$ 374
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Sierra Vista System
Schedule TJC-4 - Direct Plant
Page 5 of 7

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	520
4	310.1	Water Rights	0.00%	0.00%	3,257			-	13,651
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	8,932
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	235			20,407	652,113
8	320	Pumping Plant Land	0.00%	0.00%				-	1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				383	13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	83,820	(42,776)		41,917	733,403
11	328	Gas Engine Equipment	2.59%	4.00%	1,293			633	16,467
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				370	14,812
14	332	Water Treatment Equipment	2.59%	2.86%				2,215	77,461
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	7,154	(17,168)		7,702	380,102
17	343	Transmission & Distribution Mains	2.59%	1.79%	243,526	(609)		49,051	2,861,762
18	344	Fire Sprinkler Taps	2.59%	2.00%	6,898			1,295	68,202
19	345	Services	2.59%	2.38%	131,530	(13,710)		18,754	846,892
20	346	Meters	2.59%	4.55%	11,322			8,499	192,461
21	348	Hydrants	2.59%	1.82%	28,343			5,011	289,483
22	389	General Plant Land	0.00%	0.00%				-	66
23	390	General Plant Structures	2.59%	2.50%				581	23,225
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	1,088			4,571	69,081
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				1,055	26,364
28	395	Laboratory Equipment	2.59%	5.00%				27	539
29	396	Power Operated Equipment	2.59%	6.67%	3,134			1,043	17,203
30	397	Communication Equipment	2.59%	6.67%				15,121	226,703
31	398	Miscellaneous Equipment	2.59%	3.33%				338	10,157
32		**TOTAL DIRECT WATER PLANT**			$ 521,599	$ (74,263)	$ -	$ 178,975	$ 6,544,863
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 521,599	$ (74,263)	$ -	$ 178,975	$ 6,544,863
35									
36		**Company Direct Plant As Filed**							
37									
38		***RUCO Direct Plant Adjustment***							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(36)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,797,241)	$ (1,797,241)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,797,241)	(1,797,241)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,798,450)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,797,241)	$ 1,209
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	520
4	310.1	Water Rights	0.00%	0.00%	5,366			-	19,017
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	8,932
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%		(165)		20,409	651,948
8	320	Pumping Plant Land	0.00%	0.00%				-	1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				383	13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	7,836	(4,264)		43,229	736,975
11	328	Gas Engine Equipment	2.59%	4.00%				659	16,467
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				370	14,812
14	332	Water Treatment Equipment	2.59%	2.86%				2,215	77,461
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				7,602	380,102
17	343	Transmission & Distribution Mains	2.59%	1.79%	12,828	(5,883)	(1,488)	51,274	2,867,219
18	344	Fire Sprinkler Taps	2.59%	2.00%	38,993			1,754	107,195
19	345	Services	2.59%	2.38%	73,854	(3,204)		20,997	917,542
20	346	Meters	2.59%	4.55%	4,690			8,864	197,151
21	348	Hydrants	2.59%	1.82%	25,437			5,500	314,920
22	389	General Plant Land	0.00%	0.00%				-	66
23	390	General Plant Structures	2.59%	2.50%	564			588	23,789
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	1,456			4,656	70,537
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,305			1,081	27,669
28	395	Laboratory Equipment	2.59%	5.00%				27	539
29	396	Power Operated Equipment	2.59%	6.67%				1,147	17,203
30	397	Communication Equipment	2.59%	6.67%				15,121	226,703
31	398	Miscellaneous Equipment	2.59%	3.33%				338	10,157
32		**TOTAL DIRECT WATER PLANT**			$ 172,330	$ (13,516)	$ (1,488)	$ 186,214	$ 6,702,189
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 172,330	$ (13,516)	$ (1,488)	$ 186,214	$ 6,702,189
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						5,533	
43		Accumulated Depreciation						(1,964,406)	$ (1,964,406)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,964,406)	(1,964,406)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,971,148)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,964,406)	$ 6,742
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				26	520
4	310.1	Water Rights	0.00%	0.00%	8,518			-	27,535
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	8,932
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				20,406	651,948
8	320	Pumping Plant Land	0.00%	0.00%				-	1,881
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				383	13,385
10	325	Electtric Pumping Equipment	2.59%	5.88%	6,148	(55,667)		41,878	687,456
11	328	Gas Engine Equipment	2.59%	4.00%				659	16,467
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				370	14,812
14	332	Water Treatment Equipment	2.59%	2.86%	597			2,224	78,057
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				7,602	380,102
17	343	Transmission & Distribution Mains	2.59%	1.79%	226,830	(3,925)		53,318	3,090,123
18	344	Fire Sprinkler Taps	2.59%	2.00%	42,236	(911)		2,557	148,520
19	345	Services	2.59%	2.38%	258,968	(17,904)		24,706	1,158,606
20	346	Meters	2.59%	4.55%	18,950	(36)		9,401	216,066
21	348	Hydrants	2.59%	1.82%	39,715			6,093	354,635
22	389	General Plant Land	0.00%	0.00%				-	66
23	390	General Plant Structures	2.59%	2.50%				595	23,789
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	2,479			4,788	73,016
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				1,107	27,669
28	395	Laboratory Equipment	2.59%	5.00%	1,438			63	1,977
29	396	Power Operated Equipment	2.59%	6.67%				1,147	17,203
30	397	Communication Equipment	2.59%	6.67%	4,301			15,265	231,004
31	398	Miscellaneous Equipment	2.59%	3.33%				338	10,157
32		**TOTAL DIRECT WATER PLANT**			$ 610,179	$ (78,443)	$ -	$ 192,925	$ 7,233,925
33		*Post Test Year Plant (PTYP)*			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 610,179	$ (78,443)	$ -	$ 192,925	$ 7,233,925
35									
36		**Company Direct Plant As Filed**							7,233,925
37									
38		**RUCO Direct Plant Adjustment**							$ (0)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(2,078,889)	$ (2,078,889)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,078,889)	(2,078,889)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,085,630)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,078,889)	$ 6,741
49									
50		**RUCO Net Adjustment**							$ 6,741
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	*Pumping Plant* Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of *Supply Land*	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		*Net (Salvage)/Cost* of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Sierra Vista System
Schedule TJC-4 PHX OFF- Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								
56		Notes						
57		Acct. 302 - Franchises amortized over 25 years.						
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.						
59		Acct. 310.4 - Wells - Other amortized over 24 years.						
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.						

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	*Other Intangibles*	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		*Company As Filed* - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						*0*
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		***TOTAL METER SHOP PLANT***		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 17	$ -	2.58%	$ -
2	302	Franchises	-	-	2.58%	-
3	303	Other Intangibles	739	-	2.58%	-
4	310.1	Water Rights	27,535	-	2.58%	-
5	310.3	Other Source of Supply Land	8,934	-	2.58%	-
6	310.4	Wells - Other	-	-	2.58%	-
7	314	Wells	651,948	-	2.58%	-
8	320	Pumping Plant Land	1,881	-	2.58%	-
9	321	Pumping Plant Structures & Imprm'ts	13,385	-	2.58%	-
10	325	Electtric Pumping Equipment	687,456	-	2.58%	-
11	328	Gas Engine Equipment	16,467	-	2.58%	-
12	330	Water Treatment Plant Land	-	-	2.58%	-
13	331	Water Treatment Structures & Imprm'ts	14,812	-	2.58%	-
14	332	Water Treatment Equipment	78,110	-	2.58%	-
15	340	Transmission and Distribution Land	-	-	2.58%	-
16	342	Storage Tanks	380,102	-	2.58%	-
17	343	Transmission & Distribution Mains	3,090,280	-	2.58%	-
18	344	Fire Sprinkler Taps	148,520	-	2.58%	-
19	345	Services	1,158,606	-	2.58%	-
20	346	Meters	216,066	-	2.58%	-
21	348	Hydrants	354,635	-	2.58%	-
22	389	General Plant Land	66	-	2.58%	-
23	390	General Plant Structures	26,243	-	2.58%	-
24	390.1	Leasehold Improvements	33,952	-	2.58%	-
25	391	Office Furniture & Equipment	187,802	120,057	2.58%	3,097
26	393	Warehouse Equipment	152	-	2.58%	-
27	394	Tools, Shop & Garage Equipment	33,942	-	2.58%	-
28	395	Laboratory Equipment	2,079	-	2.58%	-
29	396	Power Operated Equipment	17,241	-	2.58%	-
30	397	Communication Equipment	235,035	-	2.58%	-
31	398	Miscellaneous Equipment	10,343	-	2.58%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 7,396,345	$ 120,057		$ 3,097
34		Company As Filed	$ 7,396,345	120,057		3,097
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (3,097)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 103
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 1,319	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(30,556)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (31,875)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 20,402	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	20,402	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 13,272	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	13,272	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 13,856	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	13,856	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (31,875)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 220,661	$ -	$ 220,661	35.92	$ 7,926,143
2	Payroll	323,498	(7,811)	315,687	14.00	4,419,621
3	Purchased Water	-	-	-	-	-
4	Chemicals	8,699	-	8,699	20.43	177,690
5	Property & Liability Insurance	7,707	-	7,707	(45.27)	(348,896)
6	Workman's Compensation Insurance	3,853	-	3,853	(46.50)	(179,165)
7	Health Insurance	37,602	(38)	37,564	(8.92)	(335,071)
8	Other Operating & Maintenance Expenses	163,165	(4,300)	158,865	30.00	4,765,950
9	Federal Current Income Taxes	79,281	(41,411)	37,870	37.00	1,401,190
10	State Current Income Taxes	17,465	(6,975)	10,490	37.00	388,119
11	FICA Taxes	17,329	(584)	16,745	14.00	234,435
12	FUTA & SUTA Taxes	415	-	415	83.10	34,487
13	Property Taxes	80,115	(3,713)	76,402	212.00	16,197,280
14	Registration, Svc. Contracts, & Misc. Fees	14,914	-	14,914	(98.83)	(1,473,951)
15	Retirement Annuities (401k)	12,411	(656)	11,755	34.72	408,147
16	Subtotal	987,115	(65,487)	921,628		33,615,978
17	Synchronized Interest	$ 93,491	$ (1,045)	$ 92,446	91.25	$ 8,435,730
18	Cost of Equity	153,899	(153,899)	-	-	-
19	Subtotal	$ 247,390	$ (154,944)	$ 92,446		$ 8,435,730
20	Total	$ 1,234,505	$ (220,431)	$ 1,014,074		$ 42,051,709

21	Expense Lag	Line 17, Col. (E) / (C)	41.47
22	Revenue Lag	Company B-5 Schedules	30.47
23	Net Lag	Line 18 - Line 17	(11.00)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,014,074
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(30,556)
26	Company As Filed	Co. Schedule B-6, Page 1	1,319
27	Difference	Line 21 - Line 22	$ (31,875)
28	ADJUSTMENT	Line 27	$ (31,875)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,067,828	$ -	$ 1,067,828	$ (111,295)	$ 956,533
2	Commercial	346,169	-	346,169	(53,325)	292,845
3	Industrial	-	-	-	-	-
4	Private Fire Service	1,924	-	1,924	7,701	9,625
5	Other Water Revenues	29,331	-	29,331	(6,719)	22,613
6	Total Water Revenues	$ 1,445,253	$ -	$ 1,445,253	$ (163,638)	$ 1,281,615
7	Miscellaneous	$ 16,645	$ -	$ 16,645	$ 450	$ 17,095
8	Total Operating Revenues	$ 1,461,897	$ -	$ 1,461,897	$ (163,188)	$ 1,298,710
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	2,096	-	2,096	-	2,096
11	Pumping Expenses:	-				
12	Purchased Power	220,661	-	220,661	-	220,661
13	Purchased Gas	698	-	698	-	698
14	Other	46,020	-	46,020	-	46,020
15	Water Treatment Expenses	22,454	-	22,454	-	22,454
16	Transmission & Distribution Expenses	213,548	-	213,548	-	213,548
17	Customer Accounting Expenses	134,508	-	134,508	-	134,508
18	Sales Expense	275	-	275	-	275
19	Administrative & General Expenses	152,251	(10,224)	142,026	-	142,026
20	Total Operations & Maintenance Expense	$ 792,510	$ (10,224)	$ 782,286	$ -	$ 782,286
21	Depreciation & Amortization Expenses	$ 186,533	$ (2,454)	$ 184,079	$ -	$ 184,079
	Taxes					
22	Federal Income Taxes	$ 93,535	$ (14,614)	$ 78,921	$ (41,051)	$ 37,870
23	State Income Taxes	20,605	1,256	21,861	(11,371)	10,490
24	Property Taxes	80,115	(3,713)	76,402	-	76,402
25	Other	13,539	(584)	12,956	-	12,956
26	Total Taxes	$ 207,794	$ (17,655)	$ 190,140	$ (52,422)	$ 137,717
27	Total Operating Expenses	$ 1,186,838	$ (30,333)	$ 1,156,504	$ (52,422)	$ 1,104,082
28	Operating Income	$ 275,060	$ 30,333	$ 305,393	$ (110,765)	$ 194,628

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

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

Sierra Vista System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,067,828	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,067,828
2	Commercial	346,169	-	-	-	-	-	-	-	-	-	-	346,169
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	1,924	-	-	-	-	-	-	-	-	-	-	1,924
5	Other Water Revenues	29,331	-	-	-	-	-	-	-	-	-	-	29,331
6	Total Water Revenues	$ 1,445,253	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,445,253
7	Miscellaneous	$ 16,645	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,645
8	Total Operating Revenues	$ 1,461,897	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,461,897
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	2,096	-	-	-	-	-	-	-	-	-	-	2,096
11	Pumping Expenses:												
12	Purchased Power	220,661	-	-	-	-	-	-	-	-	-	-	220,661
13	Purchased Gas	698	-	-	-	-	-	-	-	-	-	-	698
14	Other	46,020	-	-	-	-	-	-	-	-	-	-	46,020
15	Water Treatment Expenses	22,454	-	-	-	-	-	-	-	-	-	-	22,454
16	Transmission & Distribution Expenses	213,548	-	-	-	-	-	-	-	-	-	-	213,548
17	Customer Accounting Expenses	134,508	-	-	-	-	-	-	-	-	-	-	134,508
18	Sales Expense	275	-	-	-	-	-	-	-	-	-	-	275
19	Administrative & General Expenses	152,251	(7,811)	-	(656)	-	-	(38)	-	-	(1,720)	-	142,026
20	Total Operations & Maintenance Expense	$ 792,510	$ (7,811)	$ -	$ (656)	$ -	$ -	$ (38)	$ -	$ -	$ (1,720)	$ -	$ 782,286
21	Depreciation & Amortization Expenses	$ 186,533	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,454)	$ -	$ -	$ -	$ 184,079
	Taxes												
22	Federal Income Taxes	$ 93,535	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (14,614)	$ 78,921
23	State Income Taxes	20,605	-	-	-	-	-	-	-	-	-	1,256	21,861
24	Property Taxes	80,115	-	-	-	-	-	-	-	(3,713)	-	-	76,402
25	Other	13,539	-	(584)	-	-	-	-	-	-	-	-	12,956
26	Total Taxes	$ 207,794	$ -	$ (584)	$ -	$ -	$ -	$ -	$ -	$ (3,713)	$ -	$ (13,358)	$ 190,140
27	Total Operating Expenses	$ 1,186,838	$ (7,811)	$ (584)	$ (656)	$ -	$ -	$ (38)	$ (2,454)	$ (3,713)	$ (1,720)	$ (13,358)	$ 1,156,504
28	Operating Income	$ 275,060	$ 7,811	$ 584	$ 656	$ -	$ -	$ 38	$ 2,454	$ 3,713	$ 1,720	$ 13,358	$ 305,393

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		2.58%
21			
22	RUCO Adjustment		$ (7,811)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.58%
6		
7	RUCO Allocated Payroll by District	$ 7,811
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (584)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.58%
6		
7	RUCO Allocated Payroll by District	$ 7,811
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (656)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 17	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	739	See Acct. 111	26
4	310.1	Water Rights	27,535	0.00%	-
5	310.3	Other Source of Supply Land	8,934	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	651,948	3.13%	20,406
8	320	Pumping Plant Land	1,881	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	13,385	2.86%	383
10	325	Electtric Pumping Equipment	687,456	5.88%	40,422
11	328	Gas Engine Equipment	16,467	4.00%	659
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	14,812	2.50%	370
14	332	Water Treatment Equipment	78,110	2.86%	2,234
15	340	Transmission and Distribution Land	-	0.00%	-
16	342	Storage Tanks	380,102	2.00%	7,602
17	343	Transmission & Distribution Mains	3,090,280	1.79%	55,316
18	344	Fire Sprinkler Taps	148,520	2.00%	2,970
19	345	Services	1,158,606	2.38%	27,575
20	346	Meters	216,066	4.55%	9,831
21	348	Hydrants	354,635	1.82%	6,454
22	389	General Plant Land	66	0.00%	-
23	390	General Plant Structures	26,243	2.50%	656
24	390.1	Leasehold Improvements	33,952	See Acct. 108.2	-
25	391	Office Furniture & Equipment	184,705	6.67%	12,320
26	393	Warehouse Equipment	152	5.00%	8
27	394	Tools, Shop & Garage Equipment	33,942	4.00%	1,358
28	395	Laboratory Equipment	2,079	5.00%	104
29	396	Power Operated Equipment	17,241	6.67%	1,150
30	397	Communication Equipment	235,035	6.67%	15,677
31	398	Miscellaneous Equipment	10,343	3.33%	344
32		Rounding	(1)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 7,393,247		$ 205,865
34					
35		AMORTIZATION OF CONTRIBUTIONS	(1,089,317)	2.00%	(21,786)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 184,079
38					
39	Company As Filed				186,533
40	Difference				$ (2,454)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (2,454)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,461,897	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,461,897	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	1,298,710	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 4,222,505	
5	Average Annual Operating Revenues	Line 4 / 3	1,407,502	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 2,815,003
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 72,684	
8	10% Of CWIP	Line 7 X 10%		$ 7,268
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (1,959)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 2,820,312
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 634,570	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	12.04%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	12.04%	
	Property Tax			$ 76,402
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 76,402
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		80,115
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (3,713)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (3,713)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			2.58%
3	Sierra Vista System (Line 1 X Line 2)			$ 7,740
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 2,580
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 4,300
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (1,720)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (1,720)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 406,175
	LESS:		
2	Arizona State Tax	Line 11	21,861
3	Interest Expense	Note (A) Line 21	92,446
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 291,868
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	27.04%
6	Federal Income Tax Expense	Line 4 X line 5	$ 78,921
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 406,175
	LESS:		
8	Interest Expense	Note (A) Line 21	92,446
9	State Taxable Income	Line 7 - Line 8	$ 313,729
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 21,861
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 78,921
13	State Income Tax Expense	Line 11	21,861
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 100,782
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		93,535
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		20,605
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ (14,614)
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 1,256

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 2,492,548
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 92,446

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

San Manuel System

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

San Manuel System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 2,035,209	$ 2,026,115
2	Adjusted Operating Income (Loss)	$ (47,524)	$ (56,827)
3	Current Rate of Return (L2 / L1)	-2.34%	-2.80%
4	Required Operating Income (L5 X L1)	$ 199,741	$ 158,207
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 247,264	$ 215,034
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.4068
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 402,704	$ 302,504
9	Adjusted Test Year Revenue	$ 812,359	$ 812,359
10	Proposed Annual Revenue (L8 + L9)	$ 1,215,223	$ 1,114,863
11	Required Percentage Increase in Revenue (L8 / L9)	49.57%	37.24%
12	Consolidated Revenue Adjustment	$ -	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ -	$ -
14	Required Revenue Under Company Proposed Consolidation	$ -	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.2892			
3	Subtotal (L1 - L2)	0.7108			
4	**Revenue Conversion Factor** (L1 / L3)	**1.4068**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	23.5913%			
9	Effective Federal Income Tax Rate (L7 X L8)	21.9475%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	28.9155%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 158,207			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	(56,827)			
13	Required Increase In Operating Income (L11 - L12)		$ 215,034		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 33,787			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(53,684)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 87,471		
17	Total Required Increase In Revenue (L13 + L16)		$ 302,504		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 1,114,863	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			922,870	
20	Synchronized Interest (Col. (C), L37)			75,147	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 116,847	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 8,142
24	Fed. Taxable Income (L21 - L23)			$ 108,705	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 3,395	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 25,645
31	Combined Federal and State Income Tax (L23 + L30)				$ 33,787
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ (53,684)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 87,471
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				23.59%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 2,026,115	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 75,147	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 488	$ -	$ 488
2	Source of Supply Plant	175,502	-	175,502
3	Pumping Plant	376,086	2,058	378,144
4	Water Treatment Plant	1,398,624	-	1,398,624
5	Transmission & Distribution Plant	1,712,957	-	1,712,957
6	General Plant	458,818	(2,017)	456,801
7	Total Gross Plant in Service	$ 4,122,476	$ 41	$ 4,122,517
8	Accumulated Depreciation	(997,040)	33,996	(963,044)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 3,125,436	$ 34,037	$ 3,159,473
10	Advances in Aid Of Const.	$ (73,164)	$ -	$ (73,164)
11	Contribution in Aid of Const.	$ (742,146)	$ -	$ (742,146)
12	Accumulated Amortization of CIAC	7,505	-	7,505
13	NET CIAC (L5 + L6)	$ (734,641)	$ -	$ (734,641)
14	Deferred Income Tax	$ (321,972)	$ -	$ (321,972)
15	Allowance for Working Capital	$ 39,551	$ (43,131)	$ (3,580)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,035,209	$ (9,094)	$ 2,026,115

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

San Manuel System
Schedule TJC-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 488	$ -	$ -	$ -	$ -	$ -	$ -	$ 488
2	Source of Supply Plant	175,502	-	-	-	-	-	-	175,502
3	Pumping Plant	376,086	2,058	-	-	-	-	-	378,144
4	Water Treatment Plant	1,398,624	-	-	-	-	-	-	1,398,624
5	Transmission & Distribution Plant	1,712,957	-	-	-	-	-	-	1,712,957
6	General Plant	458,818	-	(2,017)	-	-	-	-	456,801
7	Total Gross Plant in Service	$ 4,122,476	$ 2,058	$ (2,017)	$ -	$ -	$ -	$ -	$ 4,122,517
8	Accumulated Depreciation	(997,040)	33,929	67	-	-	-	-	(963,044)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 3,125,436	$ 35,986	$ (1,950)	$ -	$ -	$ -	$ -	$ 3,159,473
10	Advances in Aid Of Const.	$ (73,164)	$ -	$ -	$ -	$ -	$ -	$ -	$ (73,164)
11	Contribution in Aid of Const.	$ (742,146)	$ -	$ -	$ -	$ -	$ -	$ -	$ (742,146)
12	Accumulated Amortization of CIAC	7,505	-	-	-	-	-	-	7,505
13	NET CIAC (L5 + L6)	$ (734,641)	$ -	$ -	$ -	$ -	$ -	$ -	$ (734,641)
14	Deferred Income Tax	$ (321,972)	$ -	$ -	$ -	$ -	$ -	$ -	$ (321,972)
15	Allowance for Working Capital	$ 39,551	$ -	$ -	$ -	$ -	$ -	$ (43,131)	$ (3,580)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,035,209	$ 35,986	$ (1,950)	$ -	$ -	$ -	$ (43,131)	$ 2,026,115

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Intentionally Left Blank
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-	-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	154,157	-	154,157
5	310.3	Other Source of Supply Land	0.00%	0.00%	-	-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	3.13%	-	-	-
8	320	Pumping Plant Land	0.00%	0.00%	-	-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	457	-	457
10	325	Electtric Pumping Equipment	2.59%	5.88%	6,711	-	6,711
11	328	Gas Engine Equipment	2.59%	4.00%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	411	-	411
14	332	Water Treatment Equipment	2.59%	2.86%	3,303	-	3,303
15	340	Transmission and Distribution Land	0.00%	0.00%	-	-	-
16	342	Storage Tanks	2.59%	2.00%	98,349	-	98,349
17	343	Transmission & Distribution Mains	2.59%	1.79%	520,125	-	520,125
18	344	Fire Sprinkler Taps	2.59%	2.00%	100	-	100
19	345	Services	2.59%	2.38%	235,142	-	235,142
20	346	Meters	2.59%	4.55%	120,289	-	120,289
21	348	Hydrants	2.59%	1.82%	53,666	-	53,666
22	389	General Plant Land	0.00%	0.00%	-	-	-
23	390	General Plant Structures	2.59%	2.50%	12,496	-	12,496
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	35,214	-	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	86,811	-	86,811
26	393	Warehouse Equipment	2.59%	5.00%	1,128	-	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	61,006	-	61,006
28	395	Laboratory Equipment	2.59%	5.00%	2,618	-	2,618
29	396	Power Operated Equipment	2.59%	6.67%	2,695	-	2,695
30	397	Communication Equipment	2.59%	6.67%	55,305	-	55,305
31	398	Miscellaneous Equipment	2.59%	3.33%	7,084	-	7,084
32		**TOTAL DIRECT WATER PLANT**			$ 1,457,067	$ -	$ 1,457,067
33		Post Test Year Plant (PTYP)			60,117	(60,117)	-
34		**RUCO Total Water Plant In Service**			$ 1,517,184	$ (60,117)	$ 1,457,067
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(688,062)		$ (688,062)
44		Accumulated Depreciation - PTYP			(23,317)	23,317.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (711,379)		$ (688,062)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(724,296)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (711,379)	$ -	$ 36,234
49							
50		**RUCO Net Adjustment**					
51							
52							
53							
54		References:					
55		Column (A): Approved Depreciation Rate From Decision No. 58120					
56		Columns (B): Approved Depreciation Rate From Decision No. 66849					
57		Acct. 302 - Franchises amortized over 25 years.					
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59		Acct. 310.4 - Wells - Other amortized over 24 years.					
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	1,347			-	155,504
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				-	-
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				12	457
10	325	Electtric Pumping Equipment	2.59%	5.88%				174	6,711
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%			0	11	411
14	332	Water Treatment Equipment	2.59%	2.86%		(3,303)	0	43	0
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	55			2,548	98,404
17	343	Transmission & Distribution Mains	2.59%	1.79%	23,445			13,775	543,570
18	344	Fire Sprinkler Taps	2.59%	2.00%				3	100
19	345	Services	2.59%	2.38%	8,483	(476)		6,194	243,149
20	346	Meters	2.59%	4.55%	2,294	(1,304)		3,128	121,279
21	348	Hydrants	2.59%	1.82%	1,674	(232)		1,409	55,108
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				324	12,496
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				3,540	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	3,378			2,292	90,189
26	393	Warehouse Equipment	2.59%	5.00%				29	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,113			1,594	62,119
28	395	Laboratory Equipment	2.59%	5.00%				68	2,618
29	396	Power Operated Equipment	2.59%	6.67%				70	2,695
30	397	Communication Equipment	2.59%	6.67%	24,055	(7,192)		1,651	72,168
31	398	Miscellaneous Equipment	2.59%	3.33%	3,794			233	10,878
32		**TOTAL DIRECT WATER PLANT**			$ 69,640	$ (12,507)	$ 0	$ 37,096	$ 1,514,200
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 69,640	$ (12,507)	$ 0	$ 37,096	$ 1,514,200
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(539)	
41									
42		Net (Salvage)/Cost of Removal						(189)	
43		Accumulated Depreciation						(713,378)	$ (713,378)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(713,378)	$ (713,378)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(749,660)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (713,378)	$ 36,282
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant
Page 3 of 7

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	2,223			-	157,727
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				-	-
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	7,534			109	7,991
10	325	Electtric Pumping Equipment	2.59%	5.88%				174	6,711
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				11	411
14	332	Water Treatment Equipment	2.59%	2.86%				0	0
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				2,549	98,404
17	343	Transmission & Distribution Mains	2.59%	1.79%	415			14,084	543,985
18	344	Fire Sprinkler Taps	2.59%	2.00%				3	100
19	345	Services	2.59%	2.38%	10,286	(266)		6,427	253,170
20	346	Meters	2.59%	4.55%		(926)		3,129	120,353
21	348	Hydrants	2.59%	1.82%	1,643	(227)		1,446	56,524
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%		(636)		315	11,860
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	1,347			2,353	91,537
26	393	Warehouse Equipment	2.59%	5.00%				29	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	661			1,617	62,780
28	395	Laboratory Equipment	2.59%	5.00%				68	2,618
29	396	Power Operated Equipment	2.59%	6.67%				70	2,695
30	397	Communication Equipment	2.59%	6.67%	1,050	(1,198)		1,867	72,020
31	398	Miscellaneous Equipment	2.59%	3.33%	4,940			346	15,818
32		**TOTAL DIRECT WATER PLANT**			$ 30,100	$ (3,253)	$ -	$ 34,597	$ 1,541,047
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 30,100	$ (3,253)	$ -	$ 34,597	$ 1,541,047
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(539)	
41									
42		Net (Salvage)/Cost of Removal						(129)	
43		Accumulated Depreciation						(745,391)	$ (745,391)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(745,391)	$ (745,391)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(781,619)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (745,391)	$ 36,228
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	334			-	334
4	310.1	Water Rights	0.00%	0.00%	1,165			-	158,892
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,941			29	1,941
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				223	7,991
10	325	Electtric Pumping Equipment	2.59%	5.88%				339	6,711
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				10	411
14	332	Water Treatment Equipment	2.59%	2.86%				0	0
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				2,113	98,404
17	343	Transmission & Distribution Mains	2.59%	1.79%	55,040			11,373	599,025
18	344	Fire Sprinkler Taps	2.59%	2.00%				2	100
19	345	Services	2.59%	2.38%	6,957	(76)		6,242	260,051
20	346	Meters	2.59%	4.55%	38	(374)		4,880	120,017
21	348	Hydrants	2.59%	1.82%	4,202			1,180	60,727
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				299	11,860
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	6,620			5,359	98,156
26	393	Warehouse Equipment	2.59%	5.00%				50	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,586			2,319	64,366
28	395	Laboratory Equipment	2.59%	5.00%				115	2,618
29	396	Power Operated Equipment	2.59%	6.67%				152	2,695
30	397	Communication Equipment	2.59%	6.67%	3,638			4,172	75,657
31	398	Miscellaneous Equipment	2.59%	3.33%	1,404			520	17,222
32		**TOTAL DIRECT WATER PLANT**			$ 82,924	$ (450)	$ -	$ 39,377	$ 1,623,520
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 82,924	$ (450)	$ -	$ 39,377	$ 1,623,520
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(539)	
41									
42		Net (Salvage)/Cost of Removal						(112)	
43		Accumulated Depreciation						(784,969)	$ (784,969)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(784,969)	(784,969)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(825,802)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (784,969)	$ 40,833
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	334
4	310.1	Water Rights	0.00%	0.00%	2,096			-	160,988
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,000			76	2,941
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	6,119			316	14,110
10	325	Electtric Pumping Equipment	2.59%	5.88%	1,706	(444)		432	7,973
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				10	411
14	332	Water Treatment Equipment	2.59%	2.86%				0	0
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				1,968	98,404
17	343	Transmission & Distribution Mains	2.59%	1.79%	462			10,727	599,487
18	344	Fire Sprinkler Taps	2.59%	2.00%				2	100
19	345	Services	2.59%	2.38%	38,798	(183)		6,649	298,666
20	346	Meters	2.59%	4.55%	2,913	(550)		5,515	122,380
21	348	Hydrants	2.59%	1.82%	2,238	(227)		1,124	62,738
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				297	11,860
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	1,740			6,605	99,896
26	393	Warehouse Equipment	2.59%	5.00%				56	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,084			2,596	65,449
28	395	Laboratory Equipment	2.59%	5.00%				131	2,618
29	396	Power Operated Equipment	2.59%	6.67%				180	2,695
30	397	Communication Equipment	2.59%	6.67%	(84)			5,044	75,573
31	398	Miscellaneous Equipment	2.59%	3.33%				573	17,222
32		**TOTAL DIRECT WATER PLANT**			$ 58,072	$ (1,404)	$ -	$ 42,300	$ 1,680,188
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 58,072	$ (1,404)	$ -	$ 42,300	$ 1,680,188
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(539)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(826,404)	$ (826,404)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(826,404)	(826,404)
46									
47		Company As Filed - *Accumulated Depreciation*			-	-	-	-	(860,599)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (826,404)	$ 34,195
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	334
4	310.1	Water Rights	0.00%	0.00%	3,406			-	164,394
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				92	2,941
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				404	14,110
10	325	Electtric Pumping Equipment	2.59%	5.88%	7,974			703	15,947
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				10	411
14	332	Water Treatment Equipment	2.59%	2.86%				0	0
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				1,968	98,404
17	343	Transmission & Distribution Mains	2.59%	1.79%	10,249			10,823	609,736
18	344	Fire Sprinkler Taps	2.59%	2.00%				2	100
19	345	Services	2.59%	2.38%	16,985	(153)		7,309	315,498
20	346	Meters	2.59%	4.55%	5,278	(1,951)		5,644	125,708
21	348	Hydrants	2.59%	1.82%	2,859			1,168	65,596
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%	8,363			401	20,223
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	1,194			6,703	101,089
26	393	Warehouse Equipment	2.59%	5.00%				56	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	3,082			2,680	68,531
28	395	Laboratory Equipment	2.59%	5.00%				131	2,618
29	396	Power Operated Equipment	2.59%	6.67%				180	2,695
30	397	Communication Equipment	2.59%	6.67%	377			5,053	75,950
31	398	Miscellaneous Equipment	2.59%	3.33%				573	17,222
32		**TOTAL DIRECT WATER PLANT**			$ 59,767	$ (2,104)	$ -	$ 43,900	$ 1,737,851
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 59,767	$ (2,104)	$ -	$ 43,900	$ 1,737,851
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(221)	
43		Accumulated Depreciation						(868,420)	$ (868,420)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(868,420)	(868,420)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(902,495)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (868,420)	$ 34,075
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

San Manuel System
Schedule TJC-4 - Direct Plant
Page 7 of 7

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				17	334
4	310.1	Water Rights	0.00%	0.00%	5,547			-	169,941
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	4,448		(1,829)	133	5,560
8	320	Pumping Plant Land	0.00%	0.00%	7,000			-	7,000
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				404	14,110
10	325	Electtric Pumping Equipment	2.59%	5.88%	341,087			10,966	357,034
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	2,000			-	2,000
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	83,171		(41,004)	537	42,578
14	332	Water Treatment Equipment	2.59%	2.86%	2,415,714		(1,061,702)	19,362	1,354,012
15	340	Transmission and Distribution Land	0.00%	0.00%	69,500			-	69,500
16	342	Storage Tanks	2.59%	2.00%				1,968	98,404
17	343	Transmission & Distribution Mains	2.59%	1.79%	460,189		(44,609)	14,634	1,025,317
18	344	Fire Sprinkler Taps	2.59%	2.00%				2	100
19	345	Services	2.59%	2.38%	14,212	(658)		7,670	329,052
20	346	Meters	2.59%	4.55%		(821)		5,701	124,887
21	348	Hydrants	2.59%	1.82%				1,194	65,596
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				506	20,223
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	35,214
25	391	Office Furniture & Equipment	2.59%	6.67%	2,089	(1,502)		6,762	101,677
26	393	Warehouse Equipment	2.59%	5.00%				56	1,128
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	2,425	(79)		2,788	70,877
28	395	Laboratory Equipment	2.59%	5.00%				131	2,618
29	396	Power Operated Equipment	2.59%	6.67%				180	2,695
30	397	Communication Equipment	2.59%	6.67%	25,742			5,924	101,693
31	398	Miscellaneous Equipment	2.59%	3.33%				573	17,222
32		**TOTAL DIRECT WATER PLANT**			$ 3,433,124	$ (3,060)	$ (1,149,143)	$ 79,509	$ 4,018,773
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 3,433,124	$ (3,060)	$ (1,149,143)	$ 79,509	$ 4,018,773
35									
36		**Company Direct Plant As Filed**							4,016,715
37									
38		**RUCO Direct Plant Adjustment**							$ 2,058
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(944,868)	$ (944,868)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(944,868)	(944,868)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(978,823)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (944,868)	$ 33,955
49									
50		**RUCO Net Adjustment**							$ 36,012
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

San Manuel System
Schedule TJC-4 PHX OFF- Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56	Notes					
57	Acct. 302 - Franchises amortized over 25 years.					
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59	Acct. 310.4 - Wells - Other amortized over 24 years.					
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 11	$ -	1.68%	$ -
2	302	Franchises	-	-	1.68%	-
3	303	Other Intangibles	477	-	1.68%	-
4	310.1	Water Rights	169,941	-	1.68%	-
5	310.3	Other Source of Supply Land	1	-	1.68%	-
6	310.4	Wells - Other	-	-	1.68%	-
7	314	Wells	5,560	-	1.68%	-
8	320	Pumping Plant Land	7,000	-	1.68%	-
9	321	Pumping Plant Structures & Imprm'ts	14,110	-	1.68%	-
10	325	Electtric Pumping Equipment	354,976	-	1.68%	-
11	328	Gas Engine Equipment	-	-	1.68%	-
12	330	Water Treatment Plant Land	2,000	-	1.68%	-
13	331	Water Treatment Structures & Imprm'ts	42,578	-	1.68%	-
14	332	Water Treatment Equipment	1,354,047	-	1.68%	-
15	340	Transmission and Distribution Land	69,500	-	1.68%	-
16	342	Storage Tanks	98,404	-	1.68%	-
17	343	Transmission & Distribution Mains	1,025,419	-	1.68%	-
18	344	Fire Sprinkler Taps	100	-	1.68%	-
19	345	Services	329,052	-	1.68%	-
20	346	Meters	124,887	-	1.68%	-
21	348	Hydrants	65,596	-	1.68%	-
22	389	General Plant Land	-	-	1.68%	-
23	390	General Plant Structures	21,821	-	1.68%	-
24	390.1	Leasehold Improvements	57,322	-	1.68%	-
25	391	Office Furniture & Equipment	176,421	120,057	1.68%	2,017
26	393	Warehouse Equipment	1,227	-	1.68%	-
27	394	Tools, Shop & Garage Equipment	74,961	-	1.68%	-
28	395	Laboratory Equipment	2,684	-	1.68%	-
29	396	Power Operated Equipment	2,719	-	1.68%	-
30	397	Communication Equipment	104,317	-	1.68%	-
31	398	Miscellaneous Equipment	17,343	-	1.68%	-
32		Rounding				
33		**TOTAL PTY WATER PLANT**	$ 4,122,476	$ 120,057		$ 2,017
34		Company As Filed	$ 4,122,476	120,057		2,017
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (2,017)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 67
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 21,763	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(21,368)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (43,131)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 123	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	123	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 8,642	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	8,642	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 9,023	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	9,023	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (43,131)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 38,358	$ -	$ 38,358	35.92	$ 1,377,819
2	Payroll	211,339	(5,086)	206,253	14.00	2,887,541
3	Purchased Water	241,318	-	241,318	26.04	6,282,781
4	Chemicals	5,855	-	5,855	20.43	119,597
5	Property & Liability Insurance	5,019	-	5,019	(45.27)	(227,210)
6	Workman's Compensation Insurance	2,509	-	2,509	(46.50)	(116,669)
7	Health Insurance	55,150	(20)	55,130	(8.92)	(491,757)
8	Other Operating & Maintenance Expenses	166,217	(2,800)	163,417	30.00	4,902,498
9	Federal Current Income Taxes	64,011	(38,366)	25,645	37.00	948,861
10	State Current Income Taxes	14,101	(5,959)	8,142	37.00	301,250
11	FICA Taxes	11,284	(380)	10,904	14.00	152,656
12	FUTA & SUTA Taxes	270	-	270	83.10	22,437
13	Property Taxes	68,170	(5,830)	62,340	212.00	13,216,153
14	Registration, Svc. Contracts, & Misc. Fees	9,837	-	9,837	(98.83)	(972,191)
15	Retirement Annuities (401k)	18,203	(427)	17,776	34.72	617,186
16	Subtotal	911,640	(58,868)	852,772		29,020,951
17	Synchronized Interest	$ 75,484	$ (337)	$ 75,147	91.25	$ 6,857,143
18	Cost of Equity	124,257	(124,257)	-	-	-
19	Subtotal	$ 199,741	$ (124,594)	$ 75,147		$ 6,857,143
20	Total	$ 1,111,381	$ (183,462)	$ 927,919		$ 35,878,094

21	Expense Lag	Line 17, Col. (E) / (C)	38.67
22	Revenue Lag	Company B-5 Schedules	30.26
23	Net Lag	Line 18 - Line 17	(8.41)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 927,919
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(21,368)
26	Company As Filed	Co. Schedule B-6, Page 1	21,763
27	Difference	Line 21 - Line 22	$ (43,131)
28	ADJUSTMENT	Line 27	$ (43,131)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 646,904	$ -	$ 646,904	$ 249,761	$ 896,665
2	Commercial	143,872	-	143,872	51,331	195,203
3	Industrial	-	-	-	-	-
4	Private Fire Service	56	-	56	244	300
5	Other Water Revenues	11,113	-	11,113	1,168	12,282
6	Total Water Revenues	$ 801,946	$ -	$ 801,946	$ 302,504	$ 1,104,450
7	Miscellaneous	$ 10,413	$ -	$ 10,413	$ (0)	$ 10,413
8	Total Operating Revenues	$ 812,359	$ -	$ 812,359	$ 302,504	$ 1,114,863
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 241,318	$ -	$ 241,318	$ -	$ 241,318
10	Other	6,907	-	6,907	-	6,907
11	Pumping Expenses:	-				
12	Purchased Power	38,358	-	38,358	-	38,358
13	Purchased Gas	-	-	-	-	-
14	Other	34,669	-	34,669	-	34,669
15	Water Treatment Expenses	40,816	-	40,816	-	40,816
16	Transmission & Distribution Expenses	145,743	-	145,743	-	145,743
17	Customer Accounting Expenses	104,642	-	104,642	-	104,642
18	Sales Expense	497	-	497	-	497
19	Administrative & General Expenses	140,854	(6,653)	134,201	-	134,201
20	Total Operations & Maintenance Expense	$ 753,804	$ (6,653)	$ 747,150	$ -	$ 747,150
21	Depreciation & Amortization Expenses	$ 106,134	$ (1,477)	$ 104,658	$ -	$ 104,658
	Taxes					
22	Federal Income Taxes	$ (63,368)	$ 22,621	$ (40,747)	$ 66,392	$ 25,645
23	State Income Taxes	(13,959)	1,023	(12,937)	21,078	8,142
24	Property Taxes	68,170	(5,830)	62,340	-	62,340
25	Other	9,102	(380)	8,722	-	8,722
26	Total Taxes	$ (56)	$ 17,434	$ 17,378	$ 87,470	$ 104,848
27	Total Operating Expenses	$ 859,882	$ 9,304	$ 869,186	$ 87,470	$ 956,656
28	Operating Income	$ (47,524)	$ (9,304)	$ (56,827)	$ 215,034	$ 158,207

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

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

San Manuel System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 646,904	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 646,904
2	Commercial	143,872	-	-	-	-	-	-	-	-	-	-	143,872
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	56	-	-	-	-	-	-	-	-	-	-	56
5	Other Water Revenues	11,113	-	-	-	-	-	-	-	-	-	-	11,113
6	Total Water Revenues	$ 801,946	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 801,946
7	Miscellaneous	$ 10,413	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,413
8	Total Operating Revenues	$ 812,359	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 812,359
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 241,318	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 241,318
10	Other	6,907	-	-	-	-	-	-	-	-	-	-	6,907
11	Pumping Expenses:												
12	Purchased Power	38,358	-	-	-	-	-	-	-	-	-	-	38,358
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	34,669	-	-	-	-	-	-	-	-	-	-	34,669
15	Water Treatment Expenses	40,816	-	-	-	-	-	-	-	-	-	-	40,816
16	Transmission & Distribution Expenses	145,743	-	-	-	-	-	-	-	-	-	-	145,743
17	Customer Accounting Expenses	104,642	-	-	-	-	-	-	-	-	-	-	104,642
18	Sales Expense	497	-	-	-	-	-	-	-	-	-	-	497
19	Administrative & General Expenses	140,954	(5,086)	-	(427)	-	-	(20)	-	-	(1,120)	-	134,201
20	Total Operations & Maintenance Expense	$ 753,904	$ (5,086)	$ -	$ (427)	$ -	$ -	$ (20)	$ -	$ -	$ (1,120)	$ -	$ 747,150
21	Depreciation & Amortization Expenses	$ 106,134	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,477)	$ -	$ -	$ -	$ 104,658
	Taxes												
22	Federal Income Taxes	$ (63,368)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,620	$ (40,747)
23	State Income Taxes	(13,959)	-	-	-	-	-	-	-	-	-	1,023	(12,937)
24	Property Taxes	68,170	-	-	-	-	-	-	-	(5,830)	-	-	62,340
25	Other	9,102	-	(380)	-	-	-	-	-	-	-	-	8,722
26	Total Taxes	$ (56)	$ -	$ (380)	$ -	$ -	$ -	$ -	$ -	$ (5,830)	$ -	$ 23,643	$ 17,378
27	Total Operating Expenses	$ 859,982	$ (5,086)	$ (380)	$ (427)	$ -	$ -	$ (20)	$ (1,477)	$ (5,830)	$ (1,120)	$ 23,643	$ 869,186
28	Operating Income	$ (47,524)	$ 5,086	$ 380	$ 427	$ -	$ -	$ 20	$ 1,477	$ 5,830	$ 1,120	$ (23,643)	$ (56,827)

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		1.68%
21			
22	RUCO Adjustment		$ (5,086)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	1.68%
6		
7	RUCO Allocated Payroll by District	$ 5,086
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (380)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	1.68%
6		
7	RUCO Allocated Payroll by District	$ 5,086
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (427)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 11	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	477	See Acct. 111	17
4	310.1	Water Rights	169,941	0.00%	-
5	310.3	Other Source of Supply Land	1	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	5,560	3.13%	174
8	320	Pumping Plant Land	7,000	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	14,110	2.86%	404
10	325	Electtric Pumping Equipment	357,034	5.88%	20,994
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	2,000	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	42,578	2.50%	1,064
14	332	Water Treatment Equipment	1,354,047	2.86%	38,726
15	340	Transmission and Distribution Land	69,500	0.00%	-
16	342	Storage Tanks	98,404	2.00%	1,968
17	343	Transmission & Distribution Mains	1,025,419	1.79%	18,355
18	344	Fire Sprinkler Taps	100	2.00%	2
19	345	Services	329,052	2.38%	7,831
20	346	Meters	124,887	4.55%	5,682
21	348	Hydrants	65,596	1.82%	1,194
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	21,821	2.50%	546
24	390.1	Leasehold Improvements	57,322	See Acct. 108.2	-
25	391	Office Furniture & Equipment	174,404	6.67%	11,633
26	393	Warehouse Equipment	1,227	5.00%	61
27	394	Tools, Shop & Garage Equipment	74,961	4.00%	2,998
28	395	Laboratory Equipment	2,684	5.00%	134
29	396	Power Operated Equipment	2,719	6.67%	181
30	397	Communication Equipment	104,317	6.67%	6,958
31	398	Miscellaneous Equipment	17,343	3.33%	578
32		Rounding	-		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 4,122,517		$ 119,500
34					
35		AMORTIZATION OF CONTRIBUTIONS	(742,146)	2.00%	(14,843)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 104,657
38					
39	Company As Filed				106,134
40	Difference				$ (1,477)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (1,477)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 812,359	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	812,359	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	1,114,863	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 2,739,581	
5	Average Annual Operating Revenues	Line 4 / 3	913,194	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 1,826,387
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ -	
8	10% Of CWIP	Line 7 X 10%		$ -
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (57,114)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 1,769,273
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 398,086	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	15.66%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	15.66%	
	Property Tax			$ 62,340
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 62,340
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		68,170
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (5,830)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (5,830)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			1.68%
3	San Manuel System (Line 1 X Line 2)			$ 5,040
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 1,680
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 2,800
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (1,120)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (1,120)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ (110,511)
	LESS:		
2	Arizona State Tax	Line 11	(12,937)
3	Interest Expense	Note (A) Line 21	75,147
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (172,721)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	23.59%
6	Federal Income Tax Expense	Line 4 X line 5	$ (40,747)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ (110,511)
	LESS:		
8	Interest Expense	Note (A) Line 21	75,147
9	State Taxable Income	Line 7 - Line 8	$ (185,658)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (12,937)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (40,747)
13	State Income Tax Expense	Line 11	(12,937)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (53,684)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(63,368)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(13,959)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 22,620
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 1,023

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$	2,026,115
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)		3.71%
21	Interest Expense (L18 X L19)	$	75,147

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Oracle System

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

Oracle System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 2,412,232	$ 2,378,598
2	Adjusted Operating Income (Loss)	$ 194,248	$ 234,024
3	Current Rate of Return (L2 / L1)	8.05%	9.84%
4	Required Operating Income (L5 X L1)	$ 236,743	$ 185,730
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 42,494	$ (48,294)
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.4594
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 69,208	$ (70,482)
9	Adjusted Test Year Revenue	$ 1,126,215	$ 1,126,215
10	Proposed Annual Revenue (L8 + L9)	$ 1,195,423	$ 1,055,732
11	Required Percentage Increase in Revenue (L8 / L9)	6.15%	-6.26%
12	Consolidated Revenue Adjustment	$ -	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ -	$ -
14	Required Revenue Under Company Proposed Consolidation	$ -	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3148			
3	Subtotal (L1 - L2)	0.6852			
4	**Revenue Conversion Factor** (L1 / L3)	**1.4594**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	26.3483%			
9	Effective Federal Income Tax Rate (L7 X L8)	24.5124%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	31.4804%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 185,730			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	234,024			
13	Required Increase In Operating Income (L11 - L12)		$ (48,294)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 44,800			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	66,988			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (22,188)		
17	Total Required Increase In Revenue (L13 + L16)		$ (70,482)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 1,055,732	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			825,203	
20	Synchronized Interest (Col. (C), L37)			88,220	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 142,309	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 9,916
24	Fed. Taxable Income (L21 - L23)			$ 132,393	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 12,633	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 34,883
31	Combined Federal and State Income Tax (L23 + L30)				$ 44,800
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 66,988
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ (22,188)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				26.35%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 2,378,598	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 88,220	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 627	$ -	$ 627
2	Source of Supply Plant	571,108	-	571,108
3	Pumping Plant	951,836	-	951,836
4	Water Treatment Plant	104,121	-	104,121
5	Transmission & Distribution Plant	4,194,584	-	4,194,584
6	General Plant	262,652	(2,737)	259,915
7	Total Gross Plant in Service	$ 6,084,930	$ (2,737)	$ 6,082,193
8	Accumulated Depreciation	(2,307,793)	(946)	(2,308,739)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 3,777,137	$ (3,684)	$ 3,773,453
10	Advances in Aid Of Const.	$ (432,749)	$ -	$ (432,749)
11	Contribution in Aid of Const.	$ (623,732)	$ -	$ (623,732)
12	Accumulated Amortization of CIAC	93,964	-	93,964
13	NET CIAC (L5 + L6)	$ (529,768)	$ -	$ (529,768)
14	Deferred Income Tax	$ (436,962)	$ -	$ (436,962)
15	Allowance for Working Capital	$ 34,574	$ (29,950)	$ 4,624
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,412,232	$ (33,633)	$ 2,378,598

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

Oracle System
Schedule TJC-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 627	$ -	$ -	$ -	$ -	$ -	$ -	$ 627
2	Source of Supply Plant	571,108	-	-	-	-	-	-	571,108
3	Pumping Plant	951,836	-	-	-	-	-	-	951,836
4	Water Treatment Plant	104,121	-	-	-	-	-	-	104,121
5	Transmission & Distribution Plant	4,194,584	-	-	-	-	-	-	4,194,584
6	General Plant	262,652	-	(2,737)	-	-	-	-	259,915
7	Total Gross Plant in Service	$ 6,084,930	$ -	$ (2,737)	$ -	$ -	$ -	$ -	$ 6,082,193
8	Accumulated Depreciation	(2,307,793)	(1,038)	91	-	-	-	-	(2,308,739)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 3,777,137	$ (1,038)	$ (2,646)	$ -	$ -	$ -	$ -	$ 3,773,453
10	Advances in Aid Of Const.	$ (432,749)	$ -	$ -	$ -	$ -	$ -	$ -	$ (432,749)
11	Contribution in Aid of Const.	$ (623,732)	$ -	$ -	$ -	$ -	$ -	$ -	$ (623,732)
12	Accumulated Amortization of CIAC	93,964	-	-	-	-	-	-	93,964
13	NET CIAC (L5 + L6)	$ (529,768)	$ -	$ -	$ -	$ -	$ -	$ -	$ (529,768)
14	Deferred Income Tax	$ (436,962)	$ -	$ -	$ -	$ -	$ -	$ -	$ (436,962)
15	Allowance for Working Capital	34,574	$ -	$ -	$ -	$ -	$ -	$ (29,950)	$ 4,624
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 2,412,232	$ (1,038)	$ (2,646)	$ -	$ -	$ -	$ (29,950)	$ 2,378,598

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	-		$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-		-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	54,555		54,555
5	310.3	Other Source of Supply Land	0.00%	0.00%	15,943		15,943
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	244,509		244,509
8	320	Pumping Plant Land	0.00%	0.00%	2,742		2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	22,043		22,043
10	325	Electtric Pumping Equipment	2.59%	5.88%	723,785		723,785
11	328	Gas Engine Equipment	2.59%	4.00%	-		-
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	35,054		35,054
14	332	Water Treatment Equipment	2.59%	2.86%	44,721		44,721
15	340	Transmission and Distribution Land	0.00%	0.00%	19,680		19,680
16	342	Storage Tanks	2.59%	2.00%	287,052		287,052
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,712,853		2,712,853
18	344	Fire Sprinkler Taps	2.59%	2.00%	-		-
19	345	Services	2.59%	2.38%	407,077		407,077
20	346	Meters	2.59%	4.55%	81,774		81,774
21	348	Hydrants	2.59%	1.82%	102,497		102,497
22	389	General Plant Land	0.00%	0.00%	-		-
23	390	General Plant Structures	2.59%	2.50%	28,141		28,141
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-		-
25	391	Office Furniture & Equipment	2.59%	6.67%	1,440		1,440
26	393	Warehouse Equipment	2.59%	5.00%	32		32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	12,557		12,557
28	395	Laboratory Equipment	2.59%	5.00%	146		146
29	396	Power Operated Equipment	2.59%	6.67%	-		-
30	397	Communication Equipment	2.59%	6.67%	51,514		51,514
31	398	Miscellaneous Equipment	2.59%	3.33%	-		-
32		**TOTAL DIRECT WATER PLANT**			$ 4,848,115	$ -	$ 4,848,115
33		Post Test Year Plant (PTYP)			224,864	(224,864)	-
34		**RUCO Total Water Plant In Service**			$ 5,072,979	$ (224,864)	$ 4,848,115
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			$ (1,456,060)		$ (1,456,060)
44		Accumulated Depreciation - PTYP			(116,245)	116,245	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (1,572,305)		$ (1,456,060)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,455,964)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (1,572,305)	$ -	$ (96)
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	5,706			-	60,261
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	15,943
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	96			6,334	244,605
8	320	Pumping Plant Land	0.00%	0.00%				-	2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	37,786	(2,120)		1,033	57,709
10	325	Electtric Pumping Equipment	2.59%	5.88%	7,158			18,839	730,943
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				908	35,054
14	332	Water Treatment Equipment	2.59%	2.86%	1,819			1,182	46,540
15	340	Transmission and Distribution Land	0.00%	0.00%				-	19,680
16	342	Storage Tanks	2.59%	2.00%	1,503			7,454	288,555
17	343	Transmission & Distribution Mains	2.59%	1.79%	158,945	(3,695)	(1,241)	72,257	2,866,862
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	15,513	(180)		10,742	422,410
20	346	Meters	2.59%	4.55%	1,978	(434)		2,138	83,318
21	348	Hydrants	2.59%	1.82%	1,728	(77)		2,676	104,148
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%	1,191			744	29,332
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	77			38	1,517
26	393	Warehouse Equipment	2.59%	5.00%				1	32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,441			344	13,998
28	395	Laboratory Equipment	2.59%	5.00%				4	146
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	444			1,340	51,958
31	398	Miscellaneous Equipment	2.59%	3.33%	3,074			40	3,074
32		**TOTAL DIRECT WATER PLANT**			$ 238,458	$ (6,506)	$ (1,241)	$ 126,073	$ 5,078,826
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 238,458	$ (6,506)	$ (1,241)	$ 126,073	$ 5,078,826
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(78)	
43		Accumulated Depreciation						(1,575,705)	$ (1,575,705)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,575,705)	$ (1,575,705)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,575,609)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,575,705)	$ (96)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	4,017			-	64,278
5	310.3	Other Source of Supply Land	0.00%	0.00%	3,750			-	19,693
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	188,000			8,770	432,605
8	320	Pumping Plant Land	0.00%	0.00%				-	2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				1,495	57,709
10	325	Electtric Pumping Equipment	2.59%	5.88%	6,982			19,022	737,925
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				908	35,054
14	332	Water Treatment Equipment	2.59%	2.86%				1,205	46,540
15	340	Transmission and Distribution Land	0.00%	0.00%				-	19,680
16	342	Storage Tanks	2.59%	2.00%				7,474	288,555
17	343	Transmission & Distribution Mains	2.59%	1.79%	508			74,258	2,867,370
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	31,284	(695)		11,337	452,999
20	346	Meters	2.59%	4.55%	4,896	(716)		2,212	87,499
21	348	Hydrants	2.59%	1.82%				2,697	104,148
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				760	29,332
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	1,347			57	2,864
26	393	Warehouse Equipment	2.59%	5.00%				1	32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,043			376	15,041
28	395	Laboratory Equipment	2.59%	5.00%				4	146
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	4,181	(2,013)		1,374	54,126
31	398	Miscellaneous Equipment	2.59%	3.33%	1,624			101	4,698
32		**TOTAL DIRECT WATER PLANT**			$ 247,632	$ (3,424)	$ -	$ 132,049	$ 5,323,034
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 247,632	$ (3,424)	$ -	$ 132,049	$ 5,323,034
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(115)	
43		Accumulated Depreciation						(1,704,445)	$ (1,704,445)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(1,704,445)	$ (1,704,445)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,704,349)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,704,445)	$ (96)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	418			-	418
4	310.1	Water Rights	0.00%	0.00%	2,204			-	66,482
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	19,693
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,135			12,974	433,740
8	320	Pumping Plant Land	0.00%	0.00%				-	2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				1,612	57,709
10	325	Electtric Pumping Equipment	2.59%	5.88%	49,838			38,581	787,763
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				884	35,054
14	332	Water Treatment Equipment	2.59%	2.86%				1,300	46,540
15	340	Transmission and Distribution Land	0.00%	0.00%				-	19,680
16	342	Storage Tanks	2.59%	2.00%				6,197	288,555
17	343	Transmission & Distribution Mains	2.59%	1.79%	10,833			57,168	2,878,203
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	20,841	(681)		11,264	473,159
20	346	Meters	2.59%	4.55%	34	(278)		3,547	87,255
21	348	Hydrants	2.59%	1.82%				2,096	104,148
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				740	29,332
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				162	2,864
26	393	Warehouse Equipment	2.59%	5.00%				1	32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,648			579	16,689
28	395	Laboratory Equipment	2.59%	5.00%				6	146
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	2,741			3,136	56,867
31	398	Miscellaneous Equipment	2.59%	3.33%				148	4,698
32		**TOTAL DIRECT WATER PLANT**			$ 89,692	$ (959)	$ -	$ 140,394	$ 5,411,767
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 89,692	$ (959)	$ -	$ 140,394	$ 5,411,767
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(102)	
43		Accumulated Depreciation						(1,843,983)	$ (1,843,983)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,843,983)	(1,843,983)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,842,760)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,843,983)	$ (1,223)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
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59 Acct. 310.4 - Wells - Other amortized over 24 years.
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Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	418
4	310.1	Water Rights	0.00%	0.00%	4,507			-	70,989
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	19,693
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	513			13,584	434,254
8	320	Pumping Plant Land	0.00%	0.00%				-	2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				1,650	57,709
10	325	Electtric Pumping Equipment	2.59%	5.88%	9,781	(1,960)		46,550	795,584
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				876	35,054
14	332	Water Treatment Equipment	2.59%	2.86%				1,331	46,540
15	340	Transmission and Distribution Land	0.00%	0.00%				-	19,680
16	342	Storage Tanks	2.59%	2.00%				5,771	288,555
17	343	Transmission & Distribution Mains	2.59%	1.79%	16,773			51,670	2,894,976
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	31,816	(697)		11,631	504,278
20	346	Meters	2.59%	4.55%	10,642	(1,076)		4,188	96,821
21	348	Hydrants	2.59%	1.82%	3,163	(838)		1,917	106,473
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				733	29,332
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				191	2,864
26	393	Warehouse Equipment	2.59%	5.00%				2	32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	3,619			740	20,307
28	395	Laboratory Equipment	2.59%	5.00%				7	146
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	251			3,801	57,118
31	398	Miscellaneous Equipment	2.59%	3.33%				156	4,698
32		**TOTAL DIRECT WATER PLANT**			$ 81,066	$ (4,571)	$ -	$ 144,800	$ 5,488,262
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 81,066	$ (4,571)	$ -	$ 144,800	$ 5,488,262
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,984,212)	$ (1,984,212)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,984,212)	(1,984,212)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,983,662)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,984,212)	$ (550)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	418
4	310.1	Water Rights	0.00%	0.00%	5,264			-	76,253
5	310.3	Other Source of Supply Land	0.00%	0.00%	5,052			-	24,745
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	447,803			20,600	882,057
8	320	Pumping Plant Land	0.00%	0.00%				-	2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	14,477			1,857	72,186
10	325	Electtric Pumping Equipment	2.59%	5.88%	90,597	(9,273)		49,171	876,908
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				876	35,054
14	332	Water Treatment Equipment	2.59%	2.86%				1,331	46,540
15	340	Transmission and Distribution Land	0.00%	0.00%				-	19,680
16	342	Storage Tanks	2.59%	2.00%				5,771	288,555
17	343	Transmission & Distribution Mains	2.59%	1.79%	798,156			58,964	3,693,133
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	36,817	(465)		12,434	540,630
20	346	Meters	2.59%	4.55%	12,470	(1,815)		4,648	107,475
21	348	Hydrants	2.59%	1.82%	2,574	(470)		1,957	108,577
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				733	29,332
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				191	2,864
26	393	Warehouse Equipment	2.59%	5.00%				2	32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	917			831	21,225
28	395	Laboratory Equipment	2.59%	5.00%				7	146
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	2,204			3,883	59,322
31	398	Miscellaneous Equipment	2.59%	3.33%				156	4,698
32		**TOTAL DIRECT WATER PLANT**			$ 1,416,331	$ (12,023)	$ -	$ 163,414	$ 6,892,570
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,416,331	$ (12,023)	$ -	$ 163,414	$ 6,892,570
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(410)	
43		Accumulated Depreciation						(2,136,013)	$ (2,136,013)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,136,013)	(2,136,013)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,135,463)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,136,013)	$ (550)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				21	418
4	310.1	Water Rights	0.00%	0.00%	16,869			-	93,122
5	310.3	Other Source of Supply Land	0.00%	0.00%			(52)	-	24,693
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	185		52	27,612	882,293
8	320	Pumping Plant Land	0.00%	0.00%				-	2,742
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				2,065	72,186
10	325	Electtric Pumping Equipment	2.59%	5.88%	1			51,562	876,909
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				876	35,054
14	332	Water Treatment Equipment	2.59%	2.86%	22,480			1,653	69,020
15	340	Transmission and Distribution Land	0.00%	0.00%				-	19,680
16	342	Storage Tanks	2.59%	2.00%	17,571			5,947	306,126
17	343	Transmission & Distribution Mains	2.59%	1.79%	61,186	(2,021)		66,637	3,752,298
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	44,057		(160)	13,389	584,527
20	346	Meters	2.59%	4.55%	3,403		(293)	4,961	110,585
21	348	Hydrants	2.59%	1.82%	13,361			2,098	121,938
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				733	29,332
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	399			204	3,262
26	393	Warehouse Equipment	2.59%	5.00%				2	32
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	304			855	21,529
28	395	Laboratory Equipment	2.59%	5.00%				7	146
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	1,194			3,997	60,515
31	398	Miscellaneous Equipment	2.59%	3.33%				156	4,698
32		**TOTAL DIRECT WATER PLANT**			$ 181,010	$ (2,021)	$ (453)	$ 182,775	$ 5,941,397
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 181,010	$ (2,021)	$ (453)	$ 182,775	$ 5,941,397
35									
36		**Company Direct Plant As Filed**							5,941,397
37									
38		**RUCO Direct Plant Adjustment**							$ 0
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(2,316,766)	$ (2,316,766)
44		Accumulated Depreciation - PTYP				Less: Company RB Adj. #4		32,694	32,694
45		RUCO Total Accumulated Depreciation - Calculated						(2,284,072)	(2,284,072)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,283,070)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,284,072)	$ (1,002)
49									
50		**RUCO Net Adjustment**							$ (1,002)
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		*Accumulated Depreciation*					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
			Dec. 58120 1/1/1993 To Present					
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56	Notes					
57	Acct. 302 - Franchises amortized over 25 years.					
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59	Acct. 310.4 - Wells - Other amortized over 24 years.					
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 15	$ -	2.28%	$ -
2	302	Franchises	-	-	2.28%	-
3	303	Other Intangibles	612	-	2.28%	-
4	310.1	Water Rights	93,122	-	2.28%	-
5	310.3	Other Source of Supply Land	24,695	-	2.28%	-
6	310.4	Wells - Other	-	-	2.28%	-
7	314	Wells	882,293	-	2.28%	-
8	320	Pumping Plant Land	2,742	-	2.28%	-
9	321	Pumping Plant Structures & Imprm'ts	72,186	-	2.28%	-
10	325	Electtric Pumping Equipment	876,909	-	2.28%	-
11	328	Gas Engine Equipment	-	-	2.28%	-
12	330	Water Treatment Plant Land	-	-	2.28%	-
13	331	Water Treatment Structures & Imprm'ts	35,054	-	2.28%	-
14	332	Water Treatment Equipment	69,067	-	2.28%	-
15	340	Transmission and Distribution Land	19,680	-	2.28%	-
16	342	Storage Tanks	306,126	-	2.28%	-
17	343	Transmission & Distribution Mains	3,752,436	-	2.28%	-
18	344	Fire Sprinkler Taps	-	-	2.28%	-
19	345	Services	584,527	-	2.28%	-
20	346	Meters	110,585	-	2.28%	-
21	348	Hydrants	121,938	-	2.28%	-
22	389	General Plant Land	-	-	2.28%	-
23	390	General Plant Structures	31,501	120,057	2.28%	2,737
24	390.1	Leasehold Improvements	30,004	-	2.28%	-
25	391	Office Furniture & Equipment	104,701	-	2.28%	-
26	393	Warehouse Equipment	166	-	2.28%	-
27	394	Tools, Shop & Garage Equipment	27,072	-	2.28%	-
28	395	Laboratory Equipment	236	-	2.28%	-
29	396	Power Operated Equipment	33	-	2.28%	-
30	397	Communication Equipment	64,077	-	2.28%	-
31	398	Miscellaneous Equipment	4,862	-	2.28%	-
32		Less: Company RB Adj. #4	(1,129,708)			
33		**TOTAL PTY WATER PLANT**	$ 6,084,930	$ 120,057		$ 2,737
34		Company As Filed	$ 6,084,930	120,057		2,737
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (2,737)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 91
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 10,481	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(19,469)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (29,950)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 119	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	119	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 11,729	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	11,729	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 12,245	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	12,245	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (29,950)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 149,736	$ -	$ 149,736	35.92	$ 5,378,517
2	Payroll	211,104	(6,903)	204,201	14.00	2,858,820
3	Purchased Water	-	-	-	-	-
4	Chemicals	575	-	575	20.43	11,745
5	Property & Liability Insurance	6,811	-	6,811	(45.27)	(308,334)
6	Workman's Compensation Insurance	3,405	-	3,405	(46.50)	(158,333)
7	Health Insurance	52,643	(20)	52,623	(8.92)	(469,396)
8	Other Operating & Maintenance Expenses	163,327	(3,800)	159,527	30.00	4,785,810
9	Federal Current Income Taxes	75,869	(40,986)	34,883	37.00	1,290,686
10	State Current Income Taxes	16,713	(6,797)	9,916	37.00	366,896
11	FICA Taxes	15,314	(516)	14,798	14.00	207,175
12	FUTA & SUTA Taxes	366	-	366	83.10	30,415
13	Property Taxes	53,921	(3,217)	50,704	212.00	10,749,206
14	Registration, Svc. Contracts, & Misc. Fees	13,350	-	13,350	(98.83)	(1,319,381)
15	Retirement Annuities (401k)	17,376	(579)	16,797	34.72	583,178
16	Subtotal	780,510	(62,818)	717,692		24,007,007
17	Synchronized Interest	$ 89,467	$ (1,247)	$ 88,220	91.25	$ 8,050,080
18	Cost of Equity	147,275	(147,275)	-	-	-
19	Subtotal	$ 236,742	$ (148,522)	$ 88,220		$ 8,050,080
20	Total	$ 1,017,252	$ (211,340)	$ 805,912		$ 32,057,087

21	Expense Lag	Line 17, Col. (E) / (C)	39.78
22	Revenue Lag	Company B-5 Schedules	30.96
23	Net Lag	Line 18 - Line 17	(8.82)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 805,912
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(19,469)
26	Company As Filed	Co. Schedule B-6, Page 1	10,481
27	Difference	Line 21 - Line 22	$ (29,950)
28	ADJUSTMENT	Line 27	$ (29,950)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 864,595	$ -	$ 864,595	$ (39,384)	$ 825,211
2	Commercial	229,443	-	229,443	(30,031)	199,412
3	Industrial	-	-	-	-	-
4	Private Fire Service	56	-	56	244	300
5	Other Water Revenues	21,015	-	21,015	(1,206)	19,809
6	Total Water Revenues	$ 1,115,109	$ -	$ 1,115,109	$ (70,377)	$ 1,044,732
7	Miscellaneous	$ 11,106	$ -	$ 11,106	$ (106)	$ 11,001
8	Total Operating Revenues	$ 1,126,215	$ -	$ 1,126,215	$ (70,482)	$ 1,055,732
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	9,508	-	9,508	-	9,508
11	Pumping Expenses:	-				
12	Purchased Power	149,736	-	149,736	-	149,736
13	Purchased Gas	-	-	-	-	-
14	Other	38,603	-	38,603	-	38,603
15	Water Treatment Expenses	15,542	-	15,542	-	15,542
16	Transmission & Distribution Expenses	152,010	-	152,010	-	152,010
17	Customer Accounting Expenses	100,428	-	100,428	-	100,428
18	Sales Expense	549	-	549	-	549
19	Administrative & General Expenses	151,950	(9,022)	142,928	-	142,928
20	Total Operations & Maintenance Expense	$ 618,326	$ (9,022)	$ 609,304	$ -	$ 609,304
21	Depreciation & Amortization Expenses	$ 181,393	$ (28,140)	$ 153,253	$ -	$ 153,253
	Taxes					
22	Federal Income Taxes	$ 53,978	$ (1,818)	$ 52,160	$ (17,277)	$ 34,883
23	State Income Taxes	11,891	2,936	14,827	(4,911)	9,916
24	Property Taxes	53,921	(3,217)	50,704	-	50,704
25	Other	12,458	(516)	11,942	-	11,942
26	Total Taxes	$ 132,248	$ (2,614)	$ 129,633	$ (22,188)	$ 107,445
27	Total Operating Expenses	$ 931,966	$ (39,776)	$ 892,191	$ (22,188)	$ 870,002
28	Operating Income	$ 194,248	$ 39,776	$ 234,024	$ (48,294)	$ 185,730

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 864,595	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 864,595
2	Commercial	229,443	-	-	-	-	-	-	-	-	-	-	229,443
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	56	-	-	-	-	-	-	-	-	-	-	56
5	Other Water Revenues	21,015	-	-	-	-	-	-	-	-	-	-	21,015
6	Total Water Revenues	$ 1,115,109	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,115,109
7	Miscellaneous	$ 11,106	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,106
8	Total Operating Revenues	$ 1,126,215	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,126,215
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	9,508	-	-	-	-	-	-	-	-	-	-	9,508
11	Pumping Expenses:												
12	Purchased Power	149,736	-	-	-	-	-	-	-	-	-	-	149,736
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	38,603	-	-	-	-	-	-	-	-	-	-	38,603
15	Water Treatment Expenses	15,542	-	-	-	-	-	-	-	-	-	-	15,542
16	Transmission & Distribution Expenses	152,010	-	-	-	-	-	-	-	-	-	-	152,010
17	Customer Accounting Expenses	100,428	-	-	-	-	-	-	-	-	-	-	100,428
18	Sales Expense	549	-	-	-	-	-	-	-	-	-	-	549
19	Administrative & General Expenses	151,950	(6,903)	-	(579)	-	-	(20)	-	-	(1,520)	-	142,928
20	Total Operations & Maintenance Expense	$ 618,326	$ (6,903)	$ -	$ (579)	$ -	$ -	$ (20)	$ -	$ -	$ (1,520)	$ -	$ 609,304
21	Depreciation & Amortization Expenses	$ 181,393	$ -	$ -	$ -	$ -	$ -	$ -	$ (28,140)	$ -	$ -	$ -	$ 153,253
	Taxes												
22	Federal Income Taxes	$ 53,978	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,818)	$ 52,160
23	State Income Taxes	11,891	-	-	-	-	-	-	-	-	-	2,936	14,827
24	Property Taxes	53,921	-	-	-	-	-	-	-	(3,217)	-	-	50,704
25	Other	12,458	-	(516)	-	-	-	-	-	-	-	-	11,942
26	Total Taxes	$ 132,248	$ -	$ (516)	$ -	$ -	$ -	$ -	$ -	$ (3,217)	$ -	$ 1,119	$ 129,633
27	Total Operating Expenses	$ 931,966	$ (6,903)	$ (516)	$ (579)	$ -	$ -	$ (20)	$ (28,140)	$ (3,217)	$ (1,520)	$ 1,119	$ 892,191
28	Operating Income	$ 194,248	$ 6,903	$ 516	$ 579	$ -	$ -	$ 20	$ 28,140	$ 3,217	$ 1,520	$ (1,119)	$ 234,024

ADJUSTMENTS:	REFERENCE:
1 Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 Reverse Adjustment for Conservation	Testimony WAR
5 Purchased Power Revenues	Testimony WAR
6 Insurance Expense	Testimony, WAR And Schedule TJC-10
7 Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 Rate Case Expense	Testimony, WAR And Schedule TJC-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		2.28%
21			
22	RUCO Adjustment		$ (6,903)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				
42	**Calculation Notes:**			
43	Average of Hourly Rate	$ 21.65		
44	OT Hourly Rate 1.5	32.48		

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.28%
6		
7	RUCO Allocated Payroll by District	$ 6,903
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (516)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
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26		
27		
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30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.28%
6		
7	RUCO Allocated Payroll by District	$ 6,903
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (579)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 15	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	612	See Acct. 111	21
4	310.1	Water Rights	93,122	0.00%	-
5	310.3	Other Source of Supply Land	24,695	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	453,292	3.13%	14,188
8	320	Pumping Plant Land	2,742	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	72,186	2.86%	2,065
10	325	Electtric Pumping Equipment	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 & Imprm'ts	35,054	2.50%	876
14	332	Water Treatment Equipment	69,067	2.86%	1,975
15	340	Transmission and Distribution Land	19,680	0.00%	-
16	342	Storage Tanks	306,126	2.00%	6,123
17	343	Transmission & Distribution Mains	3,051,729	1.79%	54,626
18	344	Fire Sprinkler Taps	-	2.00%	-
19	345	Services	584,527	2.38%	13,912
20	346	Meters	110,585	4.55%	5,032
21	348	Hydrants	121,938	1.82%	2,219
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	31,501	2.50%	788
24	390.1	Leasehold Improvements	30,004	See Acct. 108.2	-
25	391	Office Furniture & Equipment	101,964	6.67%	6,801
26	393	Warehouse Equipment	166	5.00%	8
27	394	Tools, Shop & Garage Equipment	27,072	4.00%	1,083
28	395	Laboratory Equipment	236	5.00%	12
29	396	Power Operated Equipment	33	6.67%	2
30	397	Communication Equipment	64,077	6.67%	4,274
31	398	Miscellaneous Equipment	4,862	3.33%	162
32		Rounding	(1)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 6,082,193		$ 165,728
34					
35		*AMORTIZATION OF CONTRIBUTIONS*	(623,732)	2.00%	(12,475)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 153,253
38					
39	Company As Filed				181,393
40	Difference				$ (28,140)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (28,140)
43					
44					

45	3-Factor Allocator By District:			
46	Superstition	24.94%	White Tank	2.37%
47	Bisbee	4.98%	Ajo	0.81%
48	Sierra Vista	2.58%	Coolidge	5.27%
49	San Manuel	1.68%	Lakeside	6.20%
50	Oracle	2.28%	Overgaard	3.99%
51	Winkelman	0.22%	Sedona	8.45%
52	Miami	4.98%	Pinewood	2.95%
53	Casa Grande	26.55%	Rimrock	1.48%
54	Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,126,215	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,126,215	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	1,055,732	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 3,308,162	
5	Average Annual Operating Revenues	Line 4 / 3	1,102,721	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 2,205,441
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 58,037	
8	10% Of CWIP	Line 7 X 10%		$ 5,804
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (1,929)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 2,209,316
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 497,096	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	10.20%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	10.20%	
	Property Tax			$ 50,704
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 50,704
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		53,921
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (3,217)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (3,217)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			2.28%
3	Oracle System (Line 1 X Line 2)			$ 6,840
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 2,280
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 3,800
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (1,520)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (1,520)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 301,012
	LESS:		
2	Arizona State Tax	Line 11	14,827
3	Interest Expense	Note (A) Line 21	88,220
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 197,965
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	26.35%
6	Federal Income Tax Expense	Line 4 X line 5	$ 52,160
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 301,012
	LESS:		
8	Interest Expense	Note (A) Line 21	88,220
9	State Taxable Income	Line 7 - Line 8	$ 212,792
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 14,827
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 52,160
13	State Income Tax Expense	Line 11	14,827
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 66,988
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		53,978
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		11,891
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ (1,818)
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 2,936

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 2,378,598
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 88,220

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Winkelman System

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

Winkelman System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 325,142	$ 338,318
2	Adjusted Operating Income (Loss)	$ 10,198	$ 12,946
3	Current Rate of Return (L2 / L1)	3.14%	3.83%
4	Required Operating Income (L5 X L1)	$ 31,910	$ 26,417
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 21,712	$ 13,471
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.2646
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 35,361	$ 17,035
9	Adjusted Test Year Revenue	$ 98,722	$ 98,722
10	Proposed Annual Revenue (L8 + L9)	$ 134,083	$ 115,757
11	Required Percentage Increase in Revenue (L8 / L9)	35.82%	17.26%
12	Consolidated Revenue Adjustment	$ -	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ -	$ -
14	Required Revenue Under Company Proposed Consolidation	$ -	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.2092			
3	Subtotal (L1 - L2)	0.7908			
4	**Revenue Conversion Factor** (L1 / L3)	**1.2646**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	15.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	13.9548%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	20.9228%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 26,417			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	12,946			
13	Required Increase In Operating Income (L11 - L12)		$ 13,471		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 3,670			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	105			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 3,564		
17	Total Required Increase In Revenue (L13 + L16)		$ 17,035		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 115,757	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			85,670	
20	Synchronized Interest (Col. (C), L37)			12,548	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 17,539	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 1,222
24	Fed. Taxable Income (L21 - L23)			$ 16,317	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 2,448	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ -	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ -	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ -	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 2,448
31	Combined Federal and State Income Tax (L23 + L30)				$ 3,670
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 105
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 3,564
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				15.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 338,318	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 12,548	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 2,137	$ -	$ 2,137
2	Source of Supply Plant	51,263	(66,360)	(15,097)
3	Pumping Plant	163,932	-	163,932
4	Water Treatment Plant	39,948	-	39,948
5	Transmission & Distribution Plant	265,881	-	265,881
6	General Plant	31,008	(264)	30,744
7	Total Gross Plant in Service	$ 554,169	$ (66,624)	$ 487,545
8	Accumulated Depreciation	(167,152)	82,806	(84,345)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 387,018	$ 16,182	$ 403,200
10	Advances in Aid Of Const.	$ (18,649)	$ -	$ (18,649)
11	Contribution in Aid of Const.	$ (1,835)	$ -	$ (1,835)
12	Accumulated Amortization of CIAC	506	-	506
13	NET CIAC (L5 + L6)	$ (1,329)	$ -	$ (1,329)
14	Deferred Income Tax	$ (42,163)	$ -	$ (42,163)
15	Allowance for Working Capital	$ 266	$ (3,007)	$ (2,741)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 325,142	$ 13,175	$ 338,318

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

Winkelman System
Schedule TJC-3
Page 1 of 1

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 2,137	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,137
2	Source of Supply Plant	51,263	-	-	(66,360)	-	-	-	(15,097)
3	Pumping Plant	163,932	-	-	-	-	-	-	163,932
4	Water Treatment Plant	39,948	-	-	-	-	-	-	39,948
5	Transmission & Distribution Plant	265,881	-	-	-	-	-	-	265,881
6	General Plant	31,008	-	(264)	-	-	-	-	30,744
7	Total Gross Plant in Service	$ 554,169	$ -	$ (264)	$ (66,360)	$ -	$ -	$ -	$ 487,545
8	Accumulated Depreciation	(167,152)	3,162	9	79,635	-	-	-	(84,345)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 387,018	$ 3,162	$ (255)	$ 13,275	$ -	$ -	$ -	$ 403,200
10	Advances in Aid Of Const.	$ (18,649)	$ -	$ -	$ -	$ -	$ -	$ -	$ (18,649)
11	Contribution in Aid of Const.	$ (1,835)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,835)
12	Accumulated Amortization of CIAC	506	-	-	-	-	-	-	506
13	NET CIAC (L5 + L6)	$ (1,329)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,329)
14	Deferred Income Tax	$ (42,163)	$ -	$ -	$ -	$ -	$ -	$ -	$ (42,163)
15	Allowance for Working Capital	266	$ -	$ -	$ -	$ -	$ -	$ (3,007)	$ (2,741)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 325,142	$ 3,162	$ (255)	$ 13,275	$ -	$ -	$ (3,007)	$ 338,318

References:

Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	-		$ -
2	302	Franchises	See Acct. 111	See Acct. 111	2,072		2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	432		432
5	310.3	Other Source of Supply Land	0.00%	0.00%	422		422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	48,327		48,327
8	320	Pumping Plant Land	0.00%	0.00%	-		-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	6,073		6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%	89,117		89,117
11	328	Gas Engine Equipment	2.59%	4.00%	-		-
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	3,906		3,906
14	332	Water Treatment Equipment	2.59%	2.86%	16,417		16,417
15	340	Transmission and Distribution Land	0.00%	0.00%	-		-
16	342	Storage Tanks	2.59%	2.00%	28,861		28,861
17	343	Transmission & Distribution Mains	2.59%	1.79%	116,404		116,404
18	344	Fire Sprinkler Taps	2.59%	2.00%	-		-
19	345	Services	2.59%	2.38%	51,591		51,591
20	346	Meters	2.59%	4.55%	19,182		19,182
21	348	Hydrants	2.59%	1.82%	16,294		16,294
22	389	General Plant Land	0.00%	0.00%	-		-
23	390	General Plant Structures	2.59%	2.50%	127		127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-		-
25	391	Office Furniture & Equipment	2.59%	6.67%	-		-
26	393	Warehouse Equipment	2.59%	5.00%	-		-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	1,296		1,296
28	395	Laboratory Equipment	2.59%	5.00%	-		-
29	396	Power Operated Equipment	2.59%	6.67%	-		-
30	397	Communication Equipment	2.59%	6.67%	10,734		10,734
31	398	Miscellaneous Equipment	2.59%	3.33%	-		-
32		**TOTAL DIRECT WATER PLANT**			$ 411,255	$ -	$ 411,255
33		Post Test Year Plant (PTYP)			10,703	(10,703)	-
34		**RUCO Total Water Plant In Service**			$ 421,958	$ (10,703)	$ 411,255
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(113,182)		$ (113,182)
44		Accumulated Depreciation - PTYP			-	-	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (113,182)		$ (113,182)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(116,356)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (113,182)	$ -	$ 3,174
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	193			-	625
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				1,252	48,327
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				157	6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%	8,899	(11,559)		2,274	86,457
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				101	3,906
14	332	Water Treatment Equipment	2.59%	2.86%	8,399			534	24,816
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	41			748	28,902
17	343	Transmission & Distribution Mains	2.59%	1.79%				3,015	116,404
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	9			1,336	51,600
20	346	Meters	2.59%	4.55%	1,743	(110)	(55)	517	20,759
21	348	Hydrants	2.59%	1.82%				422	16,294
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				3	127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				34	1,296
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	2,036			304	12,770
31	398	Miscellaneous Equipment	2.59%	3.33%	465			6	465
32		**TOTAL DIRECT WATER PLANT**			$ 21,785	$ (11,669)	$ (55)	$ 10,704	$ 421,316
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 21,785	$ (11,669)	$ (55)	$ 10,704	$ 421,316
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(73)	
41								-	
42		Net (Salvage)/Cost of Removal						(18)	
43		Accumulated Depreciation						(112,308)	$ (112,308)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(112,308)	$ (112,308)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(115,485)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (112,308)	$ 3,177
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other Intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	290			-	915
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				1,252	48,327
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				157	6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%	228			2,242	86,685
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				101	3,906
14	332	Water Treatment Equipment	2.59%	2.86%				643	24,816
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				749	28,902
17	343	Transmission & Distribution Mains	2.59%	1.79%	27	(68)		3,014	116,363
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	954	(87)		1,348	52,467
20	346	Meters	2.59%	4.55%		(174)		535	20,585
21	348	Hydrants	2.59%	1.82%				422	16,294
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				3	127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				34	1,296
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	1,050			344	13,820
31	398	Miscellaneous Equipment	2.59%	3.33%				12	465
32		**TOTAL DIRECT WATER PLANT**			$ 2,549	$ (329)	$ -	$ 10,856	$ 423,536
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 2,549	$ (329)	$ -	$ 10,856	$ 423,536
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(73)	
41									
42		Net (Salvage)/Cost of Removal						(22)	
43		Accumulated Depreciation						(122,930)	$ (122,930)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(122,930)	$ (122,930)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(126,107)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (122,930)	$ 3,177
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Winkelman System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111	45			-	45
4	310.1	Water Rights	0.00%	0.00%	155			-	1,070
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				1,447	48,327
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				170	6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%	30,997	(22,825)		4,591	94,858
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				99	3,906
14	332	Water Treatment Equipment	2.59%	2.86%				693	24,816
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				621	28,902
17	343	Transmission & Distribution Mains	2.59%	1.79%	6	(274)		2,313	116,095
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	12,243	(89)		1,424	64,621
20	346	Meters	2.59%	4.55%		(129)		833	20,456
21	348	Hydrants	2.59%	1.82%				328	16,294
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				3	127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				47	1,296
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	514			795	14,334
31	398	Miscellaneous Equipment	2.59%	3.33%				15	465
32		**TOTAL DIRECT WATER PLANT**			$ 43,959	$ (23,317)	$ -	$ 13,378	$ 444,178
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 43,959	$ (23,317)	$ -	$ 13,378	$ 444,178
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(73)	
41								-	
42		Net (Salvage)/Cost of Removal						(28)	
43		Accumulated Depreciation						(113,093)	$ (113,093)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(113,093)	(113,093)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(116,190)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (113,093)	$ 3,097
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	45
4	310.1	Water Rights	0.00%	0.00%	280			-	1,350
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				1,513	48,327
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				174	6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%				5,578	94,858
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				98	3,906
14	332	Water Treatment Equipment	2.59%	2.86%				710	24,816
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				578	28,902
17	343	Transmission & Distribution Mains	2.59%	1.79%	605			2,084	116,699
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	3,077			1,575	67,698
20	346	Meters	2.59%	4.55%	2,248	(109)		979	22,595
21	348	Hydrants	2.59%	1.82%				297	16,294
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				3	127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	652			65	1,948
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%				956	14,334
31	398	Miscellaneous Equipment	2.59%	3.33%				15	465
32		**TOTAL DIRECT WATER PLANT**			$ 6,861	$ (109)	$ -	$ 14,623	$ 450,930
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 6,861	$ (109)	$ -	$ 14,623	$ 450,930
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(73)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(127,680)	$ (127,680)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(127,680)	(127,680)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(130,845)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (127,680)	$ 3,165
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	45
4	310.1	Water Rights	0.00%	0.00%	438			-	1,788
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				1,513	48,327
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				174	6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%	50,589			7,065	145,447
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				98	3,906
14	332	Water Treatment Equipment	2.59%	2.86%	292			714	25,108
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				578	28,902
17	343	Transmission & Distribution Mains	2.59%	1.79%	411			2,093	117,110
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	500			1,617	68,197
20	346	Meters	2.59%	4.55%	1,802	(247)		1,063	24,149
21	348	Hydrants	2.59%	1.82%				297	16,294
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				3	127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	174			81	2,122
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%				956	14,334
31	398	Miscellaneous Equipment	2.59%	3.33%				15	465
32		**TOTAL DIRECT WATER PLANT**			$ 54,205	$ (247)	$ -	$ 16,267	$ 504,888
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 54,205	$ (247)	$ -	$ 16,267	$ 504,888
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(35)	
43		Accumulated Depreciation						(143,735)	$ (143,735)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(143,735)	(143,735)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(146,900)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (143,735)	$ 3,165
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	2,072
3	303	Other Intangibles	See Acct. 111	See Acct. 111				2	45
4	310.1	Water Rights	0.00%	0.00%	726			-	2,514
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	422
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				1,513	48,327
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				174	6,073
10	325	Electtric Pumping Equipment	2.59%	5.88%	12,412			8,917	157,859
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				98	3,906
14	332	Water Treatment Equipment	2.59%	2.86%	10,930			874	36,038
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				578	28,902
17	343	Transmission & Distribution Mains	2.59%	1.79%				2,096	117,110
18	344	Fire Sprinkler Taps	2.59%	2.00%				-	-
19	345	Services	2.59%	2.38%	1,228			1,638	69,426
20	346	Meters	2.59%	4.55%		(130)		1,096	24,019
21	348	Hydrants	2.59%	1.82%	10,559	(443)		389	26,410
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				3	127
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				85	2,122
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	149			961	14,482
31	398	Miscellaneous Equipment	2.59%	3.33%				15	465
32		**TOTAL DIRECT WATER PLANT**			$ 36,004	$ (573)	$ -	$ 18,439	$ 540,319
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 36,004	$ (573)	$ -	$ 18,439	$ 540,319
35									
36		**Company Direct Plant As Filed**							540,319
37									
38		**RUCO Direct Plant Adjustment**							$ 0
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(161,600)	$ (161,600)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(161,600)	(161,600)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(164,766)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (161,600)	$ 3,166
49									
50		**RUCO Net Adjustment**							$ 3,166
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	*Electric Pumping* Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 1	$ -	0.22%	$ -
2	302	Franchises	2,072	-	0.22%	-
3	303	Other Intangibles	63	-	0.22%	-
4	310.1	Water Rights	2,514	-	0.22%	-
5	310.3	Other Source of Supply Land	422	-	0.22%	-
6	310.4	Wells - Other	-	-	0.22%	-
7	314	Wells	48,327	-	0.22%	-
8	320	Pumping Plant Land	-	-	0.22%	-
9	321	Pumping Plant Structures & Imprm'ts	6,073	-	0.22%	-
10	325	Electtric Pumping Equipment	157,859	-	0.22%	-
11	328	Gas Engine Equipment	-	-	0.22%	-
12	330	Water Treatment Plant Land	-	-	0.22%	-
13	331	Water Treatment Structures & Imprm'ts	3,906	-	0.22%	-
14	332	Water Treatment Equipment	36,043	-	0.22%	-
15	340	Transmission and Distribution Land	-	-	0.22%	-
16	342	Storage Tanks	28,902	-	0.22%	-
17	343	Transmission & Distribution Mains	117,123	-	0.22%	-
18	344	Fire Sprinkler Taps	-	-	0.22%	-
19	345	Services	69,426	-	0.22%	-
20	346	Meters	24,019	-	0.22%	-
21	348	Hydrants	26,410	-	0.22%	-
22	389	General Plant Land	-	-	0.22%	-
23	390	General Plant Structures	336	-	0.22%	-
24	390.1	Leasehold Improvements	2,895	-	0.22%	-
25	391	Office Furniture & Equipment	9,788	120,057	0.22%	264
26	393	Warehouse Equipment	13	-	0.22%	-
27	394	Tools, Shop & Garage Equipment	2,657	-	0.22%	-
28	395	Laboratory Equipment	9	-	0.22%	-
29	396	Power Operated Equipment	3	-	0.22%	-
30	397	Communication Equipment	14,826	-	0.22%	-
31	398	Miscellaneous Equipment	481	-	0.22%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 554,169	$ 120,057		$ 264
34		Company As Filed	$ 554,169	120,057		264
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (264)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 9
40						
41						
42		References:				
43		Column (A): Company Schedules B-2				
44		Column (B): Post Test Year Phoenix Office Plant Allocation				
45		Column (C): 3-Factor Allocator				
46		Column (D): Adjustment				

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ (2,061)	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(5,068)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (3,007)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 13	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	13	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 1,132	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	1,132	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 1,182	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	1,182	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (3,007)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 7,310	$ -	$ 7,310	35.92	$ 262,575
2	Payroll	23,622	(666)	22,956	14.00	321,383
3	Purchased Water	-	-	-	-	-
4	Chemicals	-	-	-	20.43	-
5	Property & Liability Insurance	657	-	657	(45.27)	(29,742)
6	Workman's Compensation Insurance	329	-	329	(46.50)	(15,299)
7	Health Insurance	5,925	(2)	5,923	(8.92)	(52,831)
8	Other Operating & Maintenance Expenses	16,768	(367)	16,401	30.00	492,030
9	Federal Current Income Taxes	10,226	(7,778)	2,448	37.00	90,558
10	State Current Income Taxes	2,253	(1,031)	1,222	37.00	45,218
11	FICA Taxes	1,478	(50)	1,428	14.00	19,995
12	FUTA & SUTA Taxes	35	-	35	83.10	2,909
13	Property Taxes	10,675	(816)	9,859	212.00	2,090,096
14	Registration, Svc. Contracts, & Misc. Fees	1,288	-	1,288	(98.83)	(127,293)
15	Retirement Annuities (401k)	1,956	(56)	1,900	34.72	65,971
16	Subtotal	82,522	(10,766)	71,756		3,165,570
17	Synchronized Interest	$ 12,059	$ 489	$ 12,548	91.25	$ 1,144,996
18	Cost of Equity	19,851	(19,851)	-	-	-
19	Subtotal	$ 31,910	$ (19,362)	$ 12,548		$ 1,144,996
20	Total	$ 114,432	$ (30,128)	$ 84,304		$ 4,310,566

21	Expense Lag	Line 17, Col. (E) / (C)	51.13
22	Revenue Lag	Company B-5 Schedules	29.19
23	Net Lag	Line 18 - Line 17	(21.94)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 84,304
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(5,068)
26	Company As Filed	Co. Schedule B-6, Page 1	(2,061)
27	Difference	Line 21 - Line 22	$ (3,007)
28	ADJUSTMENT	Line 27	$ (3,007)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 44,901	$ -	$ 44,901	$ 12,279	$ 57,180
2	Commercial	50,096	-	50,096	4,109	54,204
3	Industrial	1,774	-	1,774	691	2,464
4	Private Fire Service	-	-	-	-	-
5	Other Water Revenues	749	-	749	(42)	707
6	Total Water Revenues	$ 97,519	$ -	$ 97,519	$ 17,037	$ 114,556
7	Miscellaneous	$ 1,203	$ -	$ 1,203	$ (2)	$ 1,201
8	Total Operating Revenues	$ 98,722	$ -	$ 98,722	$ 17,035	$ 115,757
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	897	-	897	-	897
11	Pumping Expenses:	-				
12	Purchased Power	7,310	-	7,310	-	7,310
13	Purchased Gas	-	-	-	-	-
14	Other	4,150	-	4,150	-	4,150
15	Water Treatment Expenses	1,372	-	1,372	-	1,372
16	Transmission & Distribution Expenses	16,618	-	16,618	-	16,618
17	Customer Accounting Expenses	11,332	-	11,332	-	11,332
18	Sales Expense	58	-	58	-	58
19	Administrative & General Expenses	16,116	(871)	15,245	-	15,245
20	Total Operations & Maintenance Expense	$ 57,855	$ (871)	$ 56,984	$ -	$ 56,984
21	Depreciation & Amortization Expenses	$ 19,928	$ (2,286)	$ 17,642	$ -	$ 17,642
	Taxes					
22	Federal Income Taxes	$ (959)	$ 1,029	$ 70	$ 2,377	$ 2,448
23	State Income Taxes	(211)	246	35	1,187	1,222
24	Property Taxes	10,675	(816)	9,859	-	9,859
25	Other	1,235	(50)	1,186	-	1,186
26	Total Taxes	$ 10,741	$ 409	$ 11,150	$ 3,564	$ 14,714
27	Total Operating Expenses	$ 88,524	$ (2,748)	$ 85,776	$ 3,564	$ 89,340
28	Operating Income	$ 10,198	$ 2,748	$ 12,946	$ 13,471	$ 26,417

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

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

Winkelman System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 44,901	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,901
2	Commercial	50,096	-	-	-	-	-	-	-	-	-	-	50,096
3	Industrial	1,774	-	-	-	-	-	-	-	-	-	-	1,774
4	Private Fire Service	-	-	-	-	-	-	-	-	-	-	-	-
5	Other Water Revenues	749	-	-	-	-	-	-	-	-	-	-	749
6	Total Water Revenues	$ 97,519	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 97,519
7	Miscellaneous	$ 1,203	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,203
8	Total Operating Revenues	$ 98,722	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 98,722
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	897	-	-	-	-	-	-	-	-	-	-	897
11	Pumping Expenses:												
12	Purchased Power	7,310	-	-	-	-	-	-	-	-	-	-	7,310
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	4,150	-	-	-	-	-	-	-	-	-	-	4,150
15	Water Treatment Expenses	1,372	-	-	-	-	-	-	-	-	-	-	1,372
16	Transmission & Distribution Expenses	16,618	-	-	-	-	-	-	-	-	-	-	16,618
17	Customer Accounting Expenses	11,332	-	-	-	-	-	-	-	-	-	-	11,332
18	Sales Expense	58	-	-	-	-	-	-	-	-	-	-	58
19	Administrative & General Expenses	16,116	(666)	-	(56)	-	-	(2)	-	-	(147)	-	15,245
20	Total Operations & Maintenance Expense	$ 57,855	$ (666)	$ -	$ (56)	$ -	$ -	$ (2)	$ -	$ -	$ (147)	$ -	$ 56,984
21	Depreciation & Amortization Expenses	$ 19,928	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,286)	$ -	$ -	$ -	$ 17,642
	Taxes												
22	Federal Income Taxes	$ (959)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,029	$ 70
23	State Income Taxes	(211)	-	-	-	-	-	-	-	-	-	246	35
24	Property Taxes	10,675	-	-	-	-	-	-	-	(816)	-	-	9,859
25	Other	1,235	-	(50)	-	-	-	-	-	-	-	-	1,186
26	Total Taxes	$ 10,741	$ -	$ (50)	$ -	$ -	$ -	$ -	$ -	$ (816)	$ -	$ 1,275	$ 11,150
27	Total Operating Expenses	$ 88,524	$ (666)	$ (50)	$ (56)	$ -	$ -	$ (2)	$ (2,286)	$ (816)	$ (147)	$ 1,275	$ 85,776
28	Operating Income	$ 10,198	$ 666	$ 50	$ 56	$ -	$ -	$ 2	$ 2,286	$ 816	$ 147	$ (1,275)	$ 12,946

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 - Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		0.22%
21			
22	RUCO Adjustment		$ (666)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	0.22%
6		
7	RUCO Allocated Payroll by District	$ 666
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (50)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	0.22%
6		
7	RUCO Allocated Payroll by District	$ 666
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (56)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 1	0.00%	$ -
2	302	Franchises	2,072	See Acct. 111	-
3	303	Other Intangibles	63	See Acct. 111	2
4	310.1	Water Rights	2,514	0.00%	-
5	310.3	Other Source of Supply Land	422	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	(18,033)	3.13%	(564)
8	320	Pumping Plant Land	-	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	6,073	2.86%	174
10	325	Electtric Pumping Equipment	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 & Imprm'ts	3,906	2.50%	98
14	332	Water Treatment Equipment	36,043	2.86%	1,031
15	340	Transmission and Distribution Land	-	0.00%	-
16	342	Storage Tanks	28,902	2.00%	578
17	343	Transmission & Distribution Mains	117,123	1.79%	2,097
18	344	Fire Sprinkler Taps	-	2.00%	-
19	345	Services	69,426	2.38%	1,652
20	346	Meters	24,019	4.55%	1,093
21	348	Hydrants	26,410	1.82%	481
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	336	2.50%	8
24	390.1	Leasehold Improvements	2,895	See Acct. 108.2	-
25	391	Office Furniture & Equipment	9,524	6.67%	635
26	393	Warehouse Equipment	13	5.00%	1
27	394	Tools, Shop & Garage Equipment	2,657	4.00%	106
28	395	Laboratory Equipment	9	5.00%	0
29	396	Power Operated Equipment	3	6.67%	0
30	397	Communication Equipment	14,826	6.67%	989
31	398	Miscellaneous Equipment	481	3.33%	16
32		Rounding	-		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 487,545		$ 17,678
34					
35		AMORTIZATION OF CONTRIBUTIONS	(1,835)	2.00%	(37)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 17,642
38					
39	Company As Filed				19,928
40	Difference				$ (2,286)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (2,286)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 98,722	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	98,722	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	115,757	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 313,201	
5	Average Annual Operating Revenues	Line 4 / 3	104,400	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 208,801
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ -	
8	10% Of CWIP	Line 7 X 10%		$ -
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (146)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 208,655
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 46,947	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	21.00%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	21.00%	
	Property Tax			$ 9,859
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 9,859
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		10,675
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (816)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (816)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			0.22%
3	Winkelman System (Line 1 X Line 2)			$ 660
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 220
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 367
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (147)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (147)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 13,052
	LESS:		
2	Arizona State Tax	Line 11	35
3	Interest Expense	Note (A) Line 21	12,548
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 469
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	15.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 70
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 13,052
	LESS:		
8	Interest Expense	Note (A) Line 21	12,548
9	State Taxable Income	Line 7 - Line 8	$ 504
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 35
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 70
13	State Income Tax Expense	Line 11	35
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 105
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(959)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(211)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 1,029
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 246

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 338,318
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 12,548

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Miami System

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

Miami System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 7,663,611	$ 7,413,498
2	Adjusted Operating Income (Loss)	$ 143,848	$ 170,523
3	Current Rate of Return (L2 / L1)	1.88%	2.30%
4	Required Operating Income (L5 X L1)	$ 752,127	$ 578,874
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 608,279	$ 408,351
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 990,665	$ 665,054
9	Adjusted Test Year Revenue	$ 1,850,677	$ 1,850,677
10	Proposed Annual Revenue (L8 + L9)	$ 2,841,341	$ 2,515,731
11	Required Percentage Increase in Revenue (L8 / L9)	53.53%	35.94%
12	Consolidated Revenue Adjustment (Superstition/Miami)	$ (937,341)	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 53,500	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 1,904,272	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	2.89%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6286**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 578,874			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	170,523			
13	Required Increase In Operating Income (L11 - L12)		$ 408,351		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 191,051			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(65,652)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 256,703		
17	Total Required Increase In Revenue (L13 + L16)		$ 665,054		
				RUCO Recommended	
	CALCULATION OF INCOME TAX:				
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 2,515,731	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,745,806	
20	Synchronized Interest (Col. (C), L37)			274,960	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 494,965	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 34,489
24	Fed. Taxable Income (L21 - L23)			$ 460,476	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 91,650	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ 42,662	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 156,562
31	Combined Federal and State Income Tax (L23 + L30)				$ 191,051
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ (65,652)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 256,703
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. TJC-2, Col. (C), L17)			$ 7,413,498	
				3.71%	
				$ 274,960	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 2,557	$ -	$ 2,557
2	Source of Supply Plant	4,436,512	(77,542)	4,358,970
3	Pumping Plant	1,646,392	(201,695)	1,444,697
4	Water Treatment Plant	86,137	-	86,137
5	Transmission & Distribution Plant	5,281,481	-	5,281,481
6	General Plant	848,882	(5,979)	842,903
7	Total Gross Plant in Service	$ 12,301,961	$ (285,216)	$ 12,016,745
8	Accumulated Depreciation	(2,957,804)	102,013	(2,855,791)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 9,344,157	$ (183,203)	$ 9,160,954
10	Advances In Aid Of Const.	$ (12,005)	$ -	$ (12,005)
11	Contribution In Aid Of Const.	$ (324,169)	$ -	$ (324,169)
12	Accumulated Amortization Of CIAC	62,181	-	62,181
13	NET CIAC (L5 + L6)	$ (261,988)	$ -	$ (261,988)
14	Deferred Income Tax	$ (954,417)	$ -	$ (954,417)
15	Allowance For Working Capital	$ 79,865	$ (66,910)	$ 12,955
16	Net Regulatory Asset / (Liability)	$ (532,000)	$ -	$ (532,000)
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 7,663,611	$ (250,113)	$ 7,413,498

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

Miami System
Schedule TJC-3
Page 1 of 1

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 2,557	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,557
2	Source of Supply Plant	4,436,512	-	-	(77,542)	-	-	-	4,358,970
3	Pumping Plant	1,646,392	-	-	(201,695)	-	-	-	1,444,697
4	Water Treatment Plant	86,137	-	-	-	-	-	-	86,137
5	Transmission & Distribution Plant	5,281,481	-	-	-	-	-	-	5,281,481
6	General Plant	848,882	-	(5,979)	-	-	-	-	842,903
7	Total Gross Plant in Service	$ 12,301,961	$ -	$ (5,979)	$ (279,237)	$ -	$ -	$ -	$ 12,016,745
8	Accumulated Depreciation	$ (2,957,804)	25,492	199	76,321	-	-	-	(2,855,791)
9	Net Utility Plant In Service (Sum L1 & L2)	$ 9,344,157	$ 25,492	$ (5,779)	$ (202,916)	$ -	$ -	$ -	$ 9,160,954
10	Advances In Aid Of Const.	$ (12,005)	$ -	$ -	$ -	$ -	$ -	$ -	$ (12,005)
11	Contribution In Aid Of Const.	$ (324,169)	$ -	$ -	$ -	$ -	$ -	$ -	$ (324,169)
12	Accumulated Amortization Of CIAC	62,181	-	-	-	-	-	-	62,181
13	NET CIAC (L5 + L6)	$ (261,988)	$ -	$ -	$ -	$ -	$ -	$ -	$ (261,988)
14	Deferred Income Tax	$ (954,417)	$ -	$ -	$ -	$ -	$ -	$ -	$ (954,417)
15	Allowance For Working Capital	$ 79,865	$ -	$ -	$ -	$ -	$ -	$ (66,910)	$ 12,955
16	Net Regulatory Asset / (Liability)	$ (532,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ (532,000)
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 7,663,611	$ 25,492	$ (5,779)	$ (202,916)	$ -	$ -	$ (66,910)	$ 7,413,498

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	(C) 12/31/2001 Per Decision No. 66849	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2001
1	301	Organization	0.00%	0.00%	$ -	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	1,225	-	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	328,531	-	328,531
5	310.3	Other Source of Supply Land	0.00%	0.00%	62,425	-	62,425
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	3.13%	1,133,177	-	1,133,177
8	320	Pumping Plant Land	0.00%	0.00%	4,723	-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	32,391	-	32,391
10	325	Electtric Pumping Equipment	2.59%	5.88%	864,602	-	864,602
11	328	Gas Engine Equipment	2.59%	4.00%	163	-	163
12	330	Water Treatment Plant Land	0.00%	0.00%	550	-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	19,640	-	19,640
14	332	Water Treatment Equipment	2.59%	2.86%	61,624	-	61,624
15	340	Transmission and Distribution Land	0.00%	0.00%	5,835	-	5,835
16	342	Storage Tanks	2.59%	2.00%	424,176	-	424,176
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,957,169	-	1,957,169
18	344	Fire Sprinkler Taps	2.59%	2.00%	29,580	-	29,580
19	345	Services	2.59%	2.38%	664,496	-	664,496
20	346	Meters	2.59%	4.55%	202,443	-	202,443
21	348	Hydrants	2.59%	1.82%	143,406	-	143,406
22	389	General Plant Land	0.00%	0.00%	2,814	-	2,814
23	390	General Plant Structures	2.59%	2.50%	48,770	-	48,770
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	30,876	-	30,876
25	391	Office Furniture & Equipment	2.59%	6.67%	75,599	-	75,599
26	393	Warehouse Equipment	2.59%	5.00%	4,509	-	4,509
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	74,593	-	74,593
28	395	Laboratory Equipment	2.59%	5.00%	2,066	-	2,066
29	396	Power Operated Equipment	2.59%	6.67%	3,898	-	3,898
30	397	Communication Equipment	2.59%	6.67%	136,472	-	136,472
31	398	Miscellaneous Equipment	2.59%	3.33%	22,062	-	22,062
32		**TOTAL DIRECT WATER PLANT**			$ 6,337,815	$ -	$ 6,337,815
33		Post Test Year Plant (PTYP)			446,898	-	-
34		**RUCO Total Water Plant In Service**			$ 6,784,713	$ -	$ 6,337,815
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			$ (1,636,373)		$ (1,636,373)
44		Accumulated Depreciation - PTYP			(110,324)	110,324.00	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (1,746,697)		$ (1,636,373)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,667,874)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				$ -	$ 31,501
49							
50		**RUCO Net Adjustment**					
51							
52							
53							
54		References:					
55		Column (A): Approved Depreciation Rate From Decision No. 58120					
56		Columns (B): Approved Depreciation Rate From Decision No. 66849					
57		Acct. 302 - Franchises amortized over 25 years.					
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59		Acct. 310.4 - Wells - Other amortized over 24 years.					
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2002 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2002
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				49	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	3,319			-	331,850
5	310.3	Other Source of Supply Land	0.00%	0.00%			(81)	-	62,344
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	3,329			29,392	1,136,506
8	320	Pumping Plant Land	0.00%	0.00%				-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	3,588			885	35,979
10	325	Electtric Pumping Equipment	2.59%	5.88%	54,890	(44,858)		22,523	874,634
11	328	Gas Engine Equipment	2.59%	4.00%				4	163
12	330	Water Treatment Plant Land	0.00%	0.00%				-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				509	19,640
14	332	Water Treatment Equipment	2.59%	2.86%	918			1,608	62,542
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,835
16	342	Storage Tanks	2.59%	2.00%	660			10,995	424,836
17	343	Transmission & Distribution Mains	2.59%	1.79%	263,826	(13,449)		53,933	2,207,546
18	344	Fire Sprinkler Taps	2.59%	2.00%	4,732			827	34,312
19	345	Services	2.59%	2.38%	92,132	(3,787)		18,355	752,841
20	346	Meters	2.59%	4.55%	11,414	(562)		5,384	213,295
21	348	Hydrants	2.59%	1.82%	2,554			3,747	145,960
22	389	General Plant Land	0.00%	0.00%			81	-	2,895
23	390	General Plant Structures	2.59%	2.50%				1,263	48,770
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				7,056	30,876
25	391	Office Furniture & Equipment	2.59%	6.67%	3,268			2,000	78,867
26	393	Warehouse Equipment	2.59%	5.00%				117	4,509
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	4,771			1,994	79,364
28	395	Laboratory Equipment	2.59%	5.00%	519			60	2,585
29	396	Power Operated Equipment	2.59%	6.67%				101	3,898
30	397	Communication Equipment	2.59%	6.67%	32,709	(16,910)		3,739	152,271
31	398	Miscellaneous Equipment	2.59%	3.33%	720			581	22,782
32		**TOTAL DIRECT WATER PLANT**			$ 483,348	$ (79,566)	$ -	$ 165,123	$ 6,741,597
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 483,348	$ (79,566)	$ -	$ 165,123	$ 6,741,597
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (498)	
41									
42		Net (Salvage)/Cost of Removal						(107)	
43		Accumulated Depreciation						(1,722,535)	$ (1,722,535)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,722,535)	$ (1,722,535)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,755,151)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,722,535)	$ 32,616
49									
50		**RUCO Net Adjustment**							
51									
52									
53									
54		References:							
55		Column (A): Approved Depreciation Rate From Decision No. 58120							
56		Columns (B): Approved Depreciation Rate From Decision No. 66849							
57		Acct. 302 - Franchises amortized over 25 years.							
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59		Acct. 310.4 - Wells - Other amortized over 24 years.							
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2003 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2003
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	-
4	310.1	Water Rights	0.00%	0.00%	5,746			-	337,596
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	62,344
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	10,210			29,568	1,146,716
8	320	Pumping Plant Land	0.00%	0.00%				-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				932	35,979
10	325	Electtric Pumping Equipment	2.59%	5.88%	76,717	(60,728)		22,860	890,622
11	328	Gas Engine Equipment	2.59%	4.00%				4	163
12	330	Water Treatment Plant Land	0.00%	0.00%				-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	180			511	19,820
14	332	Water Treatment Equipment	2.59%	2.86%				1,620	62,542
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,835
16	342	Storage Tanks	2.59%	2.00%				11,003	424,836
17	343	Transmission & Distribution Mains	2.59%	1.79%	43,005	(1,955)		57,707	2,248,596
18	344	Fire Sprinkler Taps	2.59%	2.00%	22,089			1,175	56,400
19	345	Services	2.59%	2.38%	44,821	(2,200)		20,051	795,462
20	346	Meters	2.59%	4.55%	8,313	(1,312)		5,615	220,295
21	348	Hydrants	2.59%	1.82%	3,682			3,828	149,642
22	389	General Plant Land	0.00%	0.00%				-	2,895
23	390	General Plant Structures	2.59%	2.50%				1,263	48,770
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				1,162	30,876
25	391	Office Furniture & Equipment	2.59%	6.67%	2,555			2,076	81,422
26	393	Warehouse Equipment	2.59%	5.00%				117	4,509
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	4,746			2,117	84,111
28	395	Laboratory Equipment	2.59%	5.00%				67	2,585
29	396	Power Operated Equipment	2.59%	6.67%				101	3,898
30	397	Communication Equipment	2.59%	6.67%	428			3,949	152,699
31	398	Miscellaneous Equipment	2.59%	3.33%				590	22,782
32		**TOTAL DIRECT WATER PLANT**			$ 222,491	$ (66,195)	$ -	$ 166,315	$ 6,897,893
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 222,491	$ (66,195)	$ -	$ 166,315	$ 6,897,893
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (498)	
41									
42		Net (Salvage)/Cost of Removal						(229)	
43		Accumulated Depreciation						(1,823,382)	$ (1,823,382)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(1,823,382)	$ (1,823,382)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,855,998)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,823,382)	$ 32,616
49									
50		**RUCO Net Adjustment**							
51									
52									
53									
54		References:							
55		Column (A): Approved Depreciation Rate From Decision No. 58120							
56		Columns (B): Approved Depreciation Rate From Decision No. 66849							
57		Acct. 302 - Franchises amortized over 25 years.							
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59		Acct. 310.4 - Wells - Other amortized over 24 years.							
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111	876			-	876
4	310.1	Water Rights	0.00%	0.00%	3,052			-	340,648
5	310.3	Other Source of Supply Land	0.00%	0.00%	28,257			-	90,601
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	1,526,600			-	1,526,600
7	314	Wells	2.59%	3.13%	1,185,634	(2,626)		52,060	2,329,724
8	320	Pumping Plant Land	0.00%	0.00%				-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	24,238	(1,778)		1,318	58,439
10	325	Electtric Pumping Equipment	2.59%	5.88%	661,895	(59,328)		60,281	1,493,190
11	328	Gas Engine Equipment	2.59%	4.00%				6	163
12	330	Water Treatment Plant Land	0.00%	0.00%				-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				500	19,820
14	332	Water Treatment Equipment	2.59%	2.86%				1,746	62,542
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,835
16	342	Storage Tanks	2.59%	2.00%				9,123	424,836
17	343	Transmission & Distribution Mains	2.59%	1.79%	537,799	(2,512)		50,073	2,783,882
18	344	Fire Sprinkler Taps	2.59%	2.00%				1,211	56,400
19	345	Services	2.59%	2.38%	21,317	(1,277)		19,593	815,502
20	346	Meters	2.59%	4.55%	4,909	(1,259)		9,018	223,945
21	348	Hydrants	2.59%	1.82%	5,255	(4,416)		3,020	150,481
22	389	General Plant Land	0.00%	0.00%				-	2,895
23	390	General Plant Structures	2.59%	2.50%	656			1,238	49,426
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	30,876
25	391	Office Furniture & Equipment	2.59%	6.67%	6,951	(1,933)		4,742	86,440
26	393	Warehouse Equipment	2.59%	5.00%	1,076			222	5,585
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	11,664			3,281	95,775
28	395	Laboratory Equipment	2.59%	5.00%	1,119			138	3,705
29	396	Power Operated Equipment	2.59%	6.67%	1,439			261	5,337
30	397	Communication Equipment	2.59%	6.67%	12,265			8,974	164,964
31	398	Miscellaneous Equipment	2.59%	3.33%	7,216			830	29,998
32		**TOTAL DIRECT WATER PLANT**			$ 4,042,218	$ (75,129)	$ -	$ 227,636	$ 10,864,982
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 4,042,218	$ (75,129)	$ -	$ 227,636	$ 10,864,982
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (498)	
41									
42		Net (Salvage)/Cost of Removal						(270)	
43		Accumulated Depreciation						(1,976,657)	$ (1,976,657)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,976,657)	(1,976,657)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,001,263)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,976,657)	$ 24,606
49									
50		**RUCO Net Adjustment**							
51									
52									
53									
54		References:							
55		Column (A): Approved Depreciation Rate From Decision No. 58120							
56		Columns (B): Approved Depreciation Rate From Decision No. 66849							
57		Acct. 302 - Franchises amortized over 25 years.							
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59		Acct. 310.4 - Wells - Other amortized over 24 years.							
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	876
4	310.1	Water Rights	0.00%	0.00%	5,494			-	346,142
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	90,601
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				63,616	1,526,600
7	314	Wells	2.59%	3.13%	7,602			73,039	2,337,325
8	320	Pumping Plant Land	0.00%	0.00%				-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	2,793			1,711	61,232
10	325	Electtric Pumping Equipment	2.59%	5.88%	38,166	(1,209)		88,886	1,530,147
11	328	Gas Engine Equipment	2.59%	4.00%				7	163
12	330	*Water Treatment Plant Land*	0.00%	0.00%				-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	947			507	20,767
14	332	Water Treatment Equipment	2.59%	2.86%				1,789	62,542
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,835
16	342	Storage Tanks	2.59%	2.00%				8,497	424,836
17	343	Transmission & Distribution Mains	2.59%	1.79%	342,544			52,897	3,126,426
18	344	Fire Sprinkler Taps	2.59%	2.00%	4,376			1,172	60,776
19	345	Services	2.59%	2.38%	53,745	(743)		20,040	868,504
20	346	Meters	2.59%	4.55%	1,067	(1,073)		10,189	223,940
21	348	Hydrants	2.59%	1.82%	4,993			2,784	155,474
22	389	General Plant Land	0.00%	0.00%	4,151			-	7,046
23	390	General Plant Structures	2.59%	2.50%				1,236	49,426
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	3,893			433	34,769
25	391	Office Furniture & Equipment	2.59%	6.67%	2,366			5,844	88,806
26	393	Warehouse Equipment	2.59%	5.00%				279	5,585
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	8,554			4,002	104,329
28	395	Laboratory Equipment	2.59%	5.00%				185	3,705
29	396	Power Operated Equipment	2.59%	6.67%				356	5,337
30	397	Communication Equipment	2.59%	6.67%	6,630			11,224	171,594
31	398	Miscellaneous Equipment	2.59%	3.33%	165	(65)		1,001	30,099
32		**TOTAL DIRECT WATER PLANT**			$ 487,486	$ (3,090)	$ -	$ 349,695	$ 11,349,378
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 487,486	$ (3,090)	$ -	$ 349,695	$ 11,349,378
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ (498)	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(2,323,760)	$ (2,323,760)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,323,760)	(2,323,760)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,349,329)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,323,760)	$ 25,569
49									
50		**RUCO Net Adjustment**							
51									
52									
53									
54		References:							
55		Column (A): Approved Depreciation Rate From Decision No. 58120							
56		Columns (B): Approved Depreciation Rate From Decision No. 66849							
57		Acct. 302 - Franchises amortized over 25 years.							
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59		Acct. 310.4 - Wells - Other amortized over 24 years.							
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	876
4	310.1	Water Rights	0.00%	0.00%	9,895			-	356,037
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	90,601
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				63,608	1,526,600
7	314	Wells	2.59%	3.13%	99,591			74,717	2,436,916
8	320	Pumping Plant Land	0.00%	0.00%				-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	15,582			1,974	76,814
10	325	Electtric Pumping Equipment	2.59%	5.88%	77,013	(99,074)		89,324	1,508,086
11	328	Gas Engine Equipment	2.59%	4.00%				7	163
12	330	Water Treatment Plant Land	0.00%	0.00%				-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				519	20,767
14	332	Water Treatment Equipment	2.59%	2.86%				1,789	62,542
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,835
16	342	Storage Tanks	2.59%	2.00%	16,952			8,666	441,788
17	343	Transmission & Distribution Mains	2.59%	1.79%	178,403	(39,162)		57,209	3,265,667
18	344	Fire Sprinkler Taps	2.59%	2.00%				1,216	60,776
19	345	Services	2.59%	2.38%	19,485	(1,011)		20,890	886,978
20	346	Meters	2.59%	4.55%	10,965	(1,703)		10,400	233,201
21	348	Hydrants	2.59%	1.82%				2,830	155,474
22	389	General Plant Land	0.00%	0.00%				-	7,046
23	390	General Plant Structures	2.59%	2.50%	2,991			1,273	52,417
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	508			3,469	35,277
25	391	Office Furniture & Equipment	2.59%	6.67%	2,572	(361)		5,997	91,017
26	393	Warehouse Equipment	2.59%	5.00%				279	5,585
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	7,330			4,320	111,658
28	395	Laboratory Equipment	2.59%	5.00%				185	3,705
29	396	Power Operated Equipment	2.59%	6.67%	2,140			427	7,477
30	397	Communication Equipment	2.59%	6.67%	905			11,475	172,499
31	398	Miscellaneous Equipment	2.59%	3.33%				1,002	30,099
32		**TOTAL DIRECT WATER PLANT**			$ 444,332	$ (141,311)	$ -	$ 361,577	$ 11,652,399
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 444,332	$ (141,311)	$ -	$ 361,577	$ 11,652,399
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						(182)	
43		Accumulated Depreciation						(2,544,208)	$ (2,544,208)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,544,208)	(2,544,208)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,569,778)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,544,208)	$ 25,570
49									
50		**RUCO Net Adjustment**							
51									
52									
53									
54		References:							
55		Column (A): Approved Depreciation Rate From Decision No. 58120							
56		Columns (B): Approved Depreciation Rate From Decision No. 66849							
57		Acct. 302 - Franchises amortized over 25 years.							
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59		Acct. 310.4 - Wells - Other amortized over 24 years.							
60		Acct. 390.1 - Leasehold improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 3/31/2004	(B) DEPRECIATION RATE 4/1/2004 To 12/31/2007	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	1,225
3	303	Other Intangibles	See Acct. 111	See Acct. 111				44	876
4	310.1	Water Rights	0.00%	0.00%	16,442			-	372,479
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	90,601
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				63,608	1,526,600
7	314	Wells	2.59%	3.13%	9,913			76,431	2,446,829
8	320	Pumping Plant Land	0.00%	0.00%				-	4,723
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	30,233			2,629	107,047
10	325	Electtric Pumping Equipment	2.59%	5.88%	53,654	(27,280)		89,451	1,534,460
11	328	Gas Engine Equipment	2.59%	4.00%				7	163
12	330	Water Treatment Plant Land	0.00%	0.00%				-	550
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	289			523	21,057
14	332	Water Treatment Equipment	2.59%	2.86%	1,886			1,816	64,429
15	340	Transmission and Distribution Land	0.00%	0.00%				-	5,835
16	342	Storage Tanks	2.59%	2.00%	54			8,836	441,841
17	343	Transmission & Distribution Mains	2.59%	1.79%	204,473	(101)		60,285	3,470,038
18	344	Fire Sprinkler Taps	2.59%	2.00%				1,216	60,776
19	345	Services	2.59%	2.38%	20,501	(975)		21,342	906,504
20	346	Meters	2.59%	4.55%	9,816	(2,307)		10,781	240,710
21	348	Hydrants	2.59%	1.82%				2,830	155,474
22	389	General Plant Land	0.00%	0.00%				-	7,046
23	390	General Plant Structures	2.59%	2.50%	129			1,312	52,546
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	2,582			165	37,860
25	391	Office Furniture & Equipment	2.59%	6.67%	4,559	(1,018)		6,189	94,558
26	393	Warehouse Equipment	2.59%	5.00%				279	5,585
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	9,262			4,652	120,920
28	395	Laboratory Equipment	2.59%	5.00%	1,310			218	5,014
29	396	Power Operated Equipment	2.59%	6.67%				499	7,477
30	397	Communication Equipment	2.59%	6.67%	2,634			11,594	175,133
31	398	Miscellaneous Equipment	2.59%	3.33%				1,002	30,099
32		**TOTAL DIRECT WATER PLANT**			$ 367,735	$ (31,681)	$ -	$ 365,707	$ 11,988,454
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 367,735	$ (31,681)	$ -	$ 365,707	$ 11,988,454
35									
36		**Company Direct Plant As Filed**							11,988,454
37									
38		**RUCO Direct Plant Adjustment**							$ (0)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						$ -	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(2,878,233)	$ (2,878,233)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,878,233)	(2,878,233)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,903,803)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,878,233)	$ 25,570
49									
50		**RUCO Net Adjustment**							$ 25,569
51									
52									
53									
54		References:							
55		Column (A): Approved Depreciation Rate From Decision No. 58120							
56		Columns (B): Approved Depreciation Rate From Decision No. 66849							
57		Acct. 302 - Franchises amortized over 25 years.							
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59		Acct. 310.4 - Wells - Other amortized over 24 years.							
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
						(503,775)
						-

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
								(672,934)
								(0)

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
								(866,035)
								0

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
								(1,073,137)
								(1)

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
								(1,036,382)
								(1,556)
								(1,556)

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
						(30,118)
						-

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
								(33,286)
								0

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
								(36,708)
								0

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
								(40,251)
								(0)

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
								(43,959)
								1
								1

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 32	$ -	4.98%	$ -
2	302	Franchises	5,644	-	4.98%	-
3	303	Other Intangibles	6,748	-	4.98%	-
4	310.1	Water Rights	362,960	-	4.98%	-
5	310.3	Other Source of Supply Land	63,210	-	4.98%	-
6	310.4	Wells - Other	-	-	4.98%	-
7	314	Wells	5,096,324	-	4.98%	-
8	320	Pumping Plant Land	14,187	-	4.98%	-
9	321	Pumping Plant Structures & Imprm'ts	156,041	-	4.98%	-
10	325	Electtric Pumping Equipment	7,528,455	-	4.98%	-
11	328	Gas Engine Equipment	-	-	4.98%	-
12	330	Water Treatment Plant Land	-	-	4.98%	-
13	331	Water Treatment Structures & Imprm'ts	17,821	-	4.98%	-
14	332	Water Treatment Equipment	6,867,915	-	4.98%	-
15	340	Transmission and Distribution Land	185,773	-	4.98%	-
16	342	Storage Tanks	4,453,852	-	4.98%	-
17	343	Transmission & Distribution Mains	47,182,263	-	4.98%	-
18	344	Fire Sprinkler Taps	570,481	-	4.98%	-
19	345	Services	11,514,583	-	4.98%	-
20	346	Meters	1,716,039	-	4.98%	-
21	348	Hydrants	3,292,465	-	4.98%	-
22	389	General Plant Land	47,015	-	4.98%	-
23	390	General Plant Structures	749,765	-	4.98%	-
24	390.1	Leasehold Improvements	1,140,045	-	4.98%	-
25	391	Office Furniture & Equipment	1,456,091	120,057	4.98%	5,979
26	393	Warehouse Equipment	5,987	-	4.98%	-
27	394	Tools, Shop & Garage Equipment	346,377	-	4.98%	-
28	395	Laboratory Equipment	66,730	-	4.98%	-
29	396	Power Operated Equipment	36,279	-	4.98%	-
30	397	Communication Equipment	657,099	-	4.98%	-
31	398	Miscellaneous Equipment	50,120	-	4.98%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 93,590,301	$ 120,057		$ 5,979
34		Company As Filed	$ 93,590,301	120,057		5,979
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (5,979)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 199
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement As Per Company	$ 19,303	Company Schedule B-5, PG. 1
2	Working Cash Requirement As Per RUCO	(47,607)	RUCO Schedule RLM-5, Page 2
3	Adjustment	$ (66,910)	Line 2 - Line 1
4	Material and Supplies Inventories As Per Company	$ 8,198	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories As Per RUCO	8,198	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances As Per Company	$ 25,618	Company Schedule B-5, PG. 1
8	Required Bank Balances As Per RUCO	25,618	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits As Per Company	$ 26,746	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits As Per RUCO	26,746	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See RLM-2, Column (K))	$ (66,910)	Sum Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 199,919	$ -	$ 199,919	35.92	$ 7,181,090
2	Payroll	537,761	(15,077)	522,684	14.00	7,317,581
3	Purchased Water	-	-	-	-	-
4	Chemicals	4,099	-	4,099	20.43	83,728
5	Property & Liability Insurance	14,877	-	14,877	(45.27)	(673,482)
6	Workman's Compensation Insurance	7,437	-	7,437	(46.50)	(345,821)
7	Health Insurance	152,915	(40)	152,875	(8.92)	(1,363,642)
8	Other Operating & Maintenance Expenses	306,280	(8,300)	297,980	30.00	8,939,400
9	Federal Current Income Taxes	241,035	(84,473)	156,562	37.00	5,792,787
10	State Current Income Taxes	53,098	(18,609)	34,489	37.00	1,276,099
11	FICA Taxes	33,449	(1,127)	32,322	14.00	452,515
12	FUTA & SUTA Taxes	800	-	800	83.10	66,480
13	Property Taxes	107,575	(9,422)	98,153	212.00	20,808,369
14	Registration, Svc. Contracts, & Misc. Fees	29,284	-	29,284	(98.83)	(2,894,138)
15	Retirement Annuities (401k)	50,473	(1,266)	49,207	34.72	1,708,467
16	Subtotal	1,739,001	(138,313)	1,600,688		48,349,435
17	Synchronized Interest	$ 284,236	$ (9,276)	$ 274,960	91.25	$ 25,090,094
18	Cost of Equity	467,891	(467,891)	-	-	-
19	Subtotal	$ 752,127	$ (477,167)	$ 274,960		$ 25,090,094
20	Total	$ 2,491,128	$ (615,480)	$ 1,875,648		$ 73,439,529

21	Expense Lag	Line 17, Col. (E) / (C)	39.15
22	Revenue Lag	Company B-5 Schedules	29.89
23	Net Lag	Line 18 - Line 17	(9.26)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,875,648
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(47,607)
26	Company As Filed	Co. Schedule B-6, Page 1	19,303
27	Difference	Line 21 - Line 22	$ (66,910)
		Line 27	$ (66,910)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,223,975	$ -	$ 1,223,975	$ 502,317	$ 1,726,291
2	Commercial	491,044	-	491,044	137,177	628,220
3	Industrial	98,160	-	98,160	17,323	115,483
4	Private Fire Service	874	-	874	3,476	4,350
5	Other Water Revenues	16,285	-	16,285	5,031	21,316
6	Total Water Revenues	$ 1,830,337	$ -	$ 1,830,337	$ 665,324	$ 2,495,661
7	Miscellaneous	$ 20,340	$ -	$ 20,340	$ (270)	$ 20,070
8	Total Operating Revenues	$ 1,850,677	$ -	$ 1,850,677	$ 665,054	$ 2,515,731
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	9,610	-	9,610	-	9,610
11	Pumping Expenses:					
12	Purchased Power	199,919	-	199,919	-	199,919
13	Purchased Gas	-	-	-	-	-
14	Other	106,061	-	106,061	-	106,061
15	Water Treatment Expenses	10,374	-	10,374	-	10,374
16	Transmission & Distribution Expenses	353,495	-	353,495	-	353,495
17	Customer Accounting Expenses	226,344	-	226,344	-	226,344
18	Sales Expense	2,486	-	2,486	-	2,486
19	Administrative & General Expenses	394,754	(19,703)	375,052	-	375,052
20	Total Operations & Maintenance Expense	$ 1,303,044	$ (19,703)	$ 1,283,341	$ -	$ 1,283,341
21	Depreciation & Amortization Expenses	$ 355,564	$ (19,025)	$ 336,539	$ -	$ 336,539
	Taxes					
22	Federal Income Taxes	$ (72,321)	$ 18,520	$ (53,801)	$ 210,362	$ 156,562
23	State Income Taxes	(15,932)	4,080	(11,852)	46,341	34,489
24	Property Taxes	107,575	(9,422)	98,153	-	98,153
25	Other	28,899	(1,127)	27,772	-	27,772
26	Total Taxes	$ 48,221	$ 12,052	$ 60,273	$ 256,703	$ 316,976
27	Total Operating Expenses	$ 1,706,829	$ (26,675)	$ 1,680,153	$ 256,703	$ 1,936,857
28	Operating Income	$ 143,848	$ 26,675	$ 170,523	$ 408,351	$ 578,874

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,223,975	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,223,975
2	Commercial	491,044	-	-	-	-	-	-	-	-	-	-	491,044
3	Industrial	98,160	-	-	-	-	-	-	-	-	-	-	98,160
4	Private Fire Service	874	-	-	-	-	-	-	-	-	-	-	874
5	Other Water Revenues	16,285	-	-	-	-	-	-	-	-	-	-	16,285
6	Total Water Revenues	$ 1,830,337	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,830,337
7	Miscellaneous	$ 20,340	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,340
8	Total Operating Revenues	$ 1,850,677	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,850,677
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	9,610	-	-	-	-	-	-	-	-	-	-	9,610
11	Pumping Expenses:	-	-	-	-	-			-	-	-	-	-
12	Purchased Power	199,919	-	-	-	-	-	-	-	-	-	-	199,919
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	106,061	-	-	-	-	-	-	-	-	-	-	106,061
15	Water Treatment Expenses	10,374	-	-	-	-	-	-	-	-	-	-	10,374
16	Transmission & Distribution Expenses	353,495	-	-	-	-	-	-	-	-	-	-	353,495
17	Customer Accounting Expenses	226,344	-	-	-	-	-	-	-	-	-	-	226,344
18	Sales Expense	2,486	-	-	-	-	-	-	-	-	-	-	2,486
19	Administrative & General Expenses	394,754	(15,077)	-	(1,266)	-	-	(40)	-	-	(3,320)	-	375,052
20	Total Operations & Maintenance Expense	$ 1,303,044	$ (15,077)	$ -	$ (1,266)	$ -	$ -	$ (40)	$ -	$ -	$ (3,320)	$ -	$ 1,283,341
21	Depreciation & Amortization Expenses	$ 355,564	$ -	$ -	$ -	$ -	$ -	$ -	$ (19,025)	$ -	$ -	$ -	$ 336,539
	Taxes												
22	Federal Income Taxes	$ (72,321)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,520	$ (53,801)
23	State Income Taxes	(15,932)	-	-	-	-	-	-	-	-	-	4,080	(11,852)
24	Property Taxes	107,575	-	-	-	-	-	-	-	(9,422)	-	-	98,153
25	Other	28,899	-	(1,127)	-	-	-	-	-	-	-	-	27,772
26	Total Taxes	$ 48,221	$ -	$ (1,127)	$ -	$ -	$ -	$ -	$ -	$ (9,422)	$ -	$ 22,601	$ 60,273
27	Total Operating Expenses	$ 1,706,829	$ (15,077)	$ (1,127)	$ (1,266)	$ -	$ -	$ (40)	$ (19,025)	$ (9,422)	$ (3,320)	$ 22,601	$ 1,660,153
28	Operating Income	$ 143,848	$ 15,077	$ 1,127	$ 1,266	$ -	$ -	$ 40	$ 19,025	$ 9,422	$ 3,320	$ (22,601)	$ 170,523

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		4.98%
21			
22	RUCO Adjustment		$ (15,077)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	4.98%
6		
7	RUCO Allocated Payroll by District	$ 15,077
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	7.47%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (1,127)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	7.47%
40	Western Group	11.65%
41	Northern Group	15.90%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	4.98%
6		
7	RUCO Allocated Payroll by District	$ 15,077
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.39%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (1,266)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO	
1	System				
2					
3	Eastern Group				
4	Supersition	$ 2,224	$ (273)	$ 1,950	
5	Apache Junction				
6	Superior				
7	Bisbee	122	(45)	77	
8	Sierra Vista	115	(38)	77	
9	San Manuel	5	(20)	(16)	
10	Oracle	25	(20)	5	
11	Saddlebrook	5	(0)	4	
12	Winkelman	0	(2)	(2)	
13	Miami	(338)	(40)	(378)	
14	Subtotal	$ 2,157	$ (439)	$ 1,718	
15					
16	Western Group				
17	Casa Grande	2,137	(298)	1,839	
18	Stanfield	20	(3)	17	
19	White Tank	148	(22)	126	
20	Ajo	58	(9)	49	
21	Coolidge	(127)	(62)	(189)	
22	Subtotal	$ 2,235	$ (393)	$ 1,842	
23					
24	Northern Group				
25	Lakeside	570	(65)	506	
26	Overgaard	507	(55)	452	
27	Sedona	445	(84)	361	
28	Pinewood	199	(38)	162	
29	Rimrock	87	(16)	71	
30	Subtotal	$ 1,809	$ (257)	$ 1,551	
31					
32					
33	Total Company	$ 6,201	$ (1,090)	$ 5,111	(a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
		$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
		$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
		$ 39,944		$ 38,854	LINE 1 x LINE 2
		$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
		$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 32	0.00%	$ -
2	302	Franchises	1,225	See Acct. 111	-
3	303	Other Intangibles	1,299	See Acct. 111	44
4	310.1	Water Rights	372,479	0.00%	-
5	310.3	Other Source of Supply Land	90,605	0.00%	-
6	310.4	Wells - Other	1,526,600	See Acct. 111	63,608
7	314	Wells	2,369,287	3.13%	74,159
8	320	Pumping Plant Land	4,723	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	107,047	2.86%	3,062
10	325	Electtric Pumping Equipment	1,332,765	5.88%	78,367
11	328	Gas Engine Equipment	163	4.00%	7
12	330	Water Treatment Plant Land	550	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	21,057	2.50%	526
14	332	Water Treatment Equipment	64,531	2.86%	1,846
15	340	Transmission and Distribution Land	5,835	0.00%	-
16	342	Storage Tanks	441,841	2.00%	8,837
17	343	Transmission & Distribution Mains	3,470,340	1.79%	62,119
18	344	Fire Sprinkler Taps	60,776	2.00%	1,216
19	345	Services	906,504	2.38%	21,575
20	346	Meters	240,710	4.55%	10,952
21	348	Hydrants	155,474	1.82%	2,830
22	389	General Plant Land	7,046	0.00%	-
23	390	General Plant Structures	57,282	2.50%	1,432
24	390.1	Leasehold Improvements	103,396	See Acct. 108.2	165
25	391	Office Furniture & Equipment	310,142	6.67%	20,686
26	393	Warehouse Equipment	5,878	5.00%	294
27	394	Tools, Shop & Garage Equipment	133,027	4.00%	5,321
28	395	Laboratory Equipment	5,211	5.00%	261
29	396	Power Operated Equipment	7,549	6.67%	504
30	397	Communication Equipment	182,914	6.67%	12,200
31	398	Miscellaneous Equipment	30,458	3.33%	1,014
32		Rounding	0		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 12,016,745		$ 371,023
34					
35		NET REGULATORY ASSET / (LIABILITY)			(28,000)
36		AMORTIZATION OF CONTRIBUTIONS	(324,169)	2.00%	(6,483)
37					-
38	**TOTAL DEPRECIATIC**	Rounding			$ 336,539
39					
40	Company As Filed				355,564
41	Difference				$ (19,025)
42					
43	RUCO Adjustment (See RLM-8, Column (B))				$ (19,025)
44					
45					

		White Tank	2.37%
	24.94%	Ajo	0.81%
	4.98%	Coolidge	5.27%
	2.58%	Lakeside	6.20%
	1.68%	Overgaard	3.99%
	2.28%	Sedona	8.45%
	0.22%	Pinewood	2.95%
	4.98%	Rimrock	1.48%
	26.55%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,850,677	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,850,677	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	2,515,731	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 6,217,084	
5	Average Annual Operating Revenues	Line 4 / 3	2,072,361	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 4,144,722
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 11,944	
8	10% Of CWIP	Line 7 X 10%		$ 1,194
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (76,558)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 4,069,359
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 915,606	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	10.72%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	10.72%	
	Property Tax			$ 98,153
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 98,153
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		107,575
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (9,422)
		Line 20		$ (9,422)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			4.98%
3	Miami System (Line 1 X Line 2)			$ 14,940
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 4,980
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 8,300
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (3,320)
8	RUCO Adjustment (Line 7) (See RLM-8, Column (E))			$ (3,320)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 104,871
	LESS:		
2	Arizona State Tax	Line 11	(11,852)
3	Interest Expense	Note (A) Line 21	274,960
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (158,237)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ (53,801)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 104,871
	LESS:		
8	Interest Expense	Note (A) Line 21	274,960
9	State Taxable Income	Line 7 - Line 8	$ (170,089)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (11,852)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (53,801)
13	State Income Tax Expense	Line 11	(11,852)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (65,652)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(72,321)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(15,932)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 18,520
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 4,080

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$	7,413,498
20	Weighted Cost Of Debt (Sch. TJC-16 Col. (F), L1)		3.71%
		$	274,960

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

WESTERN OPERATING GROUP

Casa Grande

Stanfield

White Tank

Ajo

Coolidge

ARIZONA WATER COMPNAY

W-01445A-08-0440

Casa Grande System

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

Casa Grande System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 41,274,515	$ 39,826,084
2	Adjusted Operating Income (Loss)	$ 656,994	$ 839,294
3	Current Rate of Return (L2 / L1)	1.59%	2.11%
4	Required Operating Income (L5 X L1)	$ 4,050,790	$ 3,110,548
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 3,393,796	$ 2,271,254
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 5,527,254	$ 3,699,044
9	Adjusted Test Year Revenue	$ 10,934,895	$ 10,934,895
10	Proposed Annual Revenue (L8 + L9)	$ 16,462,148	$ 14,633,938
11	Required Percentage Increase in Revenue (L8 / L9)	50.55%	33.83%
12	Consolidated Revenue Adjustment (Casa Grande/Coolidge/Stanfield)	$ (146,842)	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 5,380,398	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 16,315,353	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	49.20%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-15

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6286**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 3,110,548			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	839,294			
13	Required Increase In Operating Income (L11 - L12)		$ 2,271,254		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 1,026,834			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(400,955)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 1,427,789		
17	Total Required Increase In Revenue (L13 + L16)		$ 3,699,044		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 14,633,938	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			10,496,556	
20	Synchronized Interest (Col. (C), L37)			1,477,113	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 2,660,269	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 185,368
24	Fed. Taxable Income (L21 - L23)			$ 2,474,902	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 91,650	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ 727,567	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 841,467
31	Combined Federal and State Income Tax (L23 + L30)				$ 1,026,834
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ (400,955)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 1,427,789
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 39,826,084	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 1,477,113	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 1,975,834	$ (822,694)	$ 1,153,140
2	Source of Supply Plant	6,113,706	(896,925)	5,216,781
3	Pumping Plant	5,577,501	-	5,577,501
4	Water Treatment Plant	7,112,797	-	7,112,797
5	Transmission & Distribution Plant	80,496,004	-	80,496,004
6	General Plant	3,245,256	(31,875)	3,213,381
7	Total Gross Plant in Service	$ 104,521,097	$ (1,751,494)	$ 102,769,603
8	Accumulated Depreciation	(17,639,046)	675,930	(16,963,116)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 86,882,051	$ (1,075,564)	$ 85,806,487
10	Advances in Aid Of Const.	$ (29,671,663)	$ -	$ (29,671,663)
11	Contribution in Aid of Const.	$ (14,050,085)	$ -	$ (14,050,085)
12	Accumulated Amortization of CIAC	2,242,757	-	2,242,757
13	NET CIAC (L5 + L6)	$ (11,807,328)	$ -	$ (11,807,328)
14	Deferred Income Tax	$ (5,088,308)	$ -	$ (5,088,308)
15	Allowance for Working Capital	$ 383,959	$ (372,867)	$ 11,092
16	Net Regulatory Asset / (Liability)	$ 575,803	$ -	$ 575,803
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 41,274,515	$ (1,448,431)	$ 39,826,084

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 1,975,834	$ (822,694)	$ -	$ -	$ -	$ -	$ -	$ 1,153,140
2	Source of Supply Plant	6,113,706	-	-	(896,925)	-	-	-	5,216,781
3	Pumping Plant	5,577,501	-	-	-	-	-	-	5,577,501
4	Water Treatment Plant	7,112,797	-	-	-	-	-	-	7,112,797
5	Transmission & Distribution Plant	80,496,004	-	-	-	-	-	-	80,496,004
6	General Plant	3,245,256	-	(31,875)	-	-	-	-	3,213,381
7	Total Gross Plant in Service	$ 104,521,097	$ (822,694)	$ (31,875)	$ (896,925)	$ -	$ -	$ -	$ 102,769,603
8	Accumulated Depreciation	(17,639,046)	(1,579)	1,063	676,446	-	-	-	(16,963,116)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 86,882,051	$ (824,273)	$ (30,812)	$ (220,479)	$ -	$ -	$ -	$ 85,806,487
10	Advances in Aid Of Const.	$ (29,671,663)	$ -	$ -	$ -	$ -	$ -	$ -	$ (29,671,663)
11	Contribution in Aid of Const.	$ (14,050,085)	$ -	$ -	$ -	$ -	$ -	$ -	$ (14,050,085)
12	Accumulated Amortization of CIAC	2,242,757	-	-	-	-	-	-	2,242,757
13	NET CIAC (L5 + L6)	$ (11,807,328)	$ -	$ -	$ -	$ -	$ -	$ -	$ (11,807,328)
14	Deferred Income Tax	$ (5,088,308)	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,088,308)
15	Allowance for Working Capital	383,959	$ -	$ -	$ -	$ -	$ -	$ (372,867)	$ 11,092
16	Net Regulatory Asset / (Liability)	$ 575,803	$ -	$ -	$ -	$ -	$ -	$ -	$ 575,803
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 41,274,515	$ (824,273)	$ (30,812)	$ (220,479)	$ -	$ -	$ (372,867)	$ 39,826,084

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Casa Grande System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	(C) 12/31/2003 Per Decision No. 68302	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2003
1	301	Organization	0.00%	0.00%	-	$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	3,018	-	3,018
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-	-	-
4	310.1	Water Rights	0.00%	0.00%	67,192	-	67,192
5	310.3	Other Source of Supply Land	0.00%	0.00%	93,865	-	93,865
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-	-	-
7	314	Wells	2.59%	3.13%	2,711,417	-	2,711,417
8	320	Pumping Plant Land	0.00%	0.00%	6,013	-	6,013
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	91,607	-	91,607
10	325	Electtric Pumping Equipment	2.59%	5.88%	2,394,587	-	2,394,587
11	328	Gas Engine Equipment	2.59%	4.00%	-	-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	-	-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	70,538	-	70,538
14	332	Water Treatment Equipment	2.59%	2.86%	133,666	-	133,666
15	340	Transmission and Distribution Land	0.00%	0.00%	64,886	-	64,886
16	342	Storage Tanks	2.59%	2.00%	1,699,748	-	1,699,748
17	343	Transmission & Distribution Mains	2.59%	1.79%	25,581,627	-	25,581,627
18	344	Fire Sprinkler Taps	2.59%	2.00%	849,998	-	849,998
19	345	Services	2.59%	2.38%	8,672,173	-	8,672,173
20	346	Meters	2.59%	4.55%	1,205,217	-	1,205,217
21	348	Hydrants	2.59%	1.82%	2,390,623	-	2,390,623
22	389	General Plant Land	0.00%	0.00%	8,772	-	8,772
23	390	General Plant Structures	2.59%	2.50%	368,806	-	368,806
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-	-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	161,506	-	161,506
26	393	Warehouse Equipment	2.59%	5.00%	12,913	-	12,913
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	130,579	-	130,579
28	395	Laboratory Equipment	2.59%	5.00%	5,253	-	5,253
29	396	Power Operated Equipment	2.59%	6.67%	59,810	-	59,810
30	397	Communication Equipment	2.59%	6.67%	376,139	-	376,139
31	398	Miscellaneous Equipment	2.59%	3.33%	46,069	-	46,069
32		**TOTAL DIRECT WATER PLANT**			$ 47,206,022	$ -	$ 47,206,022
33		Post Test Year Plant (PTYP)			142,896	(142,896)	-
34		**RUCO Total Water Plant In Service**			$ 47,348,918	$ (142,896)	$ 47,206,022
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(12,087,978)		$ (12,087,978)
44		Accumulated Depreciation - PTYP			15,761	(15,761)	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (12,072,217)		$ (12,087,978)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(12,087,978)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (12,072,217)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				Fully Amortized	3,018
3	303	Other Intangibles	See Acct. 111	See Acct. 111	8,111			-	8,111
4	310.1	Water Rights	0.00%	0.00%	12,889			-	80,081
5	310.3	Other Source of Supply Land	0.00%	0.00%	40,000			-	133,865
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	540,017	(35,845)		76,755	3,215,589
8	320	Pumping Plant Land	0.00%	0.00%				-	6,013
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	17,406			2,598	109,013
10	325	Electtric Pumping Equipment	2.59%	5.88%	423,881	(112,095)		66,057	2,706,373
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	7,047			1,918	77,585
14	332	Water Treatment Equipment	2.59%	2.86%	44,164	(60,477)		3,251	117,353
15	340	Transmission and Distribution Land	0.00%	0.00%				-	64,886
16	342	Storage Tanks	2.59%	2.00%	35	(544)		44,017	1,699,239
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,876,713	(7,084)	(22,725)	699,432	28,428,531
18	344	Fire Sprinkler Taps	2.59%	2.00%	184,044			24,398	1,034,042
19	345	Services	2.59%	2.38%	1,421,116	(23,380)		242,710	10,069,909
20	346	Meters	2.59%	4.55%	154,387	(4,895)		33,151	1,354,709
21	348	Hydrants	2.59%	1.82%	396,254	(5,195)		66,981	2,781,682
22	389	General Plant Land	0.00%	0.00%				-	8,772
23	390	General Plant Structures	2.59%	2.50%	9,521			9,675	378,327
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	13,253	(1,129)		4,340	173,630
26	393	Warehouse Equipment	2.59%	5.00%	789			345	13,702
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	8,318			3,490	138,897
28	395	Laboratory Equipment	2.59%	5.00%	2,967			174	8,220
29	396	Power Operated Equipment	2.59%	6.67%	1,020			1,562	60,830
30	397	Communication Equipment	2.59%	6.67%	30,787	(25,208)		9,814	381,718
31	398	Miscellaneous Equipment	2.59%	3.33%	1,654			1,215	47,723
32		**TOTAL DIRECT WATER PLANT**			$ 6,194,373	$ (275,852)	$ (22,725)	$ 1,291,884	$ 53,101,818
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 6,194,373	$ (275,852)	$ (22,725)	$ 1,291,884	$ 53,101,818
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(912)	
41								-	
42		Net (Salvage)/Cost of Removal						1,297	
43		Accumulated Depreciation						(13,103,625)	$ (13,103,625)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(13,103,625)	$ (13,103,625)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(13,103,624)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (13,103,625)	$ (1)
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				-	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	62,167			621	65,185
3	303	Other Intangibles	See Acct. 111	See Acct. 111	165,764			-	173,875
4	310.1	Water Rights	0.00%	0.00%	23,200			-	103,281
5	310.3	Other Source of Supply Land	0.00%	0.00%	36,500			-	170,365
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	20,444			85,000	3,236,034
8	320	Pumping Plant Land	0.00%	0.00%				-	6,013
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	17,312			3,074	126,325
10	325	Electtric Pumping Equipment	2.59%	5.88%	545,450	(182,851)		82,708	3,068,971
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%	680,718			-	680,718
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	2,364			2,034	79,950
14	332	Water Treatment Equipment	2.59%	2.86%	29,103			3,446	146,456
15	340	Transmission and Distribution Land	0.00%	0.00%				-	64,886
16	342	Storage Tanks	2.59%	2.00%	4,491			43,232	1,703,729
17	343	Transmission & Distribution Mains	2.59%	1.79%	5,553,217	(560)		787,403	33,981,188
18	344	Fire Sprinkler Taps	2.59%	2.00%	89,126			27,406	1,123,169
19	345	Services	2.59%	2.38%	2,411,112	(35,520)		289,604	12,445,501
20	346	Meters	2.59%	4.55%	339,450	(3,423)		41,926	1,690,736
21	348	Hydrants	2.59%	1.82%	977,396	(1,485)		82,586	3,757,593
22	389	General Plant Land	0.00%	0.00%				-	8,772
23	390	General Plant Structures	2.59%	2.50%				9,770	378,327
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	13,644			5,287	187,274
26	393	Warehouse Equipment	2.59%	5.00%				382	13,702
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	29,907	(3,011)		4,125	165,793
28	395	Laboratory Equipment	2.59%	5.00%	13,055			412	21,276
29	396	Power Operated Equipment	2.59%	6.67%	3,973	(571)		1,832	64,232
30	397	Communication Equipment	2.59%	6.67%	25,123			11,552	406,841
31	398	Miscellaneous Equipment	2.59%	3.33%	5,011			1,332	52,734
32		**TOTAL DIRECT WATER PLANT**			$ 11,048,526	$ (227,421)	$ -	$ 1,483,732	$ 63,922,923
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 11,048,526	$ (227,421)	$ -	$ 1,483,732	$ 63,922,923
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(912)	
41									
42		Net (Salvage)/Cost of Removal						100	
43		Accumulated Depreciation						(14,360,748)	$ (14,360,748)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(14,360,748)	$ (14,360,748)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(14,360,747)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (14,360,748)	$ (1)
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	190			2,615	65,375
3	303	Other Intangibles	See Acct. 111	See Acct. 111	423,526			-	597,401
4	310.1	Water Rights	0.00%	0.00%	46,601			-	149,882
5	310.3	Other Source of Supply Land	0.00%	0.00%	35,519			-	205,884
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	583,849			110,425	3,819,883
8	320	Pumping Plant Land	0.00%	0.00%				-	6,013
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				3,613	126,325
10	325	Electtric Pumping Equipment	2.59%	5.88%	831,123	(313,915)		195,661	3,586,180
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	680,718
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	5,834			2,072	85,784
14	332	Water Treatment Equipment	2.59%	2.86%	48,138			4,877	194,594
15	340	Transmission and Distribution Land	0.00%	0.00%				-	64,886
16	342	Storage Tanks	2.59%	2.00%	2,262			34,097	1,705,991
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,619,052	(59,040)	(36,806)	630,846	36,504,394
18	344	Fire Sprinkler Taps	2.59%	2.00%	220,723			24,671	1,343,892
19	345	Services	2.59%	2.38%	1,625,353	(10,415)		315,421	14,060,439
20	346	Meters	2.59%	4.55%	270,632	(3,794)		82,999	1,957,573
21	348	Hydrants	2.59%	1.82%	367,257			71,730	4,124,850
22	389	General Plant Land	0.00%	0.00%				-	8,772
23	390	General Plant Structures	2.59%	2.50%	42,766			9,993	421,093
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	12,431			12,906	199,705
26	393	Warehouse Equipment	2.59%	5.00%	1,487			722	15,189
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	38,613			7,404	204,405
28	395	Laboratory Equipment	2.59%	5.00%	6,299			1,221	27,575
29	396	Power Operated Equipment	2.59%	6.67%				4,284	64,232
30	397	Communication Equipment	2.59%	6.67%	22,174			27,876	429,015
31	398	Miscellaneous Equipment	2.59%	3.33%	2,899			1,804	55,633
32		**TOTAL DIRECT WATER PLANT**			$ 7,206,729	$ (387,164)	$ (36,806)	$ 1,545,237	$ 70,705,682
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 7,206,729	$ (387,164)	$ (36,806)	$ 1,545,237	$ 70,705,682
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						36,710	
43		Accumulated Depreciation						(15,482,111)	$ (15,482,111)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(15,482,111)	(15,482,111)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(15,480,943)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (15,482,111)	$ (1,168)
49									
50		**RUCO Net Adjustment**							
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				2,615	65,375
3	303	Other Intangibles	See Acct. 111	See Acct. 111	487,935			98,268	1,085,336
4	310.1	Water Rights	0.00%	0.00%	87,655			-	237,537
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	205,884
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,939,754	(1,200)		149,901	5,758,437
8	320	Pumping Plant Land	0.00%	0.00%				-	6,013
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	9,337			3,746	135,662
10	325	Electtric Pumping Equipment	2.59%	5.88%	1,849,956	(22,395)		264,598	5,413,740
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	680,718
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	836,572			12,602	922,356
14	332	Water Treatment Equipment	2.59%	2.86%	4,836,284			74,724	5,030,878
15	340	Transmission and Distribution Land	0.00%	0.00%				-	64,886
16	342	Storage Tanks	2.59%	2.00%	506,058			39,180	2,212,049
17	343	Transmission & Distribution Mains	2.59%	1.79%	14,146,100	(185,682)	(77,686)	777,679	50,387,125
18	344	Fire Sprinkler Taps	2.59%	2.00%	309,690	(589)		29,969	1,652,993
19	345	Services	2.59%	2.38%	3,146,707	(20,027)		371,846	17,187,119
20	346	Meters	2.59%	4.55%	281,112	(1,137)		95,439	2,237,548
21	348	Hydrants	2.59%	1.82%	2,570,297	(9,598)		98,375	6,685,549
22	389	General Plant Land	0.00%	0.00%				-	8,772
23	390	General Plant Structures	2.59%	2.50%	12,972			10,689	434,065
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	16,631			13,875	216,336
26	393	Warehouse Equipment	2.59%	5.00%	369			769	15,559
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	32,848			8,833	237,253
28	395	Laboratory Equipment	2.59%	5.00%	11,106			1,656	38,681
29	396	Power Operated Equipment	2.59%	6.67%	18,250			4,893	82,482
30	397	Communication Equipment	2.59%	6.67%	56,632			30,504	485,646
31	398	Miscellaneous Equipment	2.59%	3.33%	5,486			1,944	61,119
32		**TOTAL DIRECT WATER PLANT**			$ 31,161,751	$ (240,628)	$ (77,686)	$ 2,092,105	$ 101,549,120
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 31,161,751	$ (240,628)	$ (77,686)	$ 2,092,105	$ 101,549,120
35									
36		**Company Direct Plant As Filed**							102,371,813
37									
38		**RUCO Direct Plant Adjustment**							(822,693)
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(11,912)	
43		Accumulated Depreciation						(17,345,500)	$ (17,345,500)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(17,345,500)	(17,345,500)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(17,344,334)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (17,345,500)	$ (1,166)
49									
50		**RUCO Net Adjustment**							$ (823,860)
51									
52									

53 References:
54 Column (A): Approved Depreciation Rate From Decision No. 58120
55 Columns (B): Approved Depreciation Rate From Decision No. 66849
56 Acct. 302 - Franchises amortized over 25 years.
57 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
58 Acct. 310.4 - Wells - Other amortized over 24 years.
59 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								
56		Notes						
57		Acct. 302 - Franchises amortized over 25 years.						
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.						
59		Acct. 310.4 - Wells - Other amortized over 24 years.						
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.						

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 173	$ -	26.55%	$ -
2	302	Franchises	65,375	-	26.55%	-
3	303	Other Intangibles	1,910,286	-	26.55%	-
4	310.1	Water Rights	237,537	-	26.55%	-
5	310.3	Other Source of Supply Land	205,905	-	26.55%	-
6	310.4	Wells - Other	-	-	26.55%	-
7	314	Wells	5,670,264	-	26.55%	-
8	320	Pumping Plant Land	6,013	-	26.55%	-
9	321	Pumping Plant Structures & Imprm'ts	135,662	-	26.55%	-
10	325	Electtric Pumping Equipment	5,435,825	-	26.55%	-
11	328	Gas Engine Equipment	-	-	26.55%	-
12	330	Water Treatment Plant Land	680,718	-	26.55%	-
13	331	Water Treatment Structures & Imprm'ts	922,356	-	26.55%	-
14	332	Water Treatment Equipment	5,509,721	-	26.55%	-
15	340	Transmission and Distribution Land	64,886	-	26.55%	-
16	342	Storage Tanks	2,212,049	-	26.55%	-
17	343	Transmission & Distribution Mains	50,455,861	-	26.55%	-
18	344	Fire Sprinkler Taps	1,652,993	-	26.55%	-
19	345	Services	17,187,119	-	26.55%	-
20	346	Meters	2,237,548	-	26.55%	-
21	348	Hydrants	6,685,549	-	26.55%	-
22	389	General Plant Land	8,772	-	26.55%	-
23	390	General Plant Structures	459,317	-	26.55%	-
24	390.1	Leasehold Improvements	349,392	-	26.55%	-
25	391	Office Furniture & Equipment	1,396,097	120,057	26.55%	31,875
26	393	Warehouse Equipment	17,120	-	26.55%	-
27	394	Tools, Shop & Garage Equipment	301,798	-	26.55%	-
28	395	Laboratory Equipment	39,732	-	26.55%	-
29	396	Power Operated Equipment	82,869	-	26.55%	-
30	397	Communication Equipment	527,126	-	26.55%	-
31	398	Miscellaneous Equipment	63,033	-	26.55%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 104,521,097	$ 120,057		$ 31,875
34		Company As Filed	$ 104,521,097	120,057		31,875
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (31,875)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 1,063
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 52,304	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(320,563)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (372,867)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 52,486	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	52,486	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 136,576	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	136,576	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 142,593	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	142,593	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (372,867)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 1,387,878	$ -	$ 1,387,878	35.92	$ 49,852,595
2	Payroll	2,349,262	(80,379)	2,268,884	14.00	31,764,374
3	Purchased Water	374,207	-	374,207	(55.31)	(20,698,147)
4	Chemicals	135,843	-	135,843	20.43	2,774,793
5	Property & Liability Insurance	79,312	-	79,312	(45.27)	(3,590,454)
6	Workman's Compensation Insurance	39,649	-	39,649	(46.50)	(1,843,679)
7	Health Insurance	596,846	(298)	596,548	(8.92)	(5,321,212)
8	Other Operating & Maintenance Expenses	2,169,776	(44,250)	2,125,526	30.00	63,765,792
9	Federal Current Income Taxes	1,298,159	(456,692)	841,467	37.00	31,134,263
10	State Current Income Taxes	285,973	(100,605)	185,368	37.00	6,858,600
11	FICA Taxes	178,329	(9,363)	168,966	14.00	2,365,527
12	FUTA & SUTA Taxes	4,267	-	4,267	83.10	354,588
13	Property Taxes	806,467	(62,383)	744,084	212.00	157,745,822
14	Registration, Svc. Contracts, & Misc. Fees	141,878	-	141,878	(98.83)	(14,021,803)
15	Retirement Annuities (401k)	197,001	(6,793)	190,208	34.72	6,604,033
16	Subtotal	10,044,849	(760,762)	9,284,086		307,745,093
17	Synchronized Interest	$ 1,530,834	$ (53,721)	$ 1,477,113	91.25	$ 134,786,594
18	Cost of Equity	2,519,956	(2,519,956)	-	-	-
19	Subtotal	$ 4,050,790	$ (2,573,677)	$ 1,477,113		$ 134,786,594
20	Total	$ 14,095,639	$ (3,334,439)	$ 10,761,200		$ 442,531,686

21	Expense Lag	Line 17, Col. (E) / (C)	41.12
22	Revenue Lag	Company B-5 Schedules	30.25
23	Net Lag	Line 18 - Line 17	(10.87)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 10,761,200
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(320,563)
26	Company As Filed	Co. Schedule B-6, Page 1	52,304
27	Difference	Line 21 - Line 22	$ (372,867)
28	ADJUSTMENT	Line 27	$ (372,867)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 6,578,320	$ -	$ 6,578,320	$ 2,548,690	$ 9,127,010
2	Commercial	2,217,689	-	2,217,689	959,957	3,177,645
3	Industrial	1,085,224	-	1,085,224	(105,442)	979,782
4	Private Fire Service	13,268	-	13,268	52,257	65,525
5	Other Water Revenues	450,711	-	450,711	243,628	694,340
6	Total Water Revenues	$ 10,345,212	$ -	$ 10,345,212	$ 3,699,090	$ 14,044,302
7	Miscellaneous	$ 589,682	$ -	$ 589,682	$ (46)	$ 589,636
8	Total Operating Revenues	$ 10,934,895	$ -	$ 10,934,895	$ 3,699,044	$ 14,633,938
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 374,207	$ -	$ 374,207	$ -	$ 374,207
10	Other	76,178	-	76,178	-	76,178
11	Pumping Expenses:	-				
12	Purchased Power	1,387,878	-	1,387,878	-	1,387,878
13	Purchased Gas	509	-	509	-	509
14	Other	537,890	-	537,890	-	537,890
15	Water Treatment Expenses	531,617	-	531,617	-	531,617
16	Transmission & Distribution Expenses	1,887,995	-	1,887,995	-	1,887,995
17	Customer Accounting Expenses	909,384	-	909,384	-	909,384
18	Sales Expense	4,312	-	4,312	-	4,312
19	Administrative & General Expenses	1,761,682	(104,096)	1,657,586	-	1,657,586
20	Total Operations & Maintenance Expense	$ 7,471,653	$ (104,096)	$ 7,367,557	$ -	$ 7,367,557
21	Depreciation & Amortization Expenses	$ 2,329,760	$ (154,531)	$ 2,175,228	$ -	$ 2,175,228
	Taxes					
22	Federal Income Taxes	$ (450,160)	$ 121,586	$ (328,574)	$ 1,170,040	$ 841,467
23	State Income Taxes	(99,166)	26,784	(72,382)	257,749	185,368
24	Property Taxes	806,467	(62,680)	743,787	-	743,787
25	Other	219,346	(9,363)	209,983	-	209,983
26	Total Taxes	$ 476,487	$ 76,328	$ 552,815	$ 1,427,789	$ 1,980,604
27	Total Operating Expenses	$ 10,277,900	$ (182,300)	$ 10,095,600	$ 1,427,789	$ 11,523,390
28	Operating Income	$ 656,994	$ 182,300	$ 839,294	$ 2,271,254	$ 3,110,548

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

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

Casa Grande System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 6,578,320	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,578,320
2	Commercial	2,217,689	-	-	-	-	-	-	-	-	-	-	2,217,689
3	Industrial	1,085,224	-	-	-	-	-	-	-	-	-	-	1,085,224
4	Private Fire Service	13,268	-	-	-	-	-	-	-	-	-	-	13,268
5	Other Water Revenues	450,711	-	-	-	-	-	-	-	-	-	-	450,711
6	Total Water Revenues	$ 10,345,212	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,345,212
7	Miscellaneous	$ 589,682	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 589,682
8	Total Operating Revenues	$ 10,934,895	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,934,895
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 374,207	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 374,207
10	Other	76,178	-	-	-	-	-	-	-	-	-	-	76,178
11	Pumping Expenses:												
12	Purchased Power	1,387,878	-	-	-	-	-	-	-	-	-	-	1,387,878
13	Purchased Gas	509	-	-	-	-	-	-	-	-	-	-	509
14	Other	537,890	-	-	-	-	-	-	-	-	-	-	537,890
15	Water Treatment Expenses	531,617	-	-	-	-	-	-	-	-	-	-	531,617
16	Transmission & Distribution Expenses	1,887,995	-	-	-	-	-	-	-	-	-	-	1,887,995
17	Customer Accounting Expenses	909,384	-	-	-	-	-	-	-	-	-	-	909,384
18	Sales Expense	4,312	-	-	-	-	-	-	-	-	-	-	4,312
19	Administrative & General Expenses	1,761,682	(80,379)	-	(6,793)	-	-	(298)	-	-	(16,627)	-	1,657,586
20	Total Operations & Maintenance Expense	$ 7,471,653	$ (80,379)	$ -	$ (6,793)	$ -	$ -	$ (298)	$ -	$ -	$ (16,627)	$ -	$ 7,367,557
21	Depreciation & Amortization Expenses	$ 2,329,760	$ -	$ -	$ -	$ -	$ -	$ -	$ (154,531)	$ -	$ -	$ -	$ 2,175,228
	Taxes												
22	Federal Income Taxes	$ (450,160)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 121,586	$ (328,574)
23	State Income Taxes	(99,166)	-	-	-	-	-	-	-	-	-	26,784	(72,382)
24	Property Taxes	806,467	-	-	-	-	-	(298)	-	(62,383)	-	-	743,787
25	Other	219,346	-	(9,363)	-	-	-	-	-	-	-	-	209,983
26	Total Taxes	$ 476,487	$ -	$ (9,363)	$ -	$ -	$ -	$ (298)	$ -	$ (62,383)	$ -	$ 148,371	$ 552,815
27	Total Operating Expenses	$ 10,277,900	$ (80,379)	$ (9,363)	$ (6,793)	$ -	$ -	$ (595)	$ (154,531)	$ (62,383)	$ (16,627)	$ 148,371	$ 10,095,600
28	Operating Income	$ 656,994	$ 80,379	$ 9,363	$ 6,793	$ -	$ -	$ 595	$ 154,531	$ 62,383	$ 16,627	$ (148,371)	$ 839,294

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 - Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		26.55%
21			
22	RUCO Adjustment		$ (80,379)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	26.55%
6		
7	RUCO Allocated Payroll by District	$ 80,379
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	11.65%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (9,363)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	26.55%
6		
7	RUCO Allocated Payroll by District	$ 80,379
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.45%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (6,793)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

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

Casa Grande System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 6,578,320	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,578,320
2	Commercial	2,217,689	-	-	-	-	-	-	-	-	-	-	2,217,689
3	Industrial	1,085,224	-	-	-	-	-	-	-	-	-	-	1,085,224
4	Private Fire Service	13,268	-	-	-	-	-	-	-	-	-	-	13,268
5	Other Water Revenues	450,711	-	-	-	-	-	-	-	-	-	-	450,711
6	Total Water Revenues	$ 10,345,212	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,345,212
7	Miscellaneous	$ 589,682	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 589,682
8	Total Operating Revenues	$ 10,934,895	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,934,895
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 374,207	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 374,207
10	Other	76,178	-	-	-	-	-	-	-	-	-	-	76,178
11	Pumping Expenses:												
12	Purchased Power	1,387,878	-	-	-	-	-	-	-	-	-	-	1,387,878
13	Purchased Gas	509	-	-	-	-	-	-	-	-	-	-	509
14	Other	537,890	-	-	-	-	-	-	-	-	-	-	537,890
15	Water Treatment Expenses	531,617	-	-	-	-	-	-	-	-	-	-	531,617
16	Transmission & Distribution Expenses	1,887,995	-	-	-	-	-	-	-	-	-	-	1,887,995
17	Customer Accounting Expenses	909,384	-	-	-	-	-	-	-	-	-	-	909,384
18	Sales Expense	4,312	-	-	-	-	-	-	-	-	-	-	4,312
19	Administrative & General Expenses	1,761,682	(80,379)	-	(6,793)	-	-	(298)	-	-	(16,627)	-	1,657,586
20	Total Operations & Maintenance Expense	$ 7,471,653	$ (80,379)	$ -	$ (6,793)	$ -	$ -	$ (298)	$ -	$ -	$ (16,627)	$ -	$ 7,367,557
21	Depreciation & Amortization Expenses	$ 2,329,760	$ -	$ -	$ -	$ -	$ -	$ -	$ (154,531)	$ -	$ -	$ -	$ 2,175,228
	Taxes												
22	Federal Income Taxes	$ (450,160)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 121,586	$ (328,574)
23	State Income Taxes	(99,166)	-	-	-	-	-	-	-	-	-	26,784	(72,382)
24	Property Taxes	806,467	-	-	-	-	-	(298)	-	(62,383)	-	-	743,787
25	Other	219,346	-	(9,363)	-	-	-	-	-	-	-	-	209,983
26	Total Taxes	$ 476,487	$ -	$ (9,363)	$ -	$ -	$ -	$ (298)	$ -	$ (62,383)	$ -	$ 148,371	$ 552,815
27	Total Operating Expenses	$ 10,277,900	$ (80,379)	$ (9,363)	$ (6,793)	$ -	$ -	$ (595)	$ (154,531)	$ (62,383)	$ (16,627)	$ 148,371	$ 10,095,600
28	Operating Income	$ 656,994	$ 80,379	$ 9,363	$ 6,793	$ -	$ -	$ 595	$ 154,531	$ 62,383	$ 16,627	$ (148,371)	$ 839,294

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - *401(K) Expense Related to Adjustment 1*	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 - Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 173	0.00%	$ -
2	302	Franchises	65,375	See Acct. 111	-
3	303	Other Intangibles	1,087,592	See Acct. 111	-
4	310.1	Water Rights	237,537	0.00%	-
5	310.3	Other Source of Supply Land	205,905	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	4,773,339	3.13%	149,405
8	320	Pumping Plant Land	6,013	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	135,662	2.86%	3,880
10	325	Electtric Pumping Equipment	5,435,825	5.88%	319,627
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	680,718	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	922,356	2.50%	23,059
14	332	Water Treatment Equipment	5,509,722	2.86%	157,578
15	340	Transmission and Distribution Land	64,886	0.00%	-
16	342	Storage Tanks	2,212,049	2.00%	44,241
17	343	Transmission & Distribution Mains	50,455,860	1.79%	903,160
18	344	Fire Sprinkler Taps	1,652,993	2.00%	33,060
19	345	Services	17,187,119	2.38%	409,053
20	346	Meters	2,237,548	4.55%	101,808
21	348	Hydrants	6,685,549	1.82%	121,677
22	389	General Plant Land	8,772	0.00%	-
23	390	General Plant Structures	459,317	2.50%	11,483
24	390.1	Leasehold Improvements	349,392	See Acct. 108.2	-
25	391	Office Furniture & Equipment	1,364,222	6.67%	90,994
26	393	Warehouse Equipment	17,120	5.00%	856
27	394	Tools, Shop & Garage Equipment	301,798	4.00%	12,072
28	395	Laboratory Equipment	39,732	5.00%	1,987
29	396	Power Operated Equipment	82,869	6.67%	5,527
30	397	Communication Equipment	527,126	6.67%	35,159
31	398	Miscellaneous Equipment	63,033	3.33%	2,099
32		Rounding	-		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 102,769,603		$ 2,426,725
34		Net Regulatory Asset / (Liability)	590,093		29,505
35		AMORTIZATION OF CONTRIBUTIONS	(14,050,085)	2.00%	(281,002)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 2,175,229
38					
39	Company As Filed				2,329,760
40	Difference				$ (154,531)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (154,531)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 10,934,895	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	10,934,895	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	14,633,938	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 36,503,728	
5	Average Annual Operating Revenues	Line 4 / 3	12,167,909	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 24,335,818
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 3,133,308	
8	10% Of CWIP	Line 7 X 10%		$ 313,331
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (545,357)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 24,103,792
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 5,423,353	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	13.72%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	13.72%	
	Property Tax			$ 744,084
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 744,084
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		806,467
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (62,383)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (62,383)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			24.9%
3	Casa Grande System (Line 1 X Line 2)			$ 74,820
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 24,940
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 41,567
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (16,627)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (16,627)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 438,339
	LESS:		
2	Arizona State Tax	Line 11	(72,382)
3	Interest Expense	Note (A) Line 21	1,477,113
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (966,393)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ (328,574)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 438,339
	LESS:		
8	Interest Expense	Note (A) Line 21	1,477,113
9	State Taxable Income	Line 7 - Line 8	$ (1,038,775)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (72,382)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (328,574)
13	State Income Tax Expense	Line 11	(72,382)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (400,955)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(450,160)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(99,166)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 121,586
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 26,784

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 39,826,084
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 1,477,113

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Stanfield System

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

Stanfield System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 823,590	$ 774,655
2	Adjusted Operating Income (Loss)	$ (31,092)	$ (47,110)
3	Current Rate of Return (L2 / L1)	-3.78%	-6.08%
4	Required Operating Income (L5 X L1)	$ 80,829	$ 60,488
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 111,922	$ 107,598
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.2646
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 182,279	$ 136,067
9	Adjusted Test Year Revenue	$ 131,926	$ 131,926
10	Proposed Annual Revenue (L8 + L9)	$ 314,205	$ 267,993
11	Required Percentage Increase in Revenue (L8 / L9)	138.17%	103.14%
12	Consolidated Revenue Adjustment (Casa Grande/Coolidge/Stanfield)	$ (174,589)	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 7,690	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 139,662	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	5.85%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-15

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.2092			
3	Subtotal (L1 - L2)	0.7908			
4	**Revenue Conversion Factor** (L1 / L3)	**1.2646**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	15.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	13.9548%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	20.9228%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 60,488			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	(47,110)			
13	Required Increase In Operating Income (L11 - L12)		$ 107,598		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 8,402			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(20,067)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 28,469		
17	Total Required Increase In Revenue (L13 + L16)		$ 136,067		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 267,993	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			199,102	
20	Synchronized Interest (Col. (C), L37)			28,731	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 40,159	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 2,798
24	Fed. Taxable Income (L21 - L23)			$ 37,361	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 5,604	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ -	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ -	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ -	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 5,604
31	Combined Federal and State Income Tax (L23 + L30)				$ 8,402
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ (20,067)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 28,469
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				15.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 774,655	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 28,731	

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

Stanfield System
Schedule TJC-2
Page 1 of 1

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 1,223	$ -	$ 1,223
2	Source of Supply Plant	172,909	-	172,909
3	Pumping Plant	428,386	(2,500)	425,886
4	Water Treatment Plant	32,783	(35,041)	(2,258)
5	Transmission & Distribution Plant	438,789	(5,100)	433,689
6	General Plant	106,655	(324)	106,331
7	Total Gross Plant in Service	$ 1,180,745	$ (42,965)	$ 1,137,780
8	Accumulated Depreciation	(260,401)	7,396	(253,005)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 920,344	$ (35,569)	$ 884,775
10	Advances in Aid Of Const.	$ (15,715)	$ -	$ (15,715)
11	Contribution in Aid of Const.	$ (49,164)	$ -	$ (49,164)
12	Accumulated Amortization of CIAC	12,246	-	12,246
13	NET CIAC (L5 + L6)	$ (36,918)	$ -	$ (36,918)
14	Deferred Income Tax	$ (51,746)	$ -	$ (51,746)
15	Allowance for Working Capital	$ 7,625	$ (13,366)	$ (5,741)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 823,590	$ (48,935)	$ 774,655

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

Stanfield System
Schedule TJC-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 1,223	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,223
2	Source of Supply Plant	172,909	-	-	-	-	-	-	172,909
3	Pumping Plant	428,386	-	-	(2,500)	-	-	-	425,886
4	Water Treatment Plant	32,783	-	-	(35,041)	-	-	-	(2,258)
5	Transmission & Distribution Plant	438,789	-	-	(5,100)	-	-	-	433,689
6	General Plant	106,655	-	(324)	-	-	-	-	106,331
7	Total Gross Plant in Service	$ 1,180,745	$ -	$ (324)	$ (42,641)	$ -	$ -	$ -	$ 1,137,780
8	Accumulated Depreciation	(260,401)	(9,692)	11	17,077	-	-	-	(253,005)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 920,344	$ (9,692)	$ (313)	$ (25,564)	$ -	$ -	$ -	$ 884,775
10	Advances in Aid Of Const.	$ (15,715)	$ -	$ -	$ -	$ -	$ -	$ -	$ (15,715)
11	Contribution in Aid of Const.	$ (49,164)	$ -	$ -	$ -	$ -	$ -	$ -	$ (49,164)
12	Accumulated Amortization of CIAC	12,246		-	-	-	-	-	12,246
13	NET CIAC (L5 + L6)	$ (36,918)	$ -	$ -	$ -	$ -	$ -	$ -	$ (36,918)
14	Deferred Income Tax	$ (51,746)	$ -	$ -	$ -	$ -	$ -	$ -	$ (51,746)
15	Allowance for Working Capital	7,625	$ -	$ -	$ -	$ -	$ -	$ (13,366)	$ (5,741)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 823,590	$ (9,692)	$ (313)	$ (25,564)	$ -	$ -	$ (13,366)	$ 774,655

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	(C) 12/31/2003 Per Decision No. 68302	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2003
1	301	Organization	0.00%	0.00%	-		$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-		-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	1,128		1,128
5	310.3	Other Source of Supply Land	0.00%	0.00%	600		600
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	106,975		106,975
8	320	Pumping Plant Land	0.00%	0.00%	200		200
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	1,243		1,243
10	325	Electtric Pumping Equipment	2.59%	5.88%	190,368		190,368
11	328	Gas Engine Equipment	2.59%	4.00%	-		-
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	6,778		6,778
14	332	Water Treatment Equipment	2.59%	2.86%	13,763		13,763
15	340	Transmission and Distribution Land	0.00%	0.00%	-		-
16	342	Storage Tanks	2.59%	2.00%	40,876		40,876
17	343	Transmission & Distribution Mains	2.59%	1.79%	99,139		99,139
18	344	Fire Sprinkler Taps	2.59%	2.00%	268		268
19	345	Services	2.59%	2.38%	35,888		35,888
20	346	Meters	2.59%	4.55%	17,035		17,035
21	348	Hydrants	2.59%	1.82%	9,243		9,243
22	389	General Plant Land	0.00%	0.00%	-		-
23	390	General Plant Structures	2.59%	2.50%	1,312		1,312
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-		-
25	391	Office Furniture & Equipment	2.59%	6.67%	-		-
26	393	Warehouse Equipment	2.59%	5.00%	-		-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	534		534
28	395	Laboratory Equipment	2.59%	5.00%	-		-
29	396	Power Operated Equipment	2.59%	6.67%	-		-
30	397	Communication Equipment	2.59%	6.67%	76,676		76,676
31	398	Miscellaneous Equipment	2.59%	3.33%	534		534
32		**TOTAL DIRECT WATER PLANT**			$ 602,560	$ -	$ 602,560
33		Post Test Year Plant (PTYP)			-	-	-
34		**RUCO Total Water Plant In Service**			$ 602,560	$ -	$ 602,560
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(195,716)		$ (195,716)
44		Accumulated Depreciation - PTYP			-	-	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (195,716)		$ (195,716)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(186,029)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (195,716)	$ -	$ (9,687)
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	51			-	51
4	310.1	Water Rights	0.00%	0.00%	179			-	1,307
5	310.3	Other Source of Supply Land	0.00%	0.00%	9,993			-	10,593
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				2,771	106,975
8	320	Pumping Plant Land	0.00%	0.00%				-	200
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	1,470			51	2,713
10	325	Electtric Pumping Equipment	2.59%	5.88%	4,722			4,992	195,090
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				176	6,778
14	332	Water Treatment Equipment	2.59%	2.86%	4,201	(6,882)		322	11,082
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				1,059	40,876
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,406			2,586	100,545
18	344	Fire Sprinkler Taps	2.59%	2.00%				7	268
19	345	Services	2.59%	2.38%	1,381	(56)		947	37,213
20	346	Meters	2.59%	4.55%		(27)		441	17,008
21	348	Hydrants	2.59%	1.82%				239	9,243
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				34	1,312
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				14	534
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%				1,986	76,676
31	398	Miscellaneous Equipment	2.59%	3.33%				14	534
32		**TOTAL DIRECT WATER PLANT**			$ 23,403	$ (6,965)	$ -	$ 15,637	$ 618,998
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 23,403	$ (6,965)	$ -	$ 15,637	$ 618,998
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41								-	
42		Net (Salvage)/Cost of Removal						(11)	
43		Accumulated Depreciation						(204,398)	$ (204,398)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(204,398)	$ (204,398)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(194,711)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (204,398)	$ (9,687)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				-	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	51
4	310.1	Water Rights	0.00%	0.00%	323			-	1,630
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	10,593
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	50,580			3,485	157,555
8	320	Pumping Plant Land	0.00%	0.00%				-	200
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				71	2,713
10	325	Electtric Pumping Equipment	2.59%	5.88%	5,149			5,661	200,239
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				175	6,778
14	332	Water Treatment Equipment	2.59%	2.86%				290	11,082
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%		(87)		1,037	40,789
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,519			2,556	102,064
18	344	Fire Sprinkler Taps	2.59%	2.00%				7	268
19	345	Services	2.59%	2.38%	13,903	(285)		1,132	50,831
20	346	Meters	2.59%	4.55%				468	17,008
21	348	Hydrants	2.59%	1.82%				233	9,243
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				34	1,312
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				14	534
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%				2,247	76,676
31	398	Miscellaneous Equipment	2.59%	3.33%				14	534
32		**TOTAL DIRECT WATER PLANT**			$ 71,474	$ (372)	$ -	$ 17,426	$ 690,100
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 71,474	$ (372)	$ -	$ 17,426	$ 690,100
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(221,452)	$ (221,452)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(221,452)	$ (221,452)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(211,765)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (221,452)	$ (9,687)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	460			-	511
4	310.1	Water Rights	0.00%	0.00%	514			-	2,144
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	10,593
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				4,931	157,555
8	320	Pumping Plant Land	0.00%	0.00%				-	200
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				78	2,713
10	325	Electtric Pumping Equipment	2.59%	5.88%	78,696			14,088	278,935
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				169	6,778
14	332	Water Treatment Equipment	2.59%	2.86%				317	11,082
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				816	40,789
17	343	Transmission & Distribution Mains	2.59%	1.79%				1,827	102,064
18	344	Fire Sprinkler Taps	2.59%	2.00%				5	268
19	345	Services	2.59%	2.38%	7,897			1,304	58,728
20	346	Meters	2.59%	4.55%	1,677	(9)		812	18,676
21	348	Hydrants	2.59%	1.82%				168	9,243
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				33	1,312
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				21	534
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%				5,114	76,676
31	398	Miscellaneous Equipment	2.59%	3.33%				18	534
32		**TOTAL DIRECT WATER PLANT**			$ 89,245	$ (9)	$ -	$ 29,701	$ 779,336
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 89,245	$ (9)	$ -	$ 29,701	$ 779,336
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(251,145)	$ (251,145)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(251,145)	(251,145)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(241,457)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (251,145)	$ (9,688)
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	686			$ 91	1,198
4	310.1	Water Rights	0.00%	0.00%	891			-	3,035
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	10,593
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,727			4,958	159,282
8	320	Pumping Plant Land	0.00%	0.00%				-	200
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				78	2,713
10	325	Electtric Pumping Equipment	2.59%	5.88%	50,146	(22,097)		17,226	306,984
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				169	6,778
14	332	Water Treatment Equipment	2.59%	2.86%				317	11,082
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	336			819	41,125
17	343	Transmission & Distribution Mains	2.59%	1.79%	22,863	(823)		2,024	124,105
18	344	Fire Sprinkler Taps	2.59%	2.00%				5	268
19	345	Services	2.59%	2.38%	10,512	(157)		1,521	69,083
20	346	Meters	2.59%	4.55%	3,582			931	22,259
21	348	Hydrants	2.59%	1.82%				168	9,243
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				33	1,312
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				-	-
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%				21	534
28	395	Laboratory Equipment	2.59%	5.00%				-	-
29	396	Power Operated Equipment	2.59%	6.67%				-	-
30	397	Communication Equipment	2.59%	6.67%	2,679			5,204	79,355
31	398	Miscellaneous Equipment	2.59%	3.33%				18	534
32		**TOTAL DIRECT WATER PLANT**			$ 93,423	$ (23,077)	$ -	$ 33,584	$ 849,682
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 93,423	$ (23,077)	$ -	$ 33,584	$ 849,682
35									
36		**Company Direct Plant As Filed**							849,682
37									
38		**RUCO Direct Plant Adjustment**							0
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(261,652)	$ (261,652)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(261,652)	(261,652)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(251,964)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (261,652)	$ (9,688)
49									
50		**RUCO Net Adjustment**							$ (9,688)
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	Direct Plant Classification Balances	RUCO Direct Plant Balances 12/31/2007	Company Balances	RUCO Difference
1	301	Organization	0.00%	0.00%	$ -	Intangible Plant	Intangible Plant	
2	302	Franchises	See Acct. 111	See Acct. 111	-			
3	303	Other Intangibles	See Acct. 111	See Acct. 111	1,198	$ 1,198	$ 1,198	(0)
4	310.1	Water Rights	0.00%	0.00%	3,035	Source of Supply	Source of Supply	
5	310.3	Other Source of Supply Land	0.00%	0.00%	10,593			
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-			
7	314	Wells	2.59%	3.13%	159,282	172,910	172,909	1
8	320	Pumping Plant Land	0.00%	0.00%	200	Pumping Plant	Pumping Plant	
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	2,713			
10	325	Electtric Pumping Equipment	2.59%	5.88%	306,984			
11	328	Gas Engine Equipment	2.59%	4.00%	-	309,897	309,898	(1)
12	330	Water Treatment Plant Land	0.00%	0.00%	-	Treatment Plant	Treatment Plant	
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	6,778			
14	332	Water Treatment Equipment	2.59%	2.86%	11,082	17,860	17,860	(0)
15	340	Transmission and Distribution Land	0.00%	0.00%	-	T & D Plant	T & D Plant	
16	342	Storage Tanks	2.59%	2.00%	41,125			
17	343	Transmission & Distribution Mains	2.59%	1.79%	124,105			
18	344	Fire Sprinkler Taps	2.59%	2.00%	268			
19	345	Services	2.59%	2.38%	69,083			
20	346	Meters	2.59%	4.55%	22,259			
21	348	Hydrants	2.59%	1.82%	9,243	266,082	266,082	0
22	389	General Plant Land	0.00%	0.00%	-	General Plant	General Plant	
23	390	General Plant Structures	2.59%	2.50%	1,312			
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-			
25	391	Office Furniture & Equipment	2.59%	6.67%	-			
26	393	Warehouse Equipment	2.59%	5.00%	-			
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	534			
28	395	Laboratory Equipment	2.59%	5.00%	-			
29	396	Power Operated Equipment	2.59%	6.67%	-			
30	397	Communication Equipment	2.59%	6.67%	79,355			
31	398	Miscellaneous Equipment	2.59%	3.33%	534	81,735	81,735	0
32		**TOTAL DIRECT WATER PLANT**			$ 849,682			
33		Post Test Year Plant (PTYP)				$ 849,682	$ 849,682	(0)
34		**RUCO Total Water Plant In Service**						
35								
36		**Company Direct Plant As Filed**						
37								
38		**RUCO Direct Plant Adjustment**						
39								
40		Reserve Deficiency Accrual - Decision No. 38733						
41								
42		Net (Salvage)/Cost of Removal						
43		Accumulated Depreciation						
44		Accumulated Depreciation - PTYP						
45		RUCO Total Accumulated Depreciation - Calculated						
46								
47		Company As Filed - Accumulated Depreciation						
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						
49								
50		**RUCO Net Adjustment**						
51								
52								
53								

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present
1	301	Organization	0.00%	0.00%
2	302	Franchises	See Acct. 111	See Acct. 111
3	303	Other Intangibles	See Acct. 111	See Acct. 111
4	310.1	Water Rights	0.00%	0.00%
5	310.3	Other Source of Supply Land	0.00%	0.00%
6	310.4	Wells - Other	See Acct. 111	See Acct. 111
7	314	Wells	2.59%	3.13%
8	320	Pumping Plant Land	0.00%	0.00%
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%
10	325	Electtric Pumping Equipment	2.59%	5.88%
11	328	Gas Engine Equipment	2.59%	4.00%
12	330	Water Treatment Plant Land	0.00%	0.00%
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%
14	332	Water Treatment Equipment	2.59%	2.86%
15	340	Transmission and Distribution Land	0.00%	0.00%
16	342	Storage Tanks	2.59%	2.00%
17	343	Transmission & Distribution Mains	2.59%	1.79%
18	344	Fire Sprinkler Taps	2.59%	2.00%
19	345	Services	2.59%	2.38%
20	346	Meters	2.59%	4.55%
21	348	Hydrants	2.59%	1.82%
22	389	General Plant Land	0.00%	0.00%
23	390	General Plant Structures	2.59%	2.50%
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2
25	391	Office Furniture & Equipment	2.59%	6.67%
26	393	Warehouse Equipment	2.59%	5.00%
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%
28	395	Laboratory Equipment	2.59%	5.00%
29	396	Power Operated Equipment	2.59%	6.67%
30	397	Communication Equipment	2.59%	6.67%
31	398	Miscellaneous Equipment	2.59%	3.33%
32		**TOTAL DIRECT WATER PLANT**		
33		Post Test Year Plant (PTYP)		
34		**RUCO Total Water Plant In Service**		
35				
36		**Company Direct Plant As Filed**		
37				
38		**RUCO Direct Plant Adjustment**		
39				
40		Reserve Deficiency Accrual - Decision No. 38733		
41				
42		Net (Salvage)/Cost of Removal		
43		Accumulated Depreciation		
44		Accumulated Depreciation - PTYP		
45		RUCO Total Accumulated Depreciation - Calculated		
46				
47		Company As Filed - Accumulated Depreciation		
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**		
49				
50		**RUCO Net Adjustment**		
51				
52				
53				

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	*Transmission and Distribution Land*	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56	Notes					
57	Acct. 302 - Franchises amortized over 25 years.					
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59	Acct. 310.4 - Wells - Other amortized over 24 years.					
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	*Water Treatment Equipment*	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								
56		Notes						
57		Acct. 302 - Franchises amortized over 25 years.						
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.						
59		Acct. 310.4 - Wells - Other amortized over 24 years.						
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.						

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								
56	Notes							
57	Acct. 302 - Franchises amortized over 25 years.							
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.							
59	Acct. 310.4 - Wells - Other amortized over 24 years.							
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.							

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 2	$ -	0.27%	$ -
2	302	Franchises	-	-	0.27%	-
3	303	Other Intangibles	1,221	-	0.27%	-
4	310.1	Water Rights	3,035	-	0.27%	-
5	310.3	Other Source of Supply Land	10,593	-	0.27%	-
6	310.4	Wells - Other	-	-	0.27%	-
7	314	Wells	159,282	-	0.27%	-
8	320	Pumping Plant Land	200	-	0.27%	-
9	321	Pumping Plant Structures & Imprm'ts	2,713	-	0.27%	-
10	325	Electtric Pumping Equipment	425,472	-	0.27%	-
11	328	Gas Engine Equipment	-	-	0.27%	-
12	330	Water Treatment Plant Land	-	-	0.27%	-
13	331	Water Treatment Structures & Imprm'ts	6,778	-	0.27%	-
14	332	Water Treatment Equipment	26,005	-	0.27%	-
15	340	Transmission and Distribution Land	-	-	0.27%	-
16	342	Storage Tanks	41,125	-	0.27%	-
17	343	Transmission & Distribution Mains	296,811	-	0.27%	-
18	344	Fire Sprinkler Taps	268	-	0.27%	-
19	345	Services	69,083	-	0.27%	-
20	346	Meters	22,259	-	0.27%	-
21	348	Hydrants	9,243	-	0.27%	-
22	389	General Plant Land	-	-	0.27%	-
23	390	General Plant Structures	9,539	-	0.27%	-
24	390.1	Leasehold Improvements	3,553	-	0.27%	-
25	391	Office Furniture & Equipment	12,012	120,057	0.27%	324
26	393	Warehouse Equipment	16	-	0.27%	-
27	394	Tools, Shop & Garage Equipment	1,190	-	0.27%	-
28	395	Laboratory Equipment	11	-	0.27%	-
29	396	Power Operated Equipment	4	-	0.27%	-
30	397	Communication Equipment	79,777	-	0.27%	-
31	398	Miscellaneous Equipment	553	-	0.27%	-
32		Rounding	(1)			
33		**TOTAL PTY WATER PLANT**	$ 1,180,745	$ 120,057		$ 324
34		Company As Filed	$ 1,180,745	120,057		324
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (324)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 11
40						
41						
42		References:				
43		Column (A): Company Schedules B-2				
44		Column (B): Post Test Year Phoenix Office Plant Allocation				
45		Column (C): 3-Factor Allocator				
46		Column (D): Adjustment				

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 4,293	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(9,073)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (13,366)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 493	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	493	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 1,389	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	1,389	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 1,450	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	1,450	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (13,366)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 20,599	$ -	$ 20,599	35.92	$ 739,916
2	Payroll	22,437	(817)	21,620	14.00	302,674
3	Purchased Water	-	-	-		-
4	Chemicals	-	-	-	20.43	-
5	Property & Liability Insurance	807	-	807	(45.27)	(36,533)
6	Workman's Compensation Insurance	403	-	403	(46.50)	(18,740)
7	Health Insurance	5,925	(3)	5,922	(8.92)	(52,826)
8	Other Operating & Maintenance Expenses	86,555	(450)	86,105	30.00	2,583,150
9	Federal Current Income Taxes	25,903	(20,299)	5,604	37.00	207,353
10	State Current Income Taxes	5,706	(2,908)	2,798	37.00	103,537
11	FICA Taxes	1,814	(95)	1,719	14.00	24,063
12	FUTA & SUTA Taxes	43	-	43	83.10	3,573
13	Property Taxes	14,053	-	14,053	212.00	2,979,236
14	Registration, Svc. Contracts, & Misc. Fees	1,443	-	1,443	(98.83)	(142,612)
15	Retirement Annuities (401k)	1,956	(69)	1,887	34.72	65,514
16	Subtotal	187,644	(24,641)	163,003		6,758,306
17	Synchronized Interest	$ 30,546	$ (1,815)	$ 28,731	91.25	$ 2,621,726
18	Cost of Equity	50,283	(50,283)	-	-	-
19	Subtotal	$ 80,829	$ (52,098)	$ 28,731		$ 2,621,726
20	Total	$ 268,473	$ (76,739)	$ 191,734		$ 9,380,032

21	Expense Lag	Line 17, Col. (E) / (C)	48.92
22	Revenue Lag	Company B-5 Schedules	31.65
23	Net Lag	Line 18 - Line 17	(17.27)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 191,734
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(9,073)
26	Company As Filed	Co. Schedule B-6, Page 1	4,293
27	Difference	Line 21 - Line 22	$ (13,366)
28	ADJUSTMENT	Line 27	$ (13,366)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 88,841	$ -	$ 88,841	$ 108,919	$ 197,760
2	Commercial	22,651	-	22,651	$ 28,600	51,252
3	Industrial	-	-	-	$ -	-
4	Private Fire Service	-	-	-	$ -	-
5	Other Water Revenues	19,498	-	19,498	$ (1,406)	18,092
6	Total Water Revenues	$ 130,990	$ -	$ 130,990	$ 136,114	$ 267,104
7	Miscellaneous	$ 936	$ -	$ 936	$ (47)	$ 889
8	Total Operating Revenues	$ 131,926	$ -	$ 131,926	$ 136,067	$ 267,993
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	378	-	378	-	378
11	Pumping Expenses:	-				
12	Purchased Power	20,599	-	20,599	-	20,599
13	Purchased Gas	-	-	-	-	-
14	Other	4,831	-	4,831	-	4,831
15	Water Treatment Expenses	62,986	-	62,986	-	62,986
16	Transmission & Distribution Expenses	25,008	-	25,008	-	25,008
17	Customer Accounting Expenses	8,718	-	8,718	-	8,718
18	Sales Expense	43	-	43	-	43
19	Administrative & General Expenses	17,560	(1,069)	16,491	-	16,491
20	Total Operations & Maintenance Expense	$ 140,124	$ (1,069)	$ 139,055	$ -	$ 139,055
21	Depreciation & Amortization Expenses	$ 46,067	$ (1,500)	$ 44,568	$ -	$ 44,568
	Taxes					
22	Federal Income Taxes	$ (31,753)	$ 18,369	$ (13,384)	$ 18,988	$ 5,604
23	State Income Taxes	(6,995)	312	(6,683)	9,481	2,798
24	Property Taxes	14,053	-	14,053	-	14,053
25	Other	1,522	(95)	1,426	-	1,426
26	Total Taxes	$ (23,173)	$ 18,586	$ (4,587)	$ 28,469	$ 23,882
27	Total Operating Expenses	$ 163,018	$ 16,018	$ 179,036	$ 28,469	$ 207,505
28	Operating Income	$ (31,092)	$ (16,018)	$ (47,110)	$ 107,598	$ 60,488

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 88,841	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 88,841
2	Commercial	22,651	-	-	-	-	-	-	-	-	-	-	22,651
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	-	-	-	-	-	-	-	-	-	-	-	-
5	Other Water Revenues	19,498	-	-	-	-	-	-	-	-	-	-	19,498
6	Total Water Revenues	$ 130,990	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 130,990
7	Miscellaneous	$ 936	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 936
8	Total Operating Revenues	$ 131,926	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 131,926
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	378	-	-	-	-	-	-	-	-	-	-	378
11	Pumping Expenses:												
12	Purchased Power	20,599	-	-	-	-	-	-	-	-	-	-	20,599
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	4,831	-	-	-	-	-	-	-	-	-	-	4,831
15	Water Treatment Expenses	62,986	-	-	-	-	-	-	-	-	-	-	62,986
16	Transmission & Distribution Expenses	25,008	-	-	-	-	-	-	-	-	-	-	25,008
17	Customer Accounting Expenses	8,718	-	-	-	-	-	-	-	-	-	-	8,718
18	Sales Expense	43	-	-	-	-	-	-	-	-	-	-	43
19	Administrative & General Expenses	17,560	(817)	-	(69)	-	-	(3)	-	-	(180)	-	16,491
20	Total Operations & Maintenance Expense	$ 140,124	$ (817)	$ -	$ (69)	$ -	$ -	$ (3)	$ -	$ -	$ (180)	$ -	$ 139,055
21	Depreciation & Amortization Expenses	$ 46,067	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,500)	$ -	$ -	$ -	$ 44,568
	Taxes												
22	Federal Income Taxes	$ (31,753)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,369	$ (13,384)
23	State Income Taxes	(6,995)	-	-	-	-	-	-	-	-	-	312	(6,683)
24	Property Taxes	14,053	-	-	-	-	-	-	-	-	-	-	14,053
25	Other	1,522	-	(95)	-	-	-	-	-	-	-	-	1,426
26	Total Taxes	$ (23,173)	$ -	$ (95)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,682	$ (4,587)
27	Total Operating Expenses	$ 163,018	$ (817)	$ (95)	$ (69)	$ -	$ -	$ (3)	$ (1,500)	$ -	$ (180)	$ 18,682	$ 179,036
28	Operating Income	$ (31,092)	$ 817	$ 95	$ 69	$ -	$ -	$ 3	$ 1,500	$ -	$ 180	$ (18,682)	$ (47,110)

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		0.27%
21			
22	RUCO Adjustment		$ (817)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				
42	**Calculation Notes:**			
43	Average of Hourly Rate	$ 21.65		
44	OT Hourly Rate 1.5	32.48		

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	0.27%
6		
7	RUCO Allocated Payroll by District	$ 817
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	11.65%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (95)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	0.27%
6		
7	RUCO Allocated Payroll by District	$ 817
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.45%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (69)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 2	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	1,221	See Acct. 111	92
4	310.1	Water Rights	3,035	0.00%	-
5	310.3	Other Source of Supply Land	10,593	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	159,282	3.13%	4,986
8	320	Pumping Plant Land	200	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	2,713	2.86%	78
10	325	Electtric Pumping Equipment	422,973	5.88%	24,871
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	6,778	2.50%	169
14	332	Water Treatment Equipment	(9,036)	2.86%	(258)
15	340	Transmission and Distribution Land	-	0.00%	-
16	342	Storage Tanks	41,125	2.00%	823
17	343	Transmission & Distribution Mains	291,711	1.79%	5,222
18	344	Fire Sprinkler Taps	268	2.00%	5
19	345	Services	69,083	2.38%	1,644
20	346	Meters	22,259	4.55%	1,013
21	348	Hydrants	9,243	1.82%	168
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	1,569	2.50%	39
24	390.1	Leasehold Improvements	3,553	See Acct. 108.2	-
25	391	Office Furniture & Equipment	19,657	6.67%	1,311
26	393	Warehouse Equipment	16	5.00%	1
27	394	Tools, Shop & Garage Equipment	1,190	4.00%	48
28	395	Laboratory Equipment	11	5.00%	1
29	396	Power Operated Equipment	4	6.67%	0
30	397	Communication Equipment	79,777	6.67%	5,321
31	398	Miscellaneous Equipment	553	3.33%	18
32		Rounding	(1)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 1,137,780		$ 45,551
34					
35		AMORTIZATION OF CONTRIBUTIONS	(49,164)	2.00%	(983)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 44,567
38					
39	Company As Filed				46,067
40	Difference				$ (1,500)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (1,500)
43					
44					

45	3-Factor Allocator By District:			
46	Superstition	24.94%	White Tank	2.37%
47	Bisbee	4.98%	Ajo	0.81%
48	Sierra Vista	2.58%	Coolidge	5.27%
49	San Manuel	1.68%	Lakeside	6.20%
50	Oracle	2.28%	Overgaard	3.99%
51	Winkelman	0.22%	Sedona	8.45%
52	Miami	4.98%	Pinewood	2.95%
53	Casa Grande	26.55%	Rimrock	1.48%
54	Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 131,926	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	131,926	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	267,993	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 531,845	
5	Average Annual Operating Revenues	Line 4 / 3	177,282	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 354,563
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 281,755	
8	10% Of CWIP	Line 7 X 10%		$ 28,176
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (230)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 382,509
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 86,064	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	15.85%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	15.85%	
	Property Tax			$ 13,641
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 13,641
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		14,053
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (412)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (412)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			0.27%
3	Stanfield System (Line 1 X Line 2)			$ 810
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 270
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 450
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (180)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (180)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ (67,176)
	LESS:		
2	Arizona State Tax	Line 11	(6,683)
3	Interest Expense	Note (A) Line 21	28,731
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (89,225)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	15.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ (13,384)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ (67,176)
	LESS:		
8	Interest Expense	Note (A) Line 21	28,731
9	State Taxable Income	Line 7 - Line 8	$ (95,908)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (6,683)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (13,384)
13	State Income Tax Expense	Line 11	(6,683)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (20,067)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(31,753)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(6,995)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 18,369
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 312

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$	774,655
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)		3.71%
21	Interest Expense (L18 X L19)	$	28,731

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

White Tank System

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007

White Tank System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 4,415,017	$ 4,307,949
2	Adjusted Operating Income (Loss)	$ 130,069	$ 137,059
3	Current Rate of Return (L2 / L1)	2.95%	3.18%
4	Required Operating Income (L5 X L1)	$ 433,301	$ 336,381
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 303,233	$ 199,322
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.5950
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 493,855	$ 317,918
9	Adjusted Test Year Revenue	$ 1,244,735	$ 1,244,735
10	Proposed Annual Revenue (L8 + L9)	$ 1,739,054	$ 1,562,653
11	Required Percentage Increase in Revenue (L8 / L9)	39.68%	25.54%
12	Consolidated Revenue Adjustment	$ -	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ -	$ -
14	Required Revenue Under Company Proposed Consolidation	$ -	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-15

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3730			
3	Subtotal (L1 - L2)	0.6270			
4	**Revenue Conversion Factor** (L1 / L3)	**1.5950**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	32.6082%			
9	Effective Federal Income Tax Rate (L7 X L8)	30.3361%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	37.3041%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 336,381			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	137,059			
13	Required Increase In Operating Income (L11 - L12)		$ 199,322		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 105,079			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(13,518)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 118,596		
17	Total Required Increase In Revenue (L13 + L16)		$ 317,918		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 1,562,653	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,121,193	
20	Synchronized Interest (Col. (C), L37)			159,778	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 281,682	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 19,628
24	Fed. Taxable Income (L21 - L23)			$ 262,054	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 63,201	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 85,451
31	Combined Federal and State Income Tax (L23 + L30)				$ 105,079
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ (13,518)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 118,596
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				32.61%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 4,307,949	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 159,778	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 10,580	$ -	$ 10,580
2	Source of Supply Plant	615,238	-	615,238
3	Pumping Plant	881,883	(35,104)	846,779
4	Water Treatment Plant	1,119,829	(904)	1,118,925
5	Transmission & Distribution Plant	10,239,592	-	10,239,592
6	General Plant	269,914	(2,845)	267,069
7	Total Gross Plant in Service	$ 13,137,036	$ (38,853)	$ 13,098,182
8	Accumulated Depreciation	(1,716,046)	27,639	(1,688,407)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 11,420,990	$ (11,214)	$ 11,409,776
10	Advances in Aid Of Const.	$ (5,647,808)	$ -	$ (5,647,808)
11	Contribution in Aid of Const.	$ (1,134,727)	$ -	$ (1,134,727)
12	Accumulated Amortization of CIAC	175,250	-	175,250
13	NET CIAC (L5 + L6)	$ (959,477)	$ -	$ (959,477)
14	Deferred Income Tax	$ (454,211)	$ -	$ (454,211)
15	Allowance for Working Capital	$ 55,523	$ (95,854)	$ (40,331)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 4,415,017	$ (107,068)	$ 4,307,949

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 10,580	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,580
2	Source of Supply Plant	615,238	-	-	-	-	-	-	615,238
3	Pumping Plant	881,883	-	-	(35,104)	-	-	-	846,779
4	Water Treatment Plant	1,119,829	-	-	(904)	-	-	-	1,118,925
5	Transmission & Distribution Plant	10,239,592	-	-	-	-	-	-	10,239,592
6	General Plant	269,914	-	(2,845)	-	-	-	-	267,069
7	Total Gross Plant in Service	$ 13,137,036	$ -	$ (2,845)	$ (36,008)	$ -	$ -	$ -	$ 13,098,182
8	Accumulated Depreciation	(1,716,046)	54	95	27,491	-	-	-	(1,688,407)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 11,420,990	$ 54	$ (2,750)	$ (8,517)	$ -	$ -	$ -	$ 11,409,776
10	Advances in Aid Of Const.	$ (5,647,808)	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,647,808)
11	Contribution in Aid of Const.	$ (1,134,727)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,134,727)
12	Accumulated Amortization of CIAC	175,250	-	-	-	-	-	-	175,250
13	NET CIAC (L5 + L6)	$ (959,477)	$ -	$ -	$ -	$ -	$ -	$ -	$ (959,477)
14	Deferred Income Tax	$ (454,211)	$ -	$ -	$ -	$ -	$ -	$ -	$ (454,211)
15	Allowance for Working Capital	$ 55,523	$ -	$ -	$ -	$ -	$ -	$ (95,854)	$ (40,331)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 4,415,017	$ 54	$ (2,750)	$ (8,517)	$ -	$ -	$ (95,854)	$ 4,307,949

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

White Tank System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	(C) 12/31/2003 Per Decision No. 68302	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2003
1	301	Organization	0.00%	0.00%	-		$ -
2	302	Franchises	See Acct. 111	See Acct. 111	-		-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	5,379		5,379
5	310.3	Other Source of Supply Land	0.00%	0.00%	28,521		28,521
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	535,369		535,369
8	320	Pumping Plant Land	0.00%	0.00%	-		-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	18,637		18,637
10	325	Electtric Pumping Equipment	2.59%	5.88%	509,917		509,917
11	328	Gas Engine Equipment	2.59%	4.00%	-		-
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	79		79
14	332	Water Treatment Equipment	2.59%	2.86%	15,053		15,053
15	340	Transmission and Distribution Land	0.00%	0.00%	35,990		35,990
16	342	Storage Tanks	2.59%	2.00%	481,206		481,206
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,979,570		2,979,570
18	344	Fire Sprinkler Taps	2.59%	2.00%	11,849		11,849
19	345	Services	2.59%	2.38%	554,285		554,285
20	346	Meters	2.59%	4.55%	90,488		90,488
21	348	Hydrants	2.59%	1.82%	218,331		218,331
22	389	General Plant Land	0.00%	0.00%	-		-
23	390	General Plant Structures	2.59%	2.50%	19,976		19,976
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-		-
25	391	Office Furniture & Equipment	2.59%	6.67%	15,017		15,017
26	393	Warehouse Equipment	2.59%	5.00%	1,043		1,043
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	18,697		18,697
28	395	Laboratory Equipment	2.59%	5.00%	2,477		2,477
29	396	Power Operated Equipment	2.59%	6.67%	635		635
30	397	Communication Equipment	2.59%	6.67%	27,428		27,428
31	398	Miscellaneous Equipment	2.59%	3.33%	10,573		10,573
32		**TOTAL DIRECT WATER PLANT**			$ 5,580,520	$ -	$ 5,580,520
33		Post Test Year Plant (PTYP)			-	-	-
34		**RUCO Total Water Plant In Service**			$ 5,580,520	$ -	$ 5,580,520
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(1,079,029)		$ (1,079,029)
44		Accumulated Depreciation - PTYP			(9,877)	9,877	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (1,088,906)		$ (1,079,029)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(1,079,029)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (1,088,906)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

White Tank System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	369			-	369
4	310.1	Water Rights	0.00%	0.00%	1,284			-	6,663
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	28,521
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,891			13,891	537,260
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	442			488	19,079
10	325	Electtric Pumping Equipment	2.59%	5.88%	72,029	(50,164)		13,490	531,782
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				2	79
14	332	Water Treatment Equipment	2.59%	2.86%	706			399	15,759
15	340	Transmission and Distribution Land	0.00%	0.00%				-	35,990
16	342	Storage Tanks	2.59%	2.00%				12,463	481,206
17	343	Transmission & Distribution Mains	2.59%	1.79%	557,626			84,392	3,537,196
18	344	Fire Sprinkler Taps	2.59%	2.00%	3,242			349	15,091
19	345	Services	2.59%	2.38%	32,845	(583)		14,774	586,547
20	346	Meters	2.59%	4.55%	16,496	(77)		2,556	106,907
21	348	Hydrants	2.59%	1.82%	94			5,656	218,425
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				517	19,976
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				389	15,017
26	393	Warehouse Equipment	2.59%	5.00%				27	1,043
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	360			489	19,057
28	395	Laboratory Equipment	2.59%	5.00%				64	2,477
29	396	Power Operated Equipment	2.59%	6.67%				16	635
30	397	Communication Equipment	2.59%	6.67%	122			712	27,550
31	398	Miscellaneous Equipment	2.59%	3.33%				274	10,573
32		**TOTAL DIRECT WATER PLANT**			$ 687,504	$ (50,824)	$ -	$ 150,949	$ 6,217,200
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 687,504	$ (50,824)	$ -	$ 150,949	$ 6,217,200
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						(11)	
43		Accumulated Depreciation						(1,179,164)	$ (1,179,164)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,179,164)	$ (1,179,164)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,179,165)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,179,164)	$ 1
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				-	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	369
4	310.1	Water Rights	0.00%	0.00%	2,311			-	8,974
5	310.3	*Other Source of Supply Land*	0.00%	0.00%				-	28,521
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%				14,157	537,260
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				498	19,079
10	325	Electtric Pumping Equipment	2.59%	5.88%	53,483	(8,886)		15,870	576,379
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				2	79
14	332	Water Treatment Equipment	2.59%	2.86%				412	15,759
15	340	Transmission and Distribution Land	0.00%	0.00%				-	35,990
16	342	Storage Tanks	2.59%	2.00%	359	(3,265)		12,190	478,300
17	343	Transmission & Distribution Mains	2.59%	1.79%	862,270	(36)		100,134	4,399,431
18	344	Fire Sprinkler Taps	2.59%	2.00%	20,981			650	36,072
19	345	Services	2.59%	2.38%	139,099	(89)		16,877	725,558
20	346	Meters	2.59%	4.55%	9,022	(52)		3,067	115,877
21	348	Hydrants	2.59%	1.82%	77,373			6,494	295,797
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				516	19,976
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%				440	15,017
26	393	Warehouse Equipment	2.59%	5.00%				29	1,043
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	830			527	19,887
28	395	Laboratory Equipment	2.59%	5.00%				69	2,477
29	396	Power Operated Equipment	2.59%	6.67%	111			20	746
30	397	Communication Equipment	2.59%	6.67%				807	27,550
31	398	Miscellaneous Equipment	2.59%	3.33%	398			286	10,971
32		**TOTAL DIRECT WATER PLANT**			$ 1,166,237	$ (12,328)	$ -	$ 173,045	$ 7,371,110
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,166,237	$ (12,328)	$ -	$ 173,045	$ 7,371,110
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,339,881)	$ (1,339,881)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(1,339,881)	$ (1,339,881)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,339,882)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,339,881)	$ 1
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

White Tank System
Schedule TJC-4 - Direct Plant
Page 4 of 5

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	3,971			-	4,340
4	310.1	Water Rights	0.00%	0.00%	4,434			-	13,408
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	28,521
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	624			16,826	537,884
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				546	19,079
10	325	Electtric Pumping Equipment	2.59%	5.88%	45,872	(30,315)		34,348	591,936
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				2	79
14	332	Water Treatment Equipment	2.59%	2.86%				451	15,759
15	340	Transmission and Distribution Land	0.00%	0.00%				-	35,990
16	342	Storage Tanks	2.59%	2.00%				9,566	478,300
17	343	Transmission & Distribution Mains	2.59%	1.79%	314,991	(90)	(1,430)	81,555	4,712,902
18	344	Fire Sprinkler Taps	2.59%	2.00%				721	36,072
19	345	Services	2.59%	2.38%	166,553	(1,132)		19,237	890,979
20	346	Meters	2.59%	4.55%	7,611			5,446	123,488
21	348	Hydrants	2.59%	1.82%	2,760			5,409	298,558
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%	4,159			551	24,135
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	1,264			1,044	16,281
26	393	Warehouse Equipment	2.59%	5.00%	117			55	1,160
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	9,546			986	29,433
28	395	Laboratory Equipment	2.59%	5.00%	176			128	2,653
29	396	Power Operated Equipment	2.59%	6.67%				50	746
30	397	Communication Equipment	2.59%	6.67%				1,838	27,550
31	398	Miscellaneous Equipment	2.59%	3.33%				365	10,971
32		**TOTAL DIRECT WATER PLANT**			$ 562,080	$ (31,537)	$ (1,430)	$ 179,124	$ 7,900,223
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 562,080	$ (31,537)	$ (1,430)	$ 179,124	$ 7,900,223
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						83	
43		Accumulated Depreciation						(1,487,385)	$ (1,487,385)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,487,385)	(1,487,385)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,487,476)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,487,385)	$ 91
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				-	-
3	303	Other Intangibles	See Acct. 111	See Acct. 111	6,023			783	10,363
4	310.1	Water Rights	0.00%	0.00%	7,825			-	21,233
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	28,521
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	22,927			17,195	560,811
8	320	Pumping Plant Land	0.00%	0.00%				-	-
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	553			554	19,632
10	325	Electtric Pumping Equipment	2.59%	5.88%	130,536	(39,201)		37,491	683,271
11	328	Gas Engine Equipment	2.59%	4.00%				-	-
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				2	79
14	332	Water Treatment Equipment	2.59%	2.86%	3,683			503	19,441
15	340	Transmission and Distribution Land	0.00%	0.00%				-	35,990
16	342	Storage Tanks	2.59%	2.00%				9,566	478,300
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,808,222	(4,450)	(33,638)	100,204	6,483,036
18	344	Fire Sprinkler Taps	2.59%	2.00%	66			722	36,138
19	345	Services	2.59%	2.38%	929,091			32,261	1,820,070
20	346	Meters	2.59%	4.55%	79,498	(64)		7,426	202,922
21	348	Hydrants	2.59%	1.82%	243,778			7,652	542,336
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%	2,563			635	26,698
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
25	391	Office Furniture & Equipment	2.59%	6.67%	434			1,100	16,715
26	393	Warehouse Equipment	2.59%	5.00%				58	1,160
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	446			1,186	29,879
28	395	Laboratory Equipment	2.59%	5.00%				133	2,653
29	396	Power Operated Equipment	2.59%	6.67%	1,043			85	1,788
30	397	Communication Equipment	2.59%	6.67%	496			1,854	28,046
31	398	Miscellaneous Equipment	2.59%	3.33%	1,541			391	12,512
32		**TOTAL DIRECT WATER PLANT**			$ 3,238,725	$ (43,715)	$ (33,638)	$ 219,801	$ 11,061,595
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 3,238,725	$ (43,715)	$ (33,638)	$ 219,801	$ 11,061,595
35									
36		**Company Direct Plant As Filed**							11,061,594
37									
38		**RUCO Direct Plant Adjustment**							1
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						-	
43		Accumulated Depreciation						(1,663,471)	$ (1,663,471)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(1,663,471)	(1,663,471)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(1,663,562)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (1,663,471)	$ 91
49									
50		**RUCO Net Adjustment**							$ 91
51									
52									
53									

54 References.
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	Direct Plant Classification Balances	RUCO Direct Plant Balances 12/31/2007	Company Balances	RUCO Difference
1	301	*Organization*	0.00%	0.00%	$ -	Intangible Plant	Intangible Plant	
2	302	Franchises	See Acct. 111	See Acct. 111	-			
3	303	Other Intangibles	See Acct. 111	See Acct. 111	10,363	$ 10,363	$ 10,363	0
4	310.1	Water Rights	0.00%	0.00%	21,233	Source of Supply	Source of Supply	
5	310.3	Other Source of Supply Land	0.00%	0.00%	28,521			
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-			
7	314	Wells	2.59%	3.13%	560,811	610,565	610,565	(0)
8	320	Pumping Plant Land	0.00%	0.00%	-	Pumping Plant	Pumping Plant	
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	19,632			
10	325	Electtric Pumping Equipment	2.59%	5.88%	683,271			
11	328	Gas Engine Equipment	2.59%	4.00%	-	702,903	702,903	(0)
12	330	Water Treatment Plant Land	0.00%	0.00%	-	Treatment Plant	Treatment Plant	
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	79			
14	332	Water Treatment Equipment	2.59%	2.86%	19,441	19,520	19,520	0
15	340	Transmission and Distribution Land	0.00%	0.00%	35,990	T & D Plant	T & D Plant	
16	342	Storage Tanks	2.59%	2.00%	478,300			
17	343	Transmission & Distribution Mains	2.59%	1.79%	6,483,036			
18	344	Fire Sprinkler Taps	2.59%	2.00%	36,138			
19	345	Services	2.59%	2.38%	1,820,070			
20	346	Meters	2.59%	4.55%	202,922			
21	348	Hydrants	2.59%	1.82%	542,336	9,598,792	9,598,791	1
22	389	General Plant Land	0.00%	0.00%	-	General Plant	General Plant	
23	390	General Plant Structures	2.59%	2.50%	26,698			
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-			
25	391	Office Furniture & Equipment	2.59%	6.67%	16,715			
26	393	Warehouse Equipment	2.59%	5.00%	1,160			
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	29,879			
28	395	Laboratory Equipment	2.59%	5.00%	2,653			
29	396	Power Operated Equipment	2.59%	6.67%	1,788			
30	397	Communication Equipment	2.59%	6.67%	28,046			
31	398	Miscellaneous Equipment	2.59%	3.33%	12,512	119,452	119,452	0
32		**TOTAL DIRECT WATER PLANT**			$ 11,061,595			
33		Post Test Year Plant (PTYP)				$ 11,061,595	$ 11,061,594	1
34		**RUCO Total Water Plant In Service**						
35								
36		**Company Direct Plant As Filed**						
37								
38		**RUCO Direct Plant Adjustment**						
39								
40		Reserve Deficiency Accrual - Decision No. 38733						
41								
42		Net (Salvage)/Cost of Removal						
43		Accumulated Depreciation						
44		Accumulated Depreciation - PTYP						
45		RUCO Total Accumulated Depreciation - Calculated						
46								
47		Company As Filed - *Accumulated Depreciation*						
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						
49								
50		**RUCO Net Adjustment**						
51								
52								
53								

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present
1	301	Organization	0.00%	0.00%
2	302	Franchises	See Acct. 111	See Acct. 111
3	303	Other Intangibles	See Acct. 111	See Acct. 111
4	310.1	Water Rights	0.00%	0.00%
5	310.3	Other Source of Supply Land	0.00%	0.00%
6	310.4	Wells - Other	See Acct. 111	See Acct. 111
7	314	Wells	2.59%	3.13%
8	320	Pumping Plant Land	0.00%	0.00%
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%
10	325	Electtric Pumping Equipment	2.59%	5.88%
11	328	Gas Engine Equipment	2.59%	4.00%
12	330	Water Treatment Plant Land	0.00%	0.00%
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%
14	332	Water Treatment Equipment	2.59%	2.86%
15	340	Transmission and Distribution Land	0.00%	0.00%
16	342	Storage Tanks	2.59%	2.00%
17	343	Transmission & Distribution Mains	2.59%	1.79%
18	344	Fire Sprinkler Taps	2.59%	2.00%
19	345	Services	2.59%	2.38%
20	346	Meters	2.59%	4.55%
21	348	Hydrants	2.59%	1.82%
22	389	General Plant Land	0.00%	0.00%
23	390	General Plant Structures	2.59%	2.50%
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2
25	391	Office Furniture & Equipment	2.59%	6.67%
26	393	Warehouse Equipment	2.59%	5.00%
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%
28	395	Laboratory Equipment	2.59%	5.00%
29	396	Power Operated Equipment	2.59%	6.67%
30	397	Communication Equipment	2.59%	6.67%
31	398	Miscellaneous Equipment	2.59%	3.33%
32		**TOTAL DIRECT WATER PLANT**		
33		Post Test Year Plant (PTYP)		
34		**RUCO Total Water Plant In Service**		
35				
36		**Company Direct Plant As Filed**		
37				
38		**RUCO Direct Plant Adjustment**		
39				
40		Reserve Deficiency Accrual - Decision No. 38733		
41				
42		Net (Salvage)/Cost of Removal		
43		Accumulated Depreciation		
44		Accumulated Depreciation - PTYP		
45		RUCO Total Accumulated Depreciation - Calculated		
46				
47		Company As Filed - Accumulated Depreciation		
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**		
49				
50		**RUCO Net Adjustment**		
51				
52				
53				

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		***Company Phoenix Office As Filed***						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

White Tank System
Schedule TJC-4 MS - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 15	$ -	2.37%	$ -
2	302	Franchises	-	-	2.37%	-
3	303	Other Intangibles	10,564	-	2.37%	-
4	310.1	Water Rights	21,233	-	2.37%	-
5	310.3	Other Source of Supply Land	28,523	-	2.37%	-
6	310.4	Wells - Other	-	-	2.37%	-
7	314	Wells	565,482	-	2.37%	-
8	320	Pumping Plant Land	-	-	2.37%	-
9	321	Pumping Plant Structures & Imprm'ts	19,632	-	2.37%	-
10	325	Electtric Pumping Equipment	862,251	-	2.37%	-
11	328	Gas Engine Equipment	-	-	2.37%	-
12	330	Water Treatment Plant Land	-	-	2.37%	-
13	331	Water Treatment Structures & Imprm'ts	79	-	2.37%	-
14	332	Water Treatment Equipment	1,119,750	-	2.37%	-
15	340	Transmission and Distribution Land	35,990	-	2.37%	-
16	342	Storage Tanks	478,300	-	2.37%	-
17	343	Transmission & Distribution Mains	7,123,837	-	2.37%	-
18	344	Fire Sprinkler Taps	36,138	-	2.37%	-
19	345	Services	1,820,070	-	2.37%	-
20	346	Meters	202,922	-	2.37%	-
21	348	Hydrants	542,336	-	2.37%	-
22	389	General Plant Land	-	-	2.37%	-
23	390	General Plant Structures	28,952	-	2.37%	-
24	390.1	Leasehold Improvements	31,189	-	2.37%	-
25	391	Office Furniture & Equipment	123,832	120,057	2.37%	2,845
26	393	Warehouse Equipment	1,299	-	2.37%	-
27	394	Tools, Shop & Garage Equipment	35,641	-	2.37%	-
28	395	Laboratory Equipment	2,747	-	2.37%	-
29	396	Power Operated Equipment	1,823	-	2.37%	-
30	397	Communication Equipment	31,749	-	2.37%	-
31	398	Miscellaneous Equipment	12,683	-	2.37%	-
32						
33		**TOTAL PTY WATER PLANT**	$ 13,137,036	$ 120,057		$ 2,845
34		Company As Filed	$ 13,137,036	120,057		2,845
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (2,845)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 95
40						
41						

42 References:
43 Column (A): Company Schedules B-2
44 Column (B): Post Test Year Phoenix Office Plant Allocation
45 Column (C): 3-Factor Allocator
46 Column (D): Adjustment

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 26,652	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(69,202)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (95,854)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 3,950	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	3,950	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 12,192	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	12,192	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 12,729	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	12,729	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (95,854)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 105,581	$ -	$ 105,581	35.92	$ 3,792,470
2	Payroll	183,411	(7,175)	176,236	14.00	2,467,303
3	Purchased Water	150,244	-	150,244	121.16	18,202,848
4	Chemicals	8,608	-	8,608	20.43	175,831
5	Property & Liability Insurance	7,080	-	7,080	(45.27)	(320,512)
6	Workman's Compensation Insurance	3,539	-	3,539	(46.50)	(164,564)
7	Health Insurance	46,262	(22)	46,240	(8.92)	(412,461)
8	Other Operating & Maintenance Expenses	198,280	(3,950)	194,330	30.00	5,829,900
9	Federal Current Income Taxes	138,860	(53,409)	85,451	37.00	3,161,692
10	State Current Income Taxes	30,590	(10,962)	19,628	37.00	726,221
11	FICA Taxes	15,919	(836)	15,083	14.00	211,165
12	FUTA & SUTA Taxes	381	-	381	83.10	31,661
13	Property Taxes	53,436	(283)	53,153	212.00	11,268,362
14	Registration, Svc. Contracts, & Misc. Fees	12,665	-	12,665	(98.83)	(1,251,682)
15	Retirement Annuities (401k)	15,270	(606)	14,664	34.72	509,122
16	Subtotal	970,126	(77,244)	892,882		44,227,357
17	Synchronized Interest	$ 163,749	$ (3,971)	$ 159,778	91.25	$ 14,579,734
18	Cost of Equity	269,552	(269,552)	-	-	-
19	Subtotal	$ 433,301	$ (273,523)	$ 159,778		$ 14,579,734
20	Total	$ 1,403,427	$ (350,767)	$ 1,052,660		$ 58,807,091

21	Expense Lag	Line 17, Col. (E) / (C)	55.87
22	Revenue Lag	Company B-5 Schedules	31.87
23	Net Lag	Line 18 - Line 17	(24.00)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,052,660
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(69,202)
26	Company As Filed	Co. Schedule B-6, Page 1	26,652
27	Difference	Line 21 - Line 22	$ (95,854)
28	ADJUSTMENT	Line 27	$ (95,854)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,057,928	$ -	$ 1,057,928	$ 261,024	$ 1,318,952
2	Commercial	119,358	-	119,358	29,488	148,845
3	Industrial	18,658	-	18,658	12,003	30,661
4	Private Fire Service	295	-	295	1,180	1,475
5	Other Water Revenues	36,166	-	36,166	14,687	50,852
6	Total Water Revenues	$ 1,232,404	$ -	$ 1,232,404	$ 318,382	$ 1,550,785
7	Miscellaneous	$ 12,331	$ -	$ 12,331	$ (464)	$ 11,867
8	Total Operating Revenues	$ 1,244,735	$ -	$ 1,244,735	$ 317,918	$ 1,562,653
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 150,244	$ -	$ 150,244	$ -	$ 150,244
10	Other	5,606	-	5,606	-	5,606
11	Pumping Expenses:	-				
12	Purchased Power	105,581	-	105,581	-	105,581
13	Purchased Gas	-	-	-	-	-
14	Other	41,276	-	41,276	-	41,276
15	Water Treatment Expenses	34,975	-	34,975	-	34,975
16	Transmission & Distribution Expenses	173,577	-	173,577	-	173,577
17	Customer Accounting Expenses	72,619	-	72,619	-	72,619
18	Sales Expense	362	-	362	-	362
19	Administrative & General Expenses	146,701	(9,383)	137,318	-	137,318
20	Total Operations & Maintenance Expense	$ 730,940	$ (9,383)	$ 721,556	$ -	$ 721,556
21	Depreciation & Amortization Expenses	$ 294,495	$ (4,142)	$ 290,353	$ -	$ 290,353
	Taxes					
22	Federal Income Taxes	$ (17,350)	$ 6,358	$ (10,993)	$ 96,444	$ 85,451
23	State Income Taxes	(3,822)	1,297	(2,525)	22,153	19,628
24	Property Taxes	53,436	(283)	53,153	-	53,153
25	Other	56,967	(836)	56,131	-	56,131
26	Total Taxes	$ 89,231	$ 6,536	$ 95,767	$ 118,596	$ 214,363
27	Total Operating Expenses	$ 1,114,666	$ (6,990)	$ 1,107,676	$ 118,596	$ 1,226,272
28	Operating Income	$ 130,069	$ 6,990	$ 137,059	$ 199,322	$ 336,381

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

Arizona Water Company
Docket Nos. W-01445A-08-0440
Test Year Ended December 31, 2007

White Tank System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,057,928	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,057,928
2	Commercial	119,358	-	-	-	-	-	-	-	-	-	-	119,358
3	Industrial	18,658	-	-	-	-	-	-	-	-	-	-	18,658
4	Private Fire Service	295	-	-	-	-	-	-	-	-	-	-	295
5	Other Water Revenues	36,166	-	-	-	-	-	-	-	-	-	-	36,166
6	Total Water Revenues	$ 1,232,404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,232,404
7	Miscellaneous	$ 12,331	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,331
8	Total Operating Revenues	$ 1,244,735	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,244,735
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 150,244	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,244
10	Other	5,606	-	-	-	-	-	-	-	-	-	-	5,606
11	Pumping Expenses:												
12	Purchased Power	105,581	-	-	-	-	-	-	-	-	-	-	105,581
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	41,276	-	-	-	-	-	-	-	-	-	-	41,276
15	Water Treatment Expenses	34,975	-	-	-	-	-	-	-	-	-	-	34,975
16	Transmission & Distribution Expenses	173,577	-	-	-	-	-	-	-	-	-	-	173,577
17	Customer Accounting Expenses	72,619	-	-	-	-	-	-	-	-	-	-	72,619
18	Sales Expense	362	-	-	-	-	-	-	-	-	-	-	362
19	Administrative & General Expenses	146,701	(7,175)	-	(606)	-	-	(22)	-	-	(1,580)	-	137,318
20	Total Operations & Maintenance Expense	$ 730,940	$ (7,175)	$ -	$ (606)	$ -	$ -	$ (22)	$ -	$ -	$ (1,580)	$ -	$ 721,556
21	Depreciation & Amortization Expenses	$ 294,495	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,142)	$ -	$ -	$ -	$ 290,353
	Taxes												
22	Federal Income Taxes	$ (17,350)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,358	$ (10,993)
23	State Income Taxes	(3,822)	-	-	-	-	-	-	-	-	-	1,297	(2,525)
24	Property Taxes	53,436	-	-	-	-	-	-	-	(283)	-	-	53,153
25	Other	56,967	-	(836)	-	-	-	-	-	-	-	-	56,131
26	Total Taxes	$ 89,231	$ -	$ (836)	$ -	$ -	$ -	$ -	$ -	$ (283)	$ -	$ 7,655	$ 95,767
27	Total Operating Expenses	$ 1,114,666	$ (7,175)	$ (836)	$ (606)	$ -	$ -	$ (22)	$ (4,142)	$ (283)	$ (1,580)	$ 7,655	$ 1,107,676
28	Operating Income	$ 130,069	$ 7,175	$ 836	$ 606	$ -	$ -	$ 22	$ 4,142	$ 283	$ 1,580	$ (7,655)	$ 137,059

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 - Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		2.37%
21			
22	RUCO Adjustment		$ (7,175)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				
42	**Calculation Notes:**			
43	Average of Hourly Rate	$ 21.65		
44	OT Hourly Rate 1.5	32.48		

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.37%
6		
7	RUCO Allocated Payroll by District	$ 7,175
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	11.65%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (836)
14		
15		
16		
17		
18		
19		
20		
21		
22		
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24		
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26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	2.37%
6		
7	RUCO Allocated Payroll by District	$ 7,175
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.45%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (606)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 15	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	10,564	See Acct. 111	783
4	310.1	Water Rights	21,233	0.00%	-
5	310.3	Other Source of Supply Land	28,523	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	565,482	3.13%	17,700
8	320	Pumping Plant Land	-	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	17,880	2.86%	511
10	325	Electtric Pumping Equipment	828,898	5.88%	48,739
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	(825)	2.50%	(21)
14	332	Water Treatment Equipment	1,119,750	2.86%	32,025
15	340	Transmission and Distribution Land	35,990	0.00%	-
16	342	Storage Tanks	478,300	2.00%	9,566
17	343	Transmission & Distribution Mains	7,123,837	1.79%	127,517
18	344	Fire Sprinkler Taps	36,138	2.00%	723
19	345	Services	1,820,070	2.38%	43,318
20	346	Meters	202,922	4.55%	9,233
21	348	Hydrants	542,336	1.82%	9,871
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	28,952	2.50%	724
24	390.1	Leasehold Improvements	31,189	See Acct. 108.2	-
25	391	Office Furniture & Equipment	120,987	6.67%	8,070
26	393	Warehouse Equipment	1,299	5.00%	65
27	394	Tools, Shop & Garage Equipment	35,641	4.00%	1,426
28	395	Laboratory Equipment	2,747	5.00%	137
29	396	Power Operated Equipment	1,823	6.67%	122
30	397	Communication Equipment	31,749	6.67%	2,118
31	398	Miscellaneous Equipment	12,683	3.33%	422
32		Rounding	-		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 13,098,182		$ 313,047
34					
35		AMORTIZATION OF CONTRIBUTIONS	(1,134,727)	2.00%	(22,695)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 290,353
38					
39	Company As Filed				294,495
40	Difference				$ (4,142)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (4,142)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,244,735	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,244,735	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	1,562,653	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 4,052,122	
5	Average Annual Operating Revenues	Line 4 / 3	1,350,707	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 2,701,415
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 2,043,865	
8	10% Of CWIP	Line 7 X 10%		$ 204,387
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (38,884)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 2,866,917
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 645,056	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	8.24%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	8.24%	
	Property Tax			$ 53,153
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 53,153
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		53,436
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (283)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (283)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			2.4%
3	White Tank System (Line 1 X Line 2)			$ 7,110
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 2,370
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 3,950
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (1,580)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (1,580)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 123,541
	LESS:		
2	Arizona State Tax	Line 11	(2,525)
3	Interest Expense	Note (A) Line 21	159,778
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (33,712)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	32.61%
6	Federal Income Tax Expense	Line 4 X line 5	$ (10,993)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 123,541
	LESS:		
8	Interest Expense	Note (A) Line 21	159,778
9	State Taxable Income	Line 7 - Line 8	$ (36,237)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (2,525)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (10,993)
13	State Income Tax Expense	Line 11	(2,525)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (13,518)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		(17,350)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		(3,822)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 6,358
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 1,297

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 4,307,949
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 159,778

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Ajo System

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

Ajo System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 1,123,706	$ 1,094,479
2	Adjusted Operating Income (Loss)	$ 49,548	$ 54,354
3	Current Rate of Return (L2 / L1)	4.41%	4.97%
4	Required Operating Income (L5 X L1)	$ 110,284	$ 85,461
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 60,735	$ 31,107
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.2797
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 98,916	$ 39,808
9	Adjusted Test Year Revenue	$ 470,994	$ 470,994
10	Proposed Annual Revenue (L8 + L9)	$ 569,955	$ 510,802
11	Required Percentage Increase in Revenue (L8 / L9)	20.99%	8.45%
12	Consolidated Revenue Adjustment	$ -	$ -
13	Required Incease in Gross Revenue Under Company Proposed Consolidation	$ -	$ -
14	Required Revenue Under Company Proposed Consolidation	$ -	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-15

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.2186			
3	Subtotal (L1 - L2)	0.7814			
4	**Revenue Conversion Factor** (L1 / L3)	**1.2797**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	16.0042%			
9	Effective Federal Income Tax Rate (L7 X L8)	14.8890%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	21.8570%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 85,461			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	54,354			
13	Required Increase In Operating Income (L11 - L12)		$ 31,107		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 13,058			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	6,176			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 6,883		
17	Total Required Increase In Revenue (L13 + L16)		$ 37,990		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 510,802	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			410,464	
20	Synchronized Interest (Col. (C), L37)			40,593	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 59,744	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 4,163
24	Fed. Taxable Income (L21 - L23)			$ 55,581	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 1,395	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ -	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ -	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 8,895
31	Combined Federal and State Income Tax (L23 + L30)				$ 13,058
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 6,176
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 6,883
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				16.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 1,094,479	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 40,593	

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

Ajo System
Schedule TJC-2
Page 1 of 1

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 3,702	$ -	$ 3,702
2	Source of Supply Plant	9,477	-	9,477
3	Pumping Plant	89,231	-	89,231
4	Water Treatment Plant	4,306	-	4,306
5	Transmission & Distribution Plant	1,916,378	-	1,916,378
6	General Plant	184,119	(972)	183,146
7	Total Gross Plant in Service	$ 2,207,212	$ (972)	$ 2,206,240
8	Accumulated Depreciation	(812,825)	20	(812,805)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 1,394,387	$ (953)	$ 1,393,435
10	Advances in Aid Of Const.	$ (87,953)	$ -	$ (87,953)
11	Contribution in Aid of Const.	$ (65,554)	$ -	$ (65,554)
12	Accumulated Amortization of CIAC	15,854	-	15,854
13	NET CIAC (L5 + L6)	$ (49,700)	$ -	$ (49,700)
14	Deferred Income Tax	$ (155,237)	$ -	$ (155,237)
15	Allowance for Working Capital	$ 22,208	$ (28,274)	$ (6,066)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 1,123,706	$ (29,227)	$ 1,094,479

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 3,702	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,702
2	Source of Supply Plant	9,477	-	-	-	-	-	-	9,477
3	Pumping Plant	89,231	-	-	-	-	-	-	89,231
4	Water Treatment Plant	4,306	-	-	-	-	-	-	4,306
5	Transmission & Distribution Plant	1,916,378	-	-	-	-	-	-	1,916,378
6	General Plant	184,119	-	(972)	-	-	-	-	183,146
7	Total Gross Plant in Service	$ 2,207,212	$ -	$ (972)	$ -	$ -	$ -	$ -	$ 2,206,240
8	Accumulated Depreciation	(812,825)	(13)	32	-	-	-	-	(812,805)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 1,394,387	$ (13)	$ (940)	$ -	$ -	$ -	$ -	$ 1,393,435
10	Advances in Aid Of Const.	$ (87,953)	$ -	$ -	$ -	$ -	$ -	$ -	$ (87,953)
11	Contribution in Aid of Const.	$ (65,554)	$ -	$ -	$ -	$ -	$ -	$ -	$ (65,554)
12	Accumulated Amortization of CIAC	15,854	-	-	-	-	-	-	15,854
13	NET CIAC (L5 + L6)	$ (49,700)	$ -	$ -	$ -	$ -	$ -	$ -	$ (49,700)
14	Deferred Income Tax	$ (155,237)	$ -	$ -	$ -	$ -	$ -	$ -	$ (155,237)
15	Allowance for Working Capital	22,208	$ -	$ -	$ -	$ -	$ -	$ (28,274)	$ (6,066)
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 1,123,706	$ (13)	$ (940)	$ -	$ -	$ -	$ (28,274)	$ 1,094,479

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	(C) 12/31/2003 Per Decision No. 68302	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2003
	301	Organization	0.00%	0.00%	-		$ -
1	302	Franchises	See Acct. 111	See Acct. 111	-		-
2	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
3	310.1	Water Rights	0.00%	0.00%	2,916		2,916
4	310.3	Other Source of Supply Land	0.00%	0.00%	-		-
5	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
6	314	Wells	2.59%	3.13%	-		-
7	320	Pumping Plant Land	0.00%	0.00%	3,208		3,208
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	3,015		3,015
9	325	Electtric Pumping Equipment	2.59%	5.88%	74,000		74,000
10	328	Gas Engine Equipment	2.59%	4.00%	-		-
11	330	Water Treatment Plant Land	0.00%	0.00%	-		-
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	-		-
13	332	Water Treatment Equipment	2.59%	2.86%	-		-
14	340	Transmission and Distribution Land	0.00%	0.00%	6,065		6,065
15	342	Storage Tanks	2.59%	2.00%	160,356		160,356
16	343	Transmission & Distribution Mains	2.59%	1.79%	984,946		984,946
17	344	Fire Sprinkler Taps	2.59%	2.00%	104		104
18	345	Services	2.59%	2.38%	244,045		244,045
19	346	Meters	2.59%	4.55%	49,367		49,367
20	348	Hydrants	2.59%	1.82%	41,536		41,536
21	389	General Plant Land	0.00%	0.00%	-		-
22	390	General Plant Structures	2.59%	2.50%	46,411		46,411
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-		-
24	391	Office Furniture & Equipment	2.59%	6.67%	9,381		9,381
25	393	Warehouse Equipment	2.59%	5.00%	193		193
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%	8,362		8,362
27	395	Laboratory Equipment	2.59%	5.00%	2,103		2,103
28	396	Power Operated Equipment	2.59%	6.67%	3,234		3,234
29	397	Communication Equipment	2.59%	6.67%	16,468		16,468
30	398	Miscellaneous Equipment	2.59%	3.33%	768		768
31		**TOTAL DIRECT WATER PLANT**			$ 1,656,478	$ -	$ 1,656,478
32		Post Test Year Plant (PTYP)			-	-	-
33		**RUCO Total Water Plant In Service**			$ 1,656,478	$ -	$ 1,656,478
34							
35		**Company Direct Plant As Filed**					
36							
37		**RUCO Direct Plant Adjustment**					
38							
39		Reserve Deficiency Accrual - Decision No. 38733					
40							
41		Net (Salvage)/Cost of Removal					
42		Accumulated Depreciation			(627,369)		$ (627,369)
43		Accumulated Depreciation - PTYP			3,125	(3,125)	-
44		RUCO Total Accumulated Depreciation - Calculated			$ (624,244)		$ (627,369)
45							
46		Company As Filed - Accumulated Depreciation			-	-	(627,369)
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (624,244)	$ -	$ -
48							
49		**RUCO Net Adjustment**					
50							
51							

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Ajo System
Schedule TJC-4 - Direct Plant
Page 2 of 5

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
	301	Organization	0.00%	0.00%				$ -	$ -
1	302	Franchises	See Acct. 111	See Acct. 111				-	-
2	303	Other Intangibles	See Acct. 111	See Acct. 111	154			-	154
3	310.1	Water Rights	0.00%	0.00%	538			-	3,454
4	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
5	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
6	314	Wells	2.59%	3.13%	802			10	802
7	320	Pumping Plant Land	0.00%	0.00%				-	3,208
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				78	3,015
9	325	Electtric Pumping Equipment	2.59%	5.88%	2,644			1,951	76,644
10	328	Gas Engine Equipment	2.59%	4.00%				-	-
11	330	Water Treatment Plant Land	0.00%	0.00%				-	-
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				-	-
13	332	Water Treatment Equipment	2.59%	2.86%				-	-
14	340	Transmission and Distribution Land	0.00%	0.00%				-	6,065
15	342	Storage Tanks	2.59%	2.00%				4,153	160,356
16	343	Transmission & Distribution Mains	2.59%	1.79%	139,126			27,312	1,124,072
17	344	Fire Sprinkler Taps	2.59%	2.00%	3,470			48	3,574
18	345	Services	2.59%	2.38%	6,883			6,410	250,928
19	346	Meters	2.59%	4.55%	1,267			1,295	50,634
20	348	Hydrants	2.59%	1.82%	27,916			1,437	69,452
21	389	General Plant Land	0.00%	0.00%				-	-
22	390	General Plant Structures	2.59%	2.50%				1,202	46,411
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
24	391	Office Furniture & Equipment	2.59%	6.67%				243	9,381
25	393	Warehouse Equipment	2.59%	5.00%				5	193
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%	256			220	8,618
27	395	Laboratory Equipment	2.59%	5.00%				54	2,103
28	396	Power Operated Equipment	2.59%	6.67%				84	3,234
29	397	Communication Equipment	2.59%	6.67%	148			428	16,616
30	398	Miscellaneous Equipment	2.59%	3.33%				20	768
31		**TOTAL DIRECT WATER PLANT**			$ 183,203	$ -	$ -	$ 44,951	$ 1,839,681
32		Post Test Year Plant (PTYP)			-	-	-	-	-
33		**RUCO Total Water Plant In Service**			$ 183,203	$ -	$ -	$ 44,951	$ 1,839,681
34									
35		**Company Direct Plant As Filed**							
36									
37		**RUCO Direct Plant Adjustment**							
38									
39		Reserve Deficiency Accrual - Decision No. 38733						(153)	
40									
41		Net (Salvage)/Cost of Removal						-	
42		Accumulated Depreciation						(672,473)	$ (672,473)
43		Accumulated Depreciation - PTYP						-	-
44		RUCO Total Accumulated Depreciation - Calculated						(672,473)	$ (672,473)
45									
46		Company As Filed - Accumulated Depreciation			-	-	-	-	(672,473)
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (672,473)	$ 0
48									
49		**RUCO Net Adjustment**							
50									
51									

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
	301	Organization	0.00%	0.00%				-	$ -
1	302	Franchises	See Acct. 111	See Acct. 111				-	-
2	303	Other Intangibles	See Acct. 111	See Acct. 111				-	154
3	310.1	Water Rights	0.00%	0.00%	968			-	4,422
4	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
5	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
6	314	Wells	2.59%	3.13%				21	802
7	320	Pumping Plant Land	0.00%	0.00%				-	3,208
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				79	3,015
9	325	Electtric Pumping Equipment	2.59%	5.88%				2,195	76,644
10	328	Gas Engine Equipment	2.59%	4.00%				-	-
11	330	Water Treatment Plant Land	0.00%	0.00%				-	-
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				-	-
13	332	Water Treatment Equipment	2.59%	2.86%	4,290			56	4,290
14	340	Transmission and Distribution Land	0.00%	0.00%				-	6,065
15	342	Storage Tanks	2.59%	2.00%				4,074	160,356
16	343	Transmission & Distribution Mains	2.59%	1.79%	4,836	(1,181)		28,410	1,127,727
17	344	Fire Sprinkler Taps	2.59%	2.00%				91	3,574
18	345	Services	2.59%	2.38%	1,688	(262)		6,473	252,353
19	346	Meters	2.59%	4.55%		(43)		1,394	50,591
20	348	Hydrants	2.59%	1.82%		(1,921)		1,730	67,531
21	389	General Plant Land	0.00%	0.00%				-	-
22	390	General Plant Structures	2.59%	2.50%				1,199	46,411
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
24	391	Office Furniture & Equipment	2.59%	6.67%				275	9,381
25	393	Warehouse Equipment	2.59%	5.00%				5	193
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%				233	8,618
27	395	Laboratory Equipment	2.59%	5.00%				59	2,103
28	396	Power Operated Equipment	2.59%	6.67%				95	3,234
29	397	Communication Equipment	2.59%	6.67%	7,313			594	23,929
30	398	Miscellaneous Equipment	2.59%	3.33%				20	768
31		**TOTAL DIRECT WATER PLANT**			$ 19,095	$ (3,407)	$ -	$ 47,003	$ 1,855,369
32		Post Test Year Plant (PTYP)			-	-	-	-	-
33		**RUCO Total Water Plant In Service**			$ 19,095	$ (3,407)	$ -	$ 47,003	$ 1,855,369
34									
35		**Company Direct Plant As Filed**							
36									
37		**RUCO Direct Plant Adjustment**							
38									
39		Reserve Deficiency Accrual - Decision No. 38733						(153)	
40									
41		Net (Salvage)/Cost of Removal						-	
42		Accumulated Depreciation						(716,222)	$ (716,222)
43		Accumulated Depreciation - PTYP						-	$ -
44		RUCO Total Accumulated Depreciation - Calculated						(716,222)	$ (716,222)
45									
46		Company As Filed - Accumulated Depreciation			-	-	-	-	(716,223)
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (716,222)	$ 1
48									
49		**RUCO Net Adjustment**							
50									
51									

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
	301	Organization	0.00%	0.00%				$ -	$ -
1	302	Franchises	See Acct. 111	See Acct. 111				-	-
2	303	Other Intangibles	See Acct. 111	See Acct. 111	1,415			-	1,569
3	310.1	Water Rights	0.00%	0.00%	1,579			-	6,001
4	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
5	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
6	314	Wells	2.59%	3.13%				25	802
7	320	Pumping Plant Land	0.00%	0.00%				-	3,208
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				86	3,015
9	325	Electtric Pumping Equipment	2.59%	5.88%	2,600			4,583	79,244
10	328	Gas Engine Equipment	2.59%	4.00%				-	-
11	330	Water Treatment Plant Land	0.00%	0.00%				-	-
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				-	-
13	332	Water Treatment Equipment	2.59%	2.86%				123	4,290
14	340	Transmission and Distribution Land	0.00%	0.00%				-	6,065
15	342	Storage Tanks	2.59%	2.00%				3,207	160,356
16	343	Transmission & Distribution Mains	2.59%	1.79%	67,896			20,794	1,195,622
17	344	Fire Sprinkler Taps	2.59%	2.00%	13,816			210	17,390
18	345	Services	2.59%	2.38%	2,236			6,033	254,589
19	346	Meters	2.59%	4.55%				2,302	50,591
20	348	Hydrants	2.59%	1.82%	7,607			1,298	75,138
21	389	General Plant Land	0.00%	0.00%				-	-
22	390	General Plant Structures	2.59%	2.50%				1,160	46,411
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
24	391	Office Furniture & Equipment	2.59%	6.67%	565			645	9,946
25	393	Warehouse Equipment	2.59%	5.00%				10	193
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%				345	8,618
27	395	Laboratory Equipment	2.59%	5.00%	3,558			194	5,661
28	396	Power Operated Equipment	2.59%	6.67%				216	3,234
29	397	Communication Equipment	2.59%	6.67%	2,104			1,666	26,033
30	398	Miscellaneous Equipment	2.59%	3.33%				26	768
31		**TOTAL DIRECT WATER PLANT**			$ 103,375	$ -	$ -	$ 42,921	$ 1,958,744
32		Post Test Year Plant (PTYP)			-	-	-	-	-
33		**RUCO Total Water Plant In Service**			$ 103,375	$ -	$ -	$ 42,921	$ 1,958,744
34									
35		**Company Direct Plant As Filed**							
36									
37		**RUCO Direct Plant Adjustment**							
38									
39		Reserve Deficiency Accrual - Decision No. 38733						-	
40									
41		Net (Salvage)/Cost of Removal						(4)	
42		Accumulated Depreciation						(759,147)	$ (759,147)
43		Accumulated Depreciation - PTYP						-	-
44		RUCO Total Accumulated Depreciation - Calculated						(759,147)	(759,147)
45									
46		Company As Filed - Accumulated Depreciation			-	-	-	-	(759,147)
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (759,147)	$ 0
48									
49		**RUCO Net Adjustment**							
50									
51									

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
	301	Organization	0.00%	0.00%				$ -	$ -
1	302	Franchises	See Acct. 111	See Acct. 111				-	-
2	303	Other Intangibles	See Acct. 111	See Acct. 111	2,059			276	3,628
3	310.1	Water Rights	0.00%	0.00%	2,674			-	8,675
4	310.3	Other Source of Supply Land	0.00%	0.00%				-	-
5	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
6	314	Wells	2.59%	3.13%				25	802
7	320	Pumping Plant Land	0.00%	0.00%				-	3,208
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				86	3,015
9	325	Electtric Pumping Equipment	2.59%	5.88%	3,763			4,770	83,008
10	328	Gas Engine Equipment	2.59%	4.00%				-	-
11	330	Water Treatment Plant Land	0.00%	0.00%				-	-
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				-	-
13	332	Water Treatment Equipment	2.59%	2.86%				123	4,290
14	340	Transmission and Distribution Land	0.00%	0.00%				-	6,065
15	342	Storage Tanks	2.59%	2.00%				3,207	160,356
16	343	Transmission & Distribution Mains	2.59%	1.79%	124,917	(828)		22,512	1,319,711
17	344	Fire Sprinkler Taps	2.59%	2.00%	640			354	18,029
18	345	Services	2.59%	2.38%	27,304	(1,006)		6,372	280,887
19	346	Meters	2.59%	4.55%	590			2,315	51,182
20	348	Hydrants	2.59%	1.82%	4,961			1,413	80,099
21	389	General Plant Land	0.00%	0.00%				-	-
22	390	General Plant Structures	2.59%	2.50%				1,160	46,411
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	-
24	391	Office Furniture & Equipment	2.59%	6.67%	89			666	10,034
25	393	Warehouse Equipment	2.59%	5.00%				10	193
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%				345	8,618
27	395	Laboratory Equipment	2.59%	5.00%	29,228			1,014	34,889
28	396	Power Operated Equipment	2.59%	6.67%				216	3,234
29	397	Communication Equipment	2.59%	6.67%	3,086			1,839	29,119
30	398	Miscellaneous Equipment	2.59%	3.33%				26	768
31		**TOTAL DIRECT WATER PLANT**			$ 199,311	$ (1,834)	$ -	$ 46,729	$ 2,156,221
32		Post Test Year Plant (PTYP)			-	-	-	-	-
33		**RUCO Total Water Plant In Service**			$ 199,311	$ (1,834)	$ -	$ 46,729	$ 2,156,221
34									
35		**Company Direct Plant As Filed**							2,156,220
36									
37		**RUCO Direct Plant Adjustment**							1
38									
39		Reserve Deficiency Accrual - Decision No. 38733						-	
40									
41		Net (Salvage)/Cost of Removal						-	
42		Accumulated Depreciation						(804,042)	$ (804,042)
43		Accumulated Depreciation - PTYP						-	-
44		RUCO Total Accumulated Depreciation - Calculated						(804,042)	(804,042)
45									
46		Company As Filed - Accumulated Depreciation			-	-	-	-	(804,042)
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (804,042)	$ (0)
48									
49		**RUCO Net Adjustment**							$ 0
50									
51									

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	Direct Plant Classification Balances	RUCO Direct Plant Balances 12/31/2007	Company Balances	RUCO Difference
	301	Organization	0.00%	0.00%	$ -	Intangible Plant	Intangible Plant	
1	302	Franchises	See Acct. 111	See Acct. 111	-			
2	303	Other Intangibles	See Acct. 111	See Acct. 111	3,628	$ 3,628	$ 3,628	(0)
3	310.1	Water Rights	0.00%	0.00%	8,675	Source of Supply	Source of Supply	
4	310.3	Other Source of Supply Land	0.00%	0.00%	-			
5	310.4	Wells - Other	See Acct. 111	See Acct. 111	-			
6	314	Wells	2.59%	3.13%	802	9,477	9,477	0
7	320	Pumping Plant Land	0.00%	0.00%	3,208	Pumping Plant	Pumping Plant	
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	3,015			
9	325	Electtric Pumping Equipment	2.59%	5.88%	83,008			
10	328	Gas Engine Equipment	2.59%	4.00%	-	89,231	89,231	(0)
11	330	Water Treatment Plant Land	0.00%	0.00%	-	Treatment Plant	Treatment Plant	
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	-			
13	332	Water Treatment Equipment	2.59%	2.86%	4,290	4,290	4,290	(0)
14	340	Transmission and Distribution Land	0.00%	0.00%	6,065	T & D Plant	T & D Plant	
15	342	Storage Tanks	2.59%	2.00%	160,356			
16	343	Transmission & Distribution Mains	2.59%	1.79%	1,319,711			
17	344	Fire Sprinkler Taps	2.59%	2.00%	18,029			
18	345	Services	2.59%	2.38%	280,887			
19	346	Meters	2.59%	4.55%	51,182			
20	348	Hydrants	2.59%	1.82%	80,099	1,916,329	1,916,329	0
21	389	General Plant Land	0.00%	0.00%	-	General Plant	General Plant	
22	390	General Plant Structures	2.59%	2.50%	46,411			
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	-			
24	391	Office Furniture & Equipment	2.59%	6.67%	10,034			
25	393	Warehouse Equipment	2.59%	5.00%	193			
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%	8,618			
27	395	Laboratory Equipment	2.59%	5.00%	34,889			
28	396	Power Operated Equipment	2.59%	6.67%	3,234			
29	397	Communication Equipment	2.59%	6.67%	29,119			
30	398	Miscellaneous Equipment	2.59%	3.33%	768	133,266	133,267	(1)
31		**TOTAL DIRECT WATER PLANT**			$ 2,156,221			
32		Post Test Year Plant (PTYP)						
33		**RUCO Total Water Plant In Service**				$ 2,156,221	$ 2,156,222	(1)
34								
35		**Company Direct Plant As Filed**						
36								
37		**RUCO Direct Plant Adjustment**						
38								
39		Reserve Deficiency Accrual - Decision No. 38733						
40								
41		Net (Salvage)/Cost of Removal						
42		Accumulated Depreciation						
43		Accumulated Depreciation - PTYP						
44		RUCO Total Accumulated Depreciation - Calculated						
45								
46		Company As Filed - Accumulated Depreciation						
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**						
48								
49		**RUCO Net Adjustment**						
50								
51								

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present
	301	Organization	0.00%	0.00%
1	302	Franchises	See Acct. 111	See Acct. 111
2	303	Other Intangibles	See Acct. 111	See Acct. 111
3	310.1	Water Rights	0.00%	0.00%
4	310.3	Other Source of Supply Land	0.00%	0.00%
5	310.4	Wells - Other	See Acct. 111	See Acct. 111
6	314	Wells	2.59%	3.13%
7	320	Pumping Plant Land	0.00%	0.00%
8	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%
9	325	Electtric Pumping Equipment	2.59%	5.88%
10	328	Gas Engine Equipment	2.59%	4.00%
11	330	Water Treatment Plant Land	0.00%	0.00%
12	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%
13	332	Water Treatment Equipment	2.59%	2.86%
14	340	Transmission and Distribution Land	0.00%	0.00%
15	342	Storage Tanks	2.59%	2.00%
16	343	Transmission & Distribution Mains	2.59%	1.79%
17	344	Fire Sprinkler Taps	2.59%	2.00%
18	345	Services	2.59%	2.38%
19	346	Meters	2.59%	4.55%
20	348	Hydrants	2.59%	1.82%
21	389	General Plant Land	0.00%	0.00%
22	390	General Plant Structures	2.59%	2.50%
23	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2
24	391	Office Furniture & Equipment	2.59%	6.67%
25	393	Warehouse Equipment	2.59%	5.00%
26	394	Tools, Shop & Garage Equipment	2.59%	4.00%
27	395	Laboratory Equipment	2.59%	5.00%
28	396	Power Operated Equipment	2.59%	6.67%
29	397	Communication Equipment	2.59%	6.67%
30	398	Miscellaneous Equipment	2.59%	3.33%
31		**TOTAL DIRECT WATER PLANT**		
32		Post Test Year Plant (PTYP)		
33		**RUCO Total Water Plant In Service**		
34				
35		**Company Direct Plant As Filed**		
36				
37		**RUCO Direct Plant Adjustment**		
38				
39		Reserve Deficiency Accrual - Decision No. 38733		
40				
41		Net (Salvage)/Cost of Removal		
42		Accumulated Depreciation		
43		Accumulated Depreciation - PTYP		
44		RUCO Total Accumulated Depreciation - Calculated		
45				
46		Company As Filed - Accumulated Depreciation		
47		**RUCO Direct Plant Accumulated Depreciation Adjustment**		
48				
49		**RUCO Net Adjustment**		
50				
51				

52 References:
53 Column (A): Approved Depreciation Rate From Decision No. 58120
54 Columns (B): Approved Depreciation Rate From Decision No. 66849
55 Acct. 302 - Franchises amortized over 25 years.
56 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
57 Acct. 310.4 - Wells - Other amortized over 24 years.
58 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	2003 ADJ-1 Remove Post Test Year Plant	2003 Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56		Notes				
57		Acct. 302 - Franchises amortized over 25 years.				
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.				
59		Acct. 310.4 - Wells - Other amortized over 24 years.				
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.				

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		*Reserve Deficiency Accrual - Dec. 38733*					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 5	$ -	0.81%	$ -
2	302	Franchises	-	-	0.81%	-
3	303	Other Intangibles	3,697	-	0.81%	-
4	310.1	Water Rights	8,675	-	0.81%	-
5	310.3	Other Source of Supply Land	1	-	0.81%	-
6	310.4	Wells - Other	-	-	0.81%	-
7	314	Wells	802	-	0.81%	-
8	320	Pumping Plant Land	3,208	-	0.81%	-
9	321	Pumping Plant Structures & Imprm'ts	3,015	-	0.81%	-
10	325	Electtric Pumping Equipment	83,008	-	0.81%	-
11	328	Gas Engine Equipment	-	-	0.81%	-
12	330	Water Treatment Plant Land	-	-	0.81%	-
13	331	Water Treatment Structures & Imprm'ts	-	-	0.81%	-
14	332	Water Treatment Equipment	4,306	-	0.81%	-
15	340	Transmission and Distribution Land	6,065	-	0.81%	-
16	342	Storage Tanks	160,356	-	0.81%	-
17	343	Transmission & Distribution Mains	1,319,760	-	0.81%	-
18	344	Fire Sprinkler Taps	18,029	-	0.81%	-
19	345	Services	280,887	-	0.81%	-
20	346	Meters	51,182	-	0.81%	-
21	348	Hydrants	80,099	-	0.81%	-
22	389	General Plant Land	-	-	0.81%	-
23	390	General Plant Structures	47,181	-	0.81%	-
24	390.1	Leasehold Improvements	10,659	-	0.81%	-
25	391	Office Furniture & Equipment	46,072	120,057	0.81%	972
26	393	Warehouse Equipment	241	-	0.81%	-
27	394	Tools, Shop & Garage Equipment	10,587	-	0.81%	-
28	395	Laboratory Equipment	34,921	-	0.81%	-
29	396	Power Operated Equipment	3,246	-	0.81%	-
30	397	Communication Equipment	30,384	-	0.81%	-
31	398	Miscellaneous Equipment	826	-	0.81%	-
32		Rounding	(1)			
33		**TOTAL PTY WATER PLANT**	$ 2,207,212	$ 120,057		$ 972
34		Company As Filed	$ 2,207,212	120,057		972
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (972)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 32
40						
41						
42		References:				
43		Column (A): Company Schedules B-2				
44		Column (B): Post Test Year Phoenix Office Plant Allocation				
45		Column (C): 3-Factor Allocator				
46		Column (D): Adjustment				

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 12,078	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(16,196)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (28,274)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 1,614	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	1,614	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 4,167	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	4,167	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 4,350	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	4,350	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (28,274)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 3,297	$ -	$ 3,297	35.92	$ 118,428
2	Payroll	72,016	(2,452)	69,564	14.00	973,893
3	Purchased Water	159,092	-	159,092	38.97	6,199,971
4	Chemicals	448	-	448	20.43	9,151
5	Property & Liability Insurance	2,420	-	2,420	(45.27)	(109,553)
6	Workman's Compensation Insurance	1,210	-	1,210	(46.50)	(56,265)
7	Health Insurance	19,143	(9)	19,134	(8.92)	(170,676)
8	Other Operating & Maintenance Expenses	66,459	(1,350)	65,109	30.00	1,953,270
9	Federal Current Income Taxes	35,343	(26,448)	8,895	37.00	329,127
10	State Current Income Taxes	7,786	(3,623)	4,163	37.00	154,030
11	FICA Taxes	5,441	(286)	5,155	14.00	72,175
12	FUTA & SUTA Taxes	130	-	130	83.10	10,803
13	Property Taxes	26,265	(1,769)	24,496	212.00	5,193,233
14	Registration, Svc. Contracts, & Misc. Fees	4,328	-	4,328	(98.83)	(427,736)
15	Retirement Annuities (401k)	6,318	(207)	6,111	34.72	212,166
16	Subtotal	409,696	(36,143)	373,553		14,462,017
17	Synchronized Interest	$ 41,677	$ (1,084)	$ 40,593	91.25	$ 3,704,134
18	Cost of Equity	68,606	(68,606)	-	-	-
19	Subtotal	$ 110,283	$ (69,690)	$ 40,593		$ 3,704,134
20	Total	$ 519,979	$ (105,833)	$ 414,146		$ 18,166,150

21	Expense Lag	Line 17, Col. (E) / (C)	43.86
22	Revenue Lag	Company B-5 Schedules	29.59
23	Net Lag	Line 18 - Line 17	(14.27)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 414,146
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(16,196)
26	Company As Filed	Co. Schedule B-6, Page 1	12,078
27	Difference	Line 21 - Line 22	$ (28,274)
28	ADJUSTMENT	Line 27	$ (28,274)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.
NOTE: Dependent on System
NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 360,038	$ -	$ 360,038	$ 29,791	$ 389,828
2	Commercial	106,351	-	106,351	9,572	115,923
3	Industrial	-	-	-	-	-
4	Private Fire Service	124	-	124	476	600
5	Other Water Revenues	812	-	812	16	828
6	Total Water Revenues	$ 467,325	$ -	$ 467,325	$ 39,854	$ 507,179
7	Miscellaneous	$ 3,669	$ -	$ 3,669	$ (46)	$ 3,623
8	Total Operating Revenues	$ 470,994	$ -	$ 470,994	$ 39,808	$ 510,802
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ 159,092	$ -	$ 159,092	$ -	$ 159,092
10	Other	71	-	71	-	71
11	Pumping Expenses:	-				
12	Purchased Power	3,297	-	3,297	-	3,297
13	Purchased Gas	-	-	-	-	-
14	Other	16,314	-	16,314	-	16,314
15	Water Treatment Expenses	4,904	-	4,904	-	4,904
16	Transmission & Distribution Expenses	66,320	-	66,320	-	66,320
17	Customer Accounting Expenses	29,076	-	29,076	-	29,076
18	Sales Expense	133	-	133	-	133
19	Administrative & General Expenses	55,525	(3,208)	52,316	-	52,316
20	Total Operations & Maintenance Expense	$ 334,732	$ (3,208)	$ 331,523	$ -	$ 331,523
21	Depreciation & Amortization Expenses	$ 51,154	$ (771)	$ 50,383	$ -	$ 50,383
	Taxes					
22	Federal Income Taxes	$ 4,055	$ (1,086)	$ 2,968	$ 5,927	$ 8,895
23	State Income Taxes	893	2,314	3,207	956	4,163
24	Property Taxes	26,265	(1,769)	24,497	-	24,497
25	Other	4,347	(286)	4,061	-	4,061
26	Total Taxes	$ 35,560	$ (827)	$ 34,733	$ 6,883	$ 41,616
27	Total Operating Expenses	$ 421,445	$ (4,806)	$ 416,640	$ 6,883	$ 423,522
28	Operating Income	$ 49,548	$ 4,806	$ 54,354	$ 32,925	$ 87,279

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

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

Ajo System
Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 360,038	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 360,038
2	Commercial	106,351	-	-	-	-	-	-	-	-	-	-	106,351
3	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
4	Private Fire Service	124	-	-	-	-	-	-	-	-	-	-	124
5	Other Water Revenues	812	-	-	-	-	-	-	-	-	-	-	812
6	Total Water Revenues	$ 467,325	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 467,325
7	Miscellaneous	$ 3,669	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,669
8	Total Operating Revenues	$ 470,994	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 470,994
	Operating Expenses												
	Source of Supply Expenses:												
9	Purchased Water	$ 159,092	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 159,092
10	Other	71	-	-	-	-	-	-	-	-	-	-	71
11	Pumping Expenses:												
12	Purchased Power	3,297	-	-	-	-	-	-	-	-	-	-	3,297
13	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
14	Other	16,314	-	-	-	-	-	-	-	-	-	-	16,314
15	Water Treatment Expenses	4,904	-	-	-	-	-	-	-	-	-	-	4,904
16	Transmission & Distribution Expenses	66,320	-	-	-	-	-	-	-	-	-	-	66,320
17	Customer Accounting Expenses	29,076	-	-	-	-	-	-	-	-	-	-	29,076
18	Sales Expense	133	-	-	-	-	-	-	-	-	-	-	133
19	Administrative & General Expenses	55,525	(2,452)	-	(207)	-	-	(9)	-	-	(540)	-	52,316
20	Total Operations & Maintenance Expense	$ 334,732	$ (2,452)	$ -	$ (207)	$ -	$ -	$ (9)	$ -	$ -	$ (540)	$ -	$ 331,523
21	Depreciation & Amortization Expenses	$ 51,154	$ -	$ -	$ -	$ -	$ -	$ -	$ (771)	$ -	$ -	$ -	$ 50,383
	Taxes												
22	Federal Income Taxes	$ 4,055	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,086)	$ 2,968
23	State Income Taxes	893	-	-	-	-	-	-	-	-	-	2,314	3,207
24	Property Taxes	26,265	-	-	-	-	-	-	-	(1,769)	-	-	24,497
25	Other	4,347	-	(286)	-	-	-	-	-	-	-	-	4,061
26	Total Taxes	$ 35,560	$ -	$ (286)	$ -	$ -	$ -	$ -	$ -	$ (1,769)	$ -	$ 1,228	$ 34,733
27	Total Operating Expenses	$ 421,445	$ (2,452)	$ (286)	$ (207)	$ -	$ -	$ (9)	$ (771)	$ (1,769)	$ (540)	$ 1,228	$ 416,640
28	Operating Income	$ 49,548	$ 2,452	$ 286	$ 207	$ -	$ -	$ 9	$ 771	$ 1,769	$ 540	$ (1,228)	$ 54,354

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 - Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		0.81%
21			
22	RUCO Adjustment		$ (2,452)
23			
24			
25			
26			
27			

28	3-Factor Allocator By District:			
29	Superstition	24.94%	White Tank	2.37%
30	Bisbee	4.98%	Ajo	0.81%
31	Sierra Vista	2.58%	Coolidge	5.27%
32	San Manuel	1.68%	Lakeside	6.20%
33	Oracle	2.28%	Overgaard	3.99%
34	Winkelman	0.22%	Sedona	8.45%
35	Miami	4.98%	Pinewood	2.95%
36	Casa Grande	26.55%	Rimrock	1.48%
37	Stanfield	0.27%		
38				
39				
40				
41				

42	**Calculation Notes:**	
43	Average of Hourly Rate	$ 21.65
44	OT Hourly Rate 1.5	32.48

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	0.81%
6		
7	RUCO Allocated Payroll by District	$ 2,452
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	11.65%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (286)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	0.81%
6		
7	RUCO Allocated Payroll by District	$ 2,452
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.45%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (207)
14		
15		
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37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group	8.39%
40	Western Group	8.45%
41	Northern Group	8.12%

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 5	0.00%	$ -
2	302	Franchises	-	See Acct. 111	-
3	303	Other Intangibles	3,697	See Acct. 111	276
4	310.1	Water Rights	8,675	0.00%	-
5	310.3	Other Source of Supply Land	1	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	802	3.13%	25
8	320	Pumping Plant Land	3,208	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	3,015	2.86%	86
10	325	Electtric Pumping Equipment	83,008	5.88%	4,881
11	328	Gas Engine Equipment	-	4.00%	-
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	-	2.50%	-
14	332	Water Treatment Equipment	4,306	2.86%	123
15	340	Transmission and Distribution Land	6,065	0.00%	-
16	342	Storage Tanks	160,356	2.00%	3,207
17	343	Transmission & Distribution Mains	1,319,760	1.79%	23,624
18	344	Fire Sprinkler Taps	18,029	2.00%	361
19	345	Services	280,887	2.38%	6,685
20	346	Meters	51,182	4.55%	2,329
21	348	Hydrants	80,099	1.82%	1,458
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	47,181	2.50%	1,180
24	390.1	Leasehold Improvements	10,659	See Acct. 108.2	-
25	391	Office Furniture & Equipment	45,100	6.67%	3,008
26	393	Warehouse Equipment	241	5.00%	12
27	394	Tools, Shop & Garage Equipment	10,587	4.00%	423
28	395	Laboratory Equipment	34,921	5.00%	1,746
29	396	Power Operated Equipment	3,246	6.67%	216
30	397	Communication Equipment	30,384	6.67%	2,027
31	398	Miscellaneous Equipment	826	3.33%	28
32		Rounding	(1)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 2,206,240		$ 51,694
34					
35		AMORTIZATION OF CONTRIBUTIONS	(65,554)	2.00%	(1,311)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 50,383
38					
39	Company As Filed				51,154
40	Difference				$ (771)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (771)
43					
44					
45	3-Factor Allocator By District:				
46	Superstition	24.94%	White Tank	2.37%	
47	Bisbee	4.98%	Ajo	0.81%	
48	Sierra Vista	2.58%	Coolidge	5.27%	
49	San Manuel	1.68%	Lakeside	6.20%	
50	Oracle	2.28%	Overgaard	3.99%	
51	Winkelman	0.22%	Sedona	8.45%	
52	Miami	4.98%	Pinewood	2.95%	
53	Casa Grande	26.55%	Rimrock	1.48%	
54	Stanfield	0.27%			

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 470,994	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	470,994	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	510,802	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 1,452,789	
5	Average Annual Operating Revenues	Line 4 / 3	484,263	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 968,526
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ -	
8	10% Of CWIP	Line 7 X 10%		$ -
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (7,601)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 960,925
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 216,208	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	11.33%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	11.33%	
	Property Tax			$ 24,496
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 24,496
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		26,265
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (1,769)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (1,769)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	*Rate Case Expense Total*	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			0.81%
3	Ajo System (Line 1 X Line 2)			$ 2,430
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 810
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 1,350
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (540)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (540)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 60,530
	LESS:		
2	Arizona State Tax	Line 11	1,389
3	Interest Expense	Note (A) Line 21	40,593
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 18,547
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	16.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 2,968
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 60,530
	LESS:		
8	Interest Expense	Note (A) Line 21	40,593
9	State Taxable Income	Line 7 - Line 8	$ 19,936
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 1,389
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 2,968
13	State Income Tax Expense	Line 11	1,389
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 4,357
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		4,055
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		893
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ (1,086)
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 496

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 1,094,479
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)	3.71%
21	Interest Expense (L18 X L19)	$ 40,593

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPNAY

W-01445A-08-0440

Coolidge System

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

Coolidge System

TABLE OF CONTENTS TO TJC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 PHOENIX OFFICE	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-4 METER SHOP	1 TO 5	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - REMOVE POST TEST-YEAR PLANT FOR PHOENIX OFFICE
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - REMOVE PLANT AND RETIREMENTS INCLUDED IN RATE APPLICATION
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-6	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1 OF 3	OPERATING INCOME ADJUSTMENT NO. 1 - PAYROLL EXPENSE
TJC-9	2 OF 3	OPERATING INCOME ADJUSTMENT NO. 2 - PAYROLL TAX EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-9	3 OF 3	OPERATING INCOME ADJUSTMENT NO. 3 - 401(K) EXPENSE RELATED TO PAYROLL EXPENSE ADJ. #1
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 6 - INSURANCE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR DEPRECIATION EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 9 - RATE CASE EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-15	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 4,318,206	$ 3,455,162
2	Adjusted Operating Income (Loss)	$ 276,633	$ 313,031
3	Current Rate of Return (L2 / L1)	6.41%	9.06%
4	Required Operating Income (L5 X L1)	$ 423,800	$ 269,792
5	Required Rate of Return on Fair Value Rate Base	9.81%	7.81%
6	Operating Income Deficiency (L4 - L2)	$ 147,168	$ (43,239)
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.5537
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 239,682	$ (67,182)
9	Adjusted Test Year Revenue	$ 2,214,952	$ 2,214,952
10	Proposed Annual Revenue (L8 + L9)	$ 2,454,634	$ 2,147,770
11	Required Percentage Increase in Revenue (L8 / L9)	10.82%	-3.03%
12	Consolidated Revenue Adjustment (Casa Grande/Coolidge/Stanfield)	$ 321,431	$ -
13	Required Increase in Gross Revenue Under Company Proposed Consolidation	$ 561,113	$ -
14	Required Revenue Under Company Proposed Consolidation	$ 2,776,111	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	25.34%	-
16	Rate of Return on Common Equity	12.40%	8.33%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-15

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3564			
3	Subtotal (L1 - L2)	0.6436			
4	**Revenue Conversion Factor** (L1 / L3)	**1.5537**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	30.8190%			
9	Effective Federal Income Tax Rate (L7 X L8)	28.6715%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	35.6395%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 269,792			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	313,031			
13	Required Increase In Operating Income (L11 - L12)		$ (43,239)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 78,435			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	102,378			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (23,943)		
17	Total Required Increase In Revenue (L13 + L16)		$ (67,182)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 2,147,770	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,799,543	
20	Synchronized Interest (Col. (C), L37)			128,149	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 220,078	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 15,335
24	Fed. Taxable Income (L21 - L23)			$ 204,743	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 40,850	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 63,100
31	Combined Federal and State Income Tax (L23 + L30)				$ 78,435
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 102,378
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ (23,943)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				30.82%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. WAR-2, Col. (C), L17)			$ 3,455,162	
36	Weighted Avg. Cost of Debt (Sch. TJC-16, Col. (F), L1)			3.71%	
37	Synchronized Interest (L35 X L36)			$ 128,149	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 42,011	$ -	$ 42,011
2	Source of Supply Plant	2,098,977	(856,324)	1,242,653
3	Pumping Plant	1,400,953	-	1,400,953
4	Water Treatment Plant	845,417	-	845,417
5	Transmission & Distribution Plant	11,910,083	-	11,910,083
6	General Plant	762,698	(6,327)	756,371
7	Total Gross Plant in Service	$ 17,060,139	$ (862,651)	$ 16,197,488
8	Accumulated Depreciation	(3,207,118)	51,981	(3,155,137)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 13,853,022	$ (810,670)	$ 13,042,352
10	Advances in Aid Of Const.	$ (7,214,952)	$ -	$ (7,214,952)
11	Contribution in Aid of Const.	$ (1,544,697)	$ -	$ (1,544,697)
12	Accumulated Amortization of CIAC	145,424	-	145,424
13	NET CIAC (L5 + L6)	$ (1,399,273)	$ -	$ (1,399,273)
14	Deferred Income Tax	$ (1,009,996)	$ -	$ (1,009,996)
15	Allowance for Working Capital	$ 89,405	$ (52,375)	$ 37,031
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -
17	Rounding	$ -	$ -	$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 4,318,206	$ (863,045)	$ 3,455,162

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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

Coolidge System
Schedule TJC-3
Page 1 of 1

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3 PER BKB 11.16	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 42,011	$ -	$ -	$ -	$ -	$ -	$ -	$ 42,011
2	Source of Supply Plant	2,098,977	-	-	(856,324)	-	-	-	1,242,653
3	Pumping Plant	1,400,953	-	-	-	-	-	-	1,400,953
4	Water Treatment Plant	845,417	-	-	-	-	-	-	845,417
5	Transmission & Distribution Plant	11,910,083	-	-	-	-	-	-	11,910,083
6	General Plant	762,698	-	(6,327)	-	-	-	-	756,371
7	Total Gross Plant in Service	$ 17,060,139	$ -	$ (6,327)	$ (856,324)	$ -	$ -	$ -	$ 16,197,488
8	Accumulated Depreciation	(3,207,118)	5,582	211	46,188	-	-	-	(3,155,137)
9	Net Utility Plant in Service (Sum L1 & L2)	$ 13,853,022	$ 5,582	$ (6,116)	$ (810,136)	$ -	$ -	$ -	$ 13,042,352
10	Advances in Aid Of Const.	$ (7,214,952)	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,214,952)
11	Contribution in Aid of Const.	$ (1,544,697)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,544,697)
12	Accumulated Amortization of CIAC	145,424	-	-	-	-	-	-	145,424
13	NET CIAC (L5 + L6)	$ (1,399,273)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,399,273)
14	Deferred Income Tax	$ (1,009,996)	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,009,996)
15	Allowance for Working Capital	89,405	$ -	$ -	$ -	$ -	$ -	$ (52,375)	$ 37,031
16	Net Regulatory Asset / (Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Rounding	$ -							$ -
18	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 4,318,206	$ 5,582	$ (6,116)	$ (810,136)	$ -	$ -	$ (52,375)	$ 3,455,162

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See TJC-4 Total, TJC-4 Direct, TJC-4 PHX OFF and TJC-4 MS Schedules and TJC Testimony)
Column (C): Adjustment No. 2 - To Remove Post Test Year Phoenix Office Plant and Accum. Depre.
Column (D): Adjustment No. 3 - Conforming Adkustment Per Data Response to BKB 11.16 to Remove Plant and Record Retirements
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	(C) 12/31/2003 Per Decision No. 68302	(D) ADJ-1 Remove Post Test Year Plant	(E) Plant Balance 12/31/2003
1	301	Organization	0.00%	0.00%	-		$ -
2	302	Franchises	See Acct. 111	See Acct. 111	8,740		8,740
3	303	Other Intangibles	See Acct. 111	See Acct. 111	-		-
4	310.1	Water Rights	0.00%	0.00%	13,508		13,508
5	310.3	Other Source of Supply Land	0.00%	0.00%	2,927		2,927
6	310.4	Wells - Other	See Acct. 111	See Acct. 111	-		-
7	314	Wells	2.59%	3.13%	226,328		226,328
8	320	Pumping Plant Land	0.00%	0.00%	25,684		25,684
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	8,348		8,348
10	325	Electtric Pumping Equipment	2.59%	5.88%	732,365		732,365
11	328	Gas Engine Equipment	2.59%	4.00%	20,026		20,026
12	330	Water Treatment Plant Land	0.00%	0.00%	-		-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	1,847		1,847
14	332	Water Treatment Equipment	2.59%	2.86%	103,606		103,606
15	340	Transmission and Distribution Land	0.00%	0.00%	-		-
16	342	Storage Tanks	2.59%	2.00%	286,758		286,758
17	343	Transmission & Distribution Mains	2.59%	1.79%	2,721,370		2,721,370
18	344	Fire Sprinkler Taps	2.59%	2.00%	73,130		73,130
19	345	Services	2.59%	2.38%	1,151,206		1,151,206
20	346	Meters	2.59%	4.55%	209,735		209,735
21	348	Hydrants	2.59%	1.82%	218,296		218,296
22	389	General Plant Land	0.00%	0.00%	-		-
23	390	General Plant Structures	2.59%	2.50%	25,180		25,180
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	48,181		48,181
25	391	Office Furniture & Equipment	2.59%	6.67%	77,911		77,911
26	393	Warehouse Equipment	2.59%	5.00%	-		-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	47,217		47,217
28	395	Laboratory Equipment	2.59%	5.00%	6,726		6,726
29	396	Power Operated Equipment	2.59%	6.67%	15,016		15,016
30	397	Communication Equipment	2.59%	6.67%	52,470		52,470
31	398	Miscellaneous Equipment	2.59%	3.33%	6,554		6,554
32		**TOTAL DIRECT WATER PLANT**			$ 6,083,129	$ -	$ 6,083,129
33		Post Test Year Plant (PTYP)			-	-	-
34		**RUCO Total Water Plant In Service**			$ 6,083,129	$ -	$ 6,083,129
35							
36		**Company Direct Plant As Filed**					
37							
38		**RUCO Direct Plant Adjustment**					
39							
40		Reserve Deficiency Accrual - Decision No. 38733					
41							
42		Net (Salvage)/Cost of Removal					
43		Accumulated Depreciation			(2,249,826)		$ (2,249,826)
44		Accumulated Depreciation - PTYP			(21,871)	21,871	-
45		RUCO Total Accumulated Depreciation - Calculated			$ (2,271,697)		$ (2,249,826)
46							
47		Company As Filed - Accumulated Depreciation			-	-	(2,249,826)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ (2,271,697)	$ -	$ -
49							
50		**RUCO Net Adjustment**					
51							
52							
53							
54		References:					
55		Column (A): Approved Depreciation Rate From Decision No. 58120					
56		Columns (B): Approved Depreciation Rate From Decision No. 66849					
57		Acct. 302 - Franchises amortized over 25 years.					
58		Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59		Acct. 310.4 - Wells - Other amortized over 24 years.					
60		Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	8,854			149	17,594
3	303	Other Intangibles	See Acct. 111	See Acct. 111	749			-	749
4	310.1	Water Rights	0.00%	0.00%	2,610			-	16,118
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	2,927
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	957			5,874	227,285
8	320	Pumping Plant Land	0.00%	0.00%				-	25,684
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				216	8,348
10	325	Electtric Pumping Equipment	2.59%	5.88%	46,332			19,568	778,697
11	328	Gas Engine Equipment	2.59%	4.00%				519	20,026
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	2,887			85	4,734
14	332	Water Treatment Equipment	2.59%	2.86%				2,683	103,606
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				7,427	286,758
17	343	Transmission & Distribution Mains	2.59%	1.79%	182,518	(100)		72,846	2,903,788
18	344	Fire Sprinkler Taps	2.59%	2.00%	3,388			1,938	76,518
19	345	Services	2.59%	2.38%	152,922	(1,057)		31,783	1,303,071
20	346	Meters	2.59%	4.55%	25,425	(834)		5,751	234,326
21	348	Hydrants	2.59%	1.82%	64,348			6,487	282,644
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%	10,561			789	35,741
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				-	48,181
25	391	Office Furniture & Equipment	2.59%	6.67%	7,644			2,117	85,555
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	5,294			1,291	52,511
28	395	Laboratory Equipment	2.59%	5.00%				174	6,726
29	396	Power Operated Equipment	2.59%	6.67%				389	15,016
30	397	Communication Equipment	2.59%	6.67%	2,538			1,392	55,008
31	398	Miscellaneous Equipment	2.59%	3.33%	1,404			188	7,958
32		**TOTAL DIRECT WATER PLANT**			$ 518,429	$ (1,991)	$ -	$ 161,667	$ 6,599,567
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 518,429	$ (1,991)	$ -	$ 161,667	$ 6,599,567
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(775)	
41									
42		Net (Salvage)/Cost of Removal						5,051	
43		Accumulated Depreciation						(2,405,226)	$ (2,405,226)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,405,226)	$ (2,405,226)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,406,366)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,405,226)	$ 1,140
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Coolidge System
Schedule TJC-4 - Direct Plant
Page 3 of 5

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%	0.00%				-	$ -
2	302	Franchises	See Acct. 111	See Acct. 111	1,679		(1,679)	636	17,594
3	303	Other Intangibles	See Acct. 111	See Acct. 111				-	749
4	310.1	Water Rights	0.00%	0.00%	4,698			-	20,816
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	2,927
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	2,013			6,020	229,299
8	320	Pumping Plant Land	0.00%	0.00%				-	25,684
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%				218	8,348
10	325	Electtric Pumping Equipment	2.59%	5.88%	157,608			26,937	936,305
11	328	Gas Engine Equipment	2.59%	4.00%				542	20,026
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				122	4,734
14	332	Water Treatment Equipment	2.59%	2.86%	2,513			2,743	106,119
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				7,286	286,758
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,899,097	(11,552)		90,166	4,791,333
18	344	Fire Sprinkler Taps	2.59%	2.00%				1,944	76,518
19	345	Services	2.59%	2.38%	510,953	(3,746)		39,557	1,810,278
20	346	Meters	2.59%	4.55%	112,927	(1,590)		8,985	345,663
21	348	Hydrants	2.59%	1.82%	217,610	(1,776)		9,103	498,478
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%	1,923			947	37,664
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2	3,748			1,269	51,929
25	391	Office Furniture & Equipment	2.59%	6.67%	7,055			2,742	92,610
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	9,407			1,610	61,918
28	395	Laboratory Equipment	2.59%	5.00%	4,777			307	11,503
29	396	Power Operated Equipment	2.59%	6.67%				440	15,016
30	397	Communication Equipment	2.59%	6.67%	795			1,638	55,803
31	398	Miscellaneous Equipment	2.59%	3.33%				211	7,958
32		**TOTAL DIRECT WATER PLANT**			$ 2,936,804	$ (18,664)	$ (1,679)	$ 203,424	$ 9,516,027
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 2,936,804	$ (18,664)	$ (1,679)	$ 203,424	$ 9,516,027
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						(775)	
41									
42		Net (Salvage)/Cost of Removal						3,862	
43		Accumulated Depreciation						(2,586,899)	$ (2,586,899)
44		Accumulated Depreciation - PTYP						-	$ -
45		RUCO Total Accumulated Depreciation - Calculated						(2,586,899)	$ (2,586,899)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,592,565)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,586,899)	$ 5,666
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%	0.00%				-	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				704	17,594
3	303	Other Intangibles	See Acct. 111	See Acct. 111	9,793			-	10,542
4	310.1	Water Rights	0.00%	0.00%	9,058			-	29,874
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	2,927
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,571			7,202	230,870
8	320	Pumping Plant Land	0.00%	0.00%				-	25,684
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	381			244	8,729
10	325	Electtric Pumping Equipment	2.59%	5.88%	68,201	(17,301)		56,551	987,205
11	328	Gas Engine Equipment	2.59%	4.00%				801	20,026
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%				118	4,734
14	332	Water Treatment Equipment	2.59%	2.86%	1,756			3,060	107,875
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%	3,535			5,771	290,293
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,015,603	(25,691)		94,625	5,781,245
18	344	Fire Sprinkler Taps	2.59%	2.00%	5,574			1,586	82,092
19	345	Services	2.59%	2.38%	401,715	(686)		47,857	2,211,307
20	346	Meters	2.59%	4.55%	133,638	(1,514)		18,733	477,787
21	348	Hydrants	2.59%	1.82%	213,279	(2,716)		10,988	709,041
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				942	37,664
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				4,009	51,929
25	391	Office Furniture & Equipment	2.59%	6.67%	5,082			6,347	97,691
26	393	Warehouse Equipment	2.59%	5.00%				-	-
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	9,846			2,674	71,764
28	395	Laboratory Equipment	2.59%	5.00%	400			585	11,903
29	396	Power Operated Equipment	2.59%	6.67%				1,002	15,016
30	397	Communication Equipment	2.59%	6.67%	1,876			3,785	57,679
31	398	Miscellaneous Equipment	2.59%	3.33%	1,126			284	9,084
32		**TOTAL DIRECT WATER PLANT**			$ 1,882,436	$ (47,908)	$ -	$ 267,866	$ 11,350,555
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 1,882,436	$ (47,908)	$ -	$ 267,866	$ 11,350,555
35									
36		**Company Direct Plant As Filed**							
37									
38		**RUCO Direct Plant Adjustment**							
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						1,628	
43		Accumulated Depreciation						(2,805,229)	$ (2,805,229)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(2,805,229)	(2,805,229)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(2,810,895)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (2,805,229)	$ 5,666
49									
50		**RUCO Net Adjustment**							
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule

Coolidge System
Schedule TJC-4 - Direct Plant

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/1993 To 11/30/2005	(B) DEPRECIATION RATE 12/1/2005 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%	0.00%				$ -	$ -
2	302	Franchises	See Acct. 111	See Acct. 111				704	17,594
3	303	*Other Intangibles*	See Acct. 111	See Acct. 111	13,394			1,654	23,936
4	310.1	Water Rights	0.00%	0.00%	17,399			-	47,273
5	310.3	Other Source of Supply Land	0.00%	0.00%				-	2,927
6	310.4	Wells - Other	See Acct. 111	See Acct. 111				-	-
7	314	Wells	2.59%	3.13%	1,817,903			35,676	2,048,773
8	320	Pumping Plant Land	0.00%	0.00%				-	25,684
9	321	Pumping Plant Structures & Imprm'ts	2.59%	2.86%	5,512			328	14,241
10	325	Electtric Pumping Equipment	2.59%	5.88%	354,546	(3,563)		68,367	1,338,188
11	328	Gas Engine Equipment	2.59%	4.00%				801	20,026
12	330	Water Treatment Plant Land	0.00%	0.00%				-	-
13	331	Water Treatment Structures & Imprm'ts	2.59%	2.50%	161,831			2,141	166,564
14	332	Water Treatment Equipment	2.59%	2.86%	8,259			3,203	116,134
15	340	Transmission and Distribution Land	0.00%	0.00%				-	-
16	342	Storage Tanks	2.59%	2.00%				5,806	290,293
17	343	Transmission & Distribution Mains	2.59%	1.79%	1,700,868	(7,878)		118,637	7,474,236
18	344	Fire Sprinkler Taps	2.59%	2.00%	27,682			1,919	109,774
19	345	Services	2.59%	2.38%	380,038	(6,803)		57,071	2,584,542
20	346	Meters	2.59%	4.55%	31,012	(206)		22,440	508,592
21	348	Hydrants	2.59%	1.82%	200,989	(3,199)		14,704	906,830
22	389	General Plant Land	0.00%	0.00%				-	-
23	390	General Plant Structures	2.59%	2.50%				942	37,664
24	390.1	Leasehold Improvements	See Acct. 108.2	See Acct. 108.2				671	51,929
25	391	Office Furniture & Equipment	2.59%	6.67%	2,203	(23)		6,589	99,871
26	393	Warehouse Equipment	2.59%	5.00%	6,631			166	6,631
27	394	Tools, Shop & Garage Equipment	2.59%	4.00%	3,605			2,943	75,369
28	395	Laboratory Equipment	2.59%	5.00%	121			598	12,024
29	396	Power Operated Equipment	2.59%	6.67%				1,002	15,016
30	397	Communication Equipment	2.59%	6.67%	2,465			3,929	60,144
31	398	Miscellaneous Equipment	2.59%	3.33%	94			304	9,178
32		**TOTAL DIRECT WATER PLANT**			$ 4,734,552	$ (21,672)	$ -	$ 350,594	$ 16,063,435
33		Post Test Year Plant (PTYP)			-	-	-	-	-
34		**RUCO Total Water Plant In Service**			$ 4,734,552	$ (21,672)	$ -	$ 350,594	$ 16,063,435
35									
36		**Company Direct Plant As Filed**							16,063,434
37									
38		**RUCO Direct Plant Adjustment**							1
39									
40		Reserve Deficiency Accrual - Decision No. 38733						-	
41									
42		Net (Salvage)/Cost of Removal						408	
43		Accumulated Depreciation						(3,133,744)	$ (3,133,744)
44		Accumulated Depreciation - PTYP						-	-
45		RUCO Total Accumulated Depreciation - Calculated						(3,133,744)	(3,133,744)
46									
47		Company As Filed - Accumulated Depreciation			-	-	-	-	(3,139,408)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ (3,133,744)	$ 5,664
49									
50		**RUCO Net Adjustment**							$ 5,665
51									
52									
53									

54 References:
55 Column (A): Approved Depreciation Rate From Decision No. 58120
56 Columns (B): Approved Depreciation Rate From Decision No. 66849
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	651		651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	8,496		8,496
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	-		-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	-		-
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	-		-
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	31,795		31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	1,267,373		1,267,373
25	391	Office Furniture and Equipment	2.59%	3,505,411		3,505,411
26	393	Warehouse Equipment	2.59%	3,705		3,705
27	394	Tools, Shop and Garage Equipment	2.59%	30,450		30,450
28	395	Laboratory Equipment	2.59%	977		977
29	396	Power Operated Equipment	2.59%	-		-
30	397	Communication Equipment	2.59%	143,052		143,052
31	398	Miscellaneous Equipment	2.59%	7,207		7,207
32		**TOTAL PHOENIX OFFICE PLANT**		4,999,117	-	4,999,117
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Phoenix Office**		4,999,117	-	4,999,117
35						
36		**Company Phoenix Office As Filed**		4,999,117		4,999,117
37						
38		RUCO Phoenix Office Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733		-		-
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(503,775)	-	(503,775)
44		Accumulated Depreciation - PTYP		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(503,775)	-	(503,775)
46						
47		Company As Filed - Accumulated Depreciation				(503,775)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	48,512			78,228	1,315,885
25	391	Office Furniture and Equipment	2.59%	129,135	(7,465)		92,366	3,627,081
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	24,820			1,110	55,270
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	6,465			3,789	149,517
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		208,932	(7,465)	-	176,624	5,200,584
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,200,584
35								
36		**Company Phoenix Office As Filed**						5,200,584
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(672,934)	(672,934)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(672,934)	(672,934)
46								
47		Company As Filed - Accumulated Depreciation						(672,934)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
			Dec. 58120 1/1/1993 To Present					
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				89,580	1,315,885
25	391	Office Furniture and Equipment	2.59%	221,339			96,808	3,848,420
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	20,585			1,698	75,855
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	885			3,884	150,402
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		242,809	-	-	193,101	5,443,393
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,443,393
35								
36		**Company Phoenix Office As Filed**						5,443,393
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(866,035)	(866,035)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(866,035)	(866,035)
46								
47		Company As Filed - Accumulated Depreciation						(866,035)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net *Adjustment***						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				823	31,795
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				94,864	1,315,885
25	391	Office Furniture and Equipment	2.59%	369,071			104,454	4,217,491
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	59,519			2,735	135,374
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	1,741			3,918	152,143
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		430,332	-	-	207,102	5,873,725
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						5,873,725
35								
36		**Company Phoenix Office As Filed**						5,873,725
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,073,138)	(1,073,138)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,073,138)	(1,073,138)
46								
47		Company As Filed - Accumulated Depreciation						(1,073,137)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Phoenix Office

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	651
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				425	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	8,496
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	-
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				-	-
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				-	-
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	10,463			959	42,258
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	93			86,708	1,315,978
25	391	Office Furniture and Equipment	2.59%	464,535	(243,714)		112,093	4,438,312
26	393	Warehouse Equipment	2.59%				96	3,705
27	394	Tools, Shop and Garage Equipment	2.59%	40,312			4,028	175,686
28	395	Laboratory Equipment	2.59%				25	977
29	396	Power Operated Equipment	2.59%				-	-
30	397	Communication Equipment	2.59%	4,089			3,993	156,232
31	398	Miscellaneous Equipment	2.59%				187	7,207
32		**TOTAL PHOENIX OFFICE PLANT**		519,493	(243,714)	-	208,514	6,149,503
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Phoenix Office**						6,149,503
35								
36		**Company Phoenix Office As Filed**						6,149,503
37								
38		RUCO Phoenix Office Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(1,037,938)	(1,037,938)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(1,037,938)	(1,037,938)
46								
47		Company As Filed - Accumulated Depreciation						(1,036,382)
48		**RUCO Direct Plant Accumulated Depreciation Adjustment**						(1,556)
49								
50		**RUCO Net Adjustment**						(1,556)
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2003 12/31/2003 Per Decision 68302	ADJ-1 Remove Post Test Year Plant	Balance 12/31/2003
1	301	Organization	0.00%	-		-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
4	310.1	Water Rights	0.00%	-		-
5	310.3	Other Source of Supply Land	0.00%	80		80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.	-		-
7	314	Wells	2.59%	-		-
8	320	Pumping Plant Land	0.00%	-		-
9	321	Pumping Plant Structures and Improvements	2.59%	-		-
10	325	Electric Pumping Equipment	2.59%	-		-
11	328	Gas Engine Equipment	2.59%	-		-
12	330	Water Treatment Plant Land	0.00%	-		-
13	331	Water Treatment Structures and Improvements	2.59%	-		-
14	332	Water Treatment Equipment	2.59%	2,050		2,050
15	340	Transmission and Distribution Land	0.00%	-		-
16	342	Storage Tanks	2.59%	-		-
17	343	Transmission and Distribution Mains	2.59%	6,066		6,066
18	344	Fire Sprinkler Taps	2.59%	-		-
19	345	Services	2.59%	-		-
20	346	Meters	2.59%	-		-
21	348	Hydrants	2.59%	-		-
22	389	General Plant Land	0.00%	-		-
23	390	General Plant Structures	2.59%	37,472		37,472
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.	-		-
25	391	Office Furniture and Equipment	2.59%	3,983		3,983
26	393	Warehouse Equipment	2.59%	1,088		1,088
27	394	Tools, Shop and Garage Equipment	2.59%	58,430		58,430
28	395	Laboratory Equipment	2.59%	2,981		2,981
29	396	Power Operated Equipment	2.59%	1,458		1,458
30	397	Communication Equipment	2.59%	-		-
31	398	Miscellaneous Equipment	2.59%	-		-
32		**TOTAL METER SHOP PLANT**		113,608	-	113,608
33		Post Test Year Plant (PTYP)		-	-	-
34		**RUCO Total Meter Shop**		113,608	-	113,608
35						
36		**Company Meter Shop As Filed**		113,608		113,608
37						
38		RUCO Meter Shop Plant Adjustment		-		-
39						
40		Reserve Deficiency Accrual - Dec. 38733				
41						
42		Net (Salvage)/Cost of Removal				
43		Accumulated Depreciation		(30,118)	-	(30,118)
44		*Accumulated Depreciation - PTYP*		-	-	-
45		RUCO Total Accumulated Depreciation - Calculated		(30,118)	-	(30,118)
46						
47		Company As Filed - Accumulated Depreciation				(30,118)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**				-
49						
50		**RUCO Net Adjustment**				
51						
52						
53						
54						
55						
56	Notes					
57	Acct. 302 - Franchises amortized over 25 years.					
58	Acct. 303 - Other intangibles amortized over 15 & 20 Years.					
59	Acct. 310.4 - Wells - Other amortized over 24 years.					
60	Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.					

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2004 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2004
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	12,809			1,136	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	3,166			144	7,149
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	1,575			1,534	60,005
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		17,550	-	-	3,168	131,158
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						131,158
35								
36		**Company Meter Shop As Filed**						131,158
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733						
41								
42		Net (Salvage)/Cost of Removal					-	
43		Accumulated Depreciation					(33,286)	(33,286)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(33,286)	(33,286)
46								
47		Company As Filed - Accumulated Depreciation						(33,286)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2005 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2005
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,302	50,281
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	94			186	7,243
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	2,004			1,580	62,009
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		2,097	-	-	3,422	133,256
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						133,256
35								
36		**Company Meter Shop As Filed**						133,256
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(36,708)	(36,708)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(36,708)	(36,708)
46								
47		Company As Filed - Accumulated Depreciation						(36,708)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						0
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2006 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2006
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%	2,571			1,336	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,610			208	8,853
26	393	Warehouse Equipment	2.59%				28	1,088
27	394	Tools, Shop and Garage Equipment	2.59%	3,115			1,646	65,124
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		7,296	-	-	3,544	140,551
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						140,551
35								
36		**Company Meter Shop As Filed**						140,551
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(40,251)	(40,251)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(40,251)	(40,251)
46								
47		Company As Filed - Accumulated Depreciation						(40,251)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						(0)
49								
50		**RUCO Net Adjustment**						
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Arizona Water Company
Docket No. W-01445A-08-0440
Test Year Ended December 31, 2007
Plant Reconciliation Schedule - Meter Shop

Coolidge System
Schedule TJC-4 MS - Meter Shop

Line No.	Acct. No.	Description	Depreciation Rate Dec. 58120 1/1/1993 To Present	2007 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/31/2007
1	301	Organization	0.00%				-	-
2	302	Franchises	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
3	303	Other Intangibles	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
4	310.1	Water Rights	0.00%				-	-
5	310.3	Other Source of Supply Land	0.00%				-	80
6	310.4	Wells - Other	See Acct. 111 - Amort of Ltd. Trm. Inv.				-	-
7	314	Wells	2.59%				-	-
8	320	Pumping Plant Land	0.00%				-	-
9	321	Pumping Plant Structures and Improvements	2.59%				-	-
10	325	Electric Pumping Equipment	2.59%				-	-
11	328	Gas Engine Equipment	2.59%				-	-
12	330	Water Treatment Plant Land	0.00%				-	-
13	331	Water Treatment Structures and Improvements	2.59%				-	-
14	332	Water Treatment Equipment	2.59%				53	2,050
15	340	Transmission and Distribution Land	0.00%				-	-
16	342	Storage Tanks	2.59%				-	-
17	343	Transmission and Distribution Mains	2.59%				157	6,066
18	344	Fire Sprinkler Taps	2.59%				-	-
19	345	Services	2.59%				-	-
20	346	Meters	2.59%				-	-
21	348	Hydrants	2.59%				-	-
22	389	General Plant Land	0.00%				-	-
23	390	General Plant Structures	2.59%				1,369	52,852
24	390.1	Leasehold Improvements	See Acct. 108.2 - Amort of Leasehold Impr.				-	-
25	391	Office Furniture and Equipment	2.59%	1,893			254	10,745
26	393	Warehouse Equipment	2.59%	1,089			42	2,177
27	394	Tools, Shop and Garage Equipment	2.59%	2,298			1,716	67,422
28	395	Laboratory Equipment	2.59%				77	2,981
29	396	Power Operated Equipment	2.59%				38	1,458
30	397	Communication Equipment	2.59%				-	-
31	398	Miscellaneous Equipment	2.59%				-	-
32		**TOTAL METER SHOP PLANT**		5,280	-	-	3,707	145,832
33		Post Test Year Plant (PTYP)						-
34		**RUCO Total Meter Shop**						145,832
35								
36		**Company Meter Shop As Filed**						145,832
37								
38		RUCO Meter Shop Plant Adjustment						-
39								
40		Reserve Deficiency Accrual - Dec. 38733					-	
41								
42		Net (Salvage)/Cost of Removal					-	-
43		Accumulated Depreciation					(43,958)	(43,958)
44		Accumulated Depreciation - PTYP					-	-
45		RUCO Total Accumulated Depreciation - Calculated					(43,958)	(43,958)
46								
47		Company As Filed - Accumulated Depreciation						(43,959)
48		**RUCO Meter Shop Plant Accumulated Depreciation Adjustment**						1
49								
50		**RUCO Net Adjustment**						1
51								
52								
53								
54								
55								

56 Notes
57 Acct. 302 - Franchises amortized over 25 years.
58 Acct. 303 - Other intangibles amortized over 15 & 20 Years.
59 Acct. 310.4 - Wells - Other amortized over 24 years.
60 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

EXPLANATION OF RATE BASE ADJUSTMENT NO. 2
POST TEST-YEAR PLANT - PHOENIX OFFICE

LINE NO.	ACCT NO.	ACCOUNT NAME	(A) COMPANY ADJUSTED TY PLANT	(B) POST TY ADDITIONS	(C) 3-FACTOR ALLOCATOR	(D) REMOVE PTY PLANT
1	301	Organization	$ 34	$ -	5.27%	$ -
2	302	Franchises	17,594	-	5.27%	-
3	303	Other Intangibles	24,384	-	5.27%	-
4	310.1	Water Rights	47,273	-	5.27%	-
5	310.3	Other Source of Supply Land	2,931	-	5.27%	-
6	310.4	Wells - Other	-	-	5.27%	-
7	314	Wells	2,048,773	-	5.27%	-
8	320	Pumping Plant Land	25,684	-	5.27%	-
9	321	Pumping Plant Structures & Imprm'ts	17,055	-	5.27%	-
10	325	Electtric Pumping Equipment	1,338,188	-	5.27%	-
11	328	Gas Engine Equipment	20,026	-	5.27%	-
12	330	Water Treatment Plant Land	-	-	5.27%	-
13	331	Water Treatment Structures & Imprm'ts	166,564	-	5.27%	-
14	332	Water Treatment Equipment	678,853	-	5.27%	-
15	340	Transmission and Distribution Land	-	-	5.27%	-
16	342	Storage Tanks	290,293	-	5.27%	-
17	343	Transmission & Distribution Mains	7,510,051	-	5.27%	-
18	344	Fire Sprinkler Taps	109,774	-	5.27%	-
19	345	Services	2,584,542	-	5.27%	-
20	346	Meters	508,592	-	5.27%	-
21	348	Hydrants	906,830	-	5.27%	-
22	389	General Plant Land	-	-	5.27%	-
23	390	General Plant Structures	106,697	-	5.27%	-
24	390.1	Leasehold Improvements	121,281	-	5.27%	-
25	391	Office Furniture & Equipment	334,337	120,057	5.27%	6,327
26	393	Warehouse Equipment	6,941	-	5.27%	-
27	394	Tools, Shop & Garage Equipment	88,181	-	5.27%	-
28	395	Laboratory Equipment	12,232	-	5.27%	-
29	396	Power Operated Equipment	15,093	-	5.27%	-
30	397	Communication Equipment	68,377	-	5.27%	-
31	398	Miscellaneous Equipment	9,558	-	5.27%	-
32		Rounding	(2)			
33		**TOTAL PTY WATER PLANT**	$ 17,060,139	$ 120,057		$ 6,327
34		Company As Filed	$ 17,060,139	120,057		6,327
35		Difference	$ -	$ -		$ -
36						
37		RUCO PTY Plant Adjustment				$ (6,327)
38						
39		RUCO PTY Accumulated Depreciation Plant Adjustment				$ 211
40						
41						
42		References:				
43		Column (A): Company Schedules B-2				
44		Column (B): Post Test Year Phoenix Office Plant Allocation				
45		Column (C): 3-Factor Allocator				
46		Column (D): Adjustment				

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 8,965	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(43,410)	RUCO Schedule WAR-5, Page 2
3	Adjustment	$ (52,375)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 25,027	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	25,027	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 27,110	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	27,110	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 28,304	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	28,304	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See TJC-2, Column (K))	$ (52,375)	Sum of Lines 3, 6, 9 & 12

EXPLANATION OF RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 192,581	$ -	$ 192,581	35.92	$ 6,917,510
2	Payroll	464,280	(15,955)	448,325	14.00	6,276,555
3	Purchased Water	-	-	-	-	-
4	Chemicals	10,428	-	10,428	20.43	213,007
5	Property & Liability Insurance	15,743	-	15,743	(45.27)	(712,686)
6	Workman's Compensation Insurance	7,870	-	7,870	(46.50)	(365,955)
7	Health Insurance	131,493	(62)	131,431	(8.92)	(1,172,367)
8	Other Operating & Maintenance Expenses	338,524	(8,783)	329,741	30.00	9,892,230
9	Federal Current Income Taxes	135,816	(72,716)	63,100	37.00	2,334,693
10	State Current Income Taxes	29,919	(14,584)	15,335	37.00	567,397
11	FICA Taxes	35,397	(1,858)	33,539	14.00	469,540
12	FUTA & SUTA Taxes	847	-	847	83.10	70,386
13	Property Taxes	151,656	(8,367)	143,289	212.00	30,377,325
14	Registration, Svc. Contracts, & Misc. Fees	30,535	-	30,535	(98.83)	(3,017,774)
15	Retirement Annuities (401k)	43,402	(1,348)	42,054	34.72	1,460,104
16	Subtotal	1,588,491	(123,673)	1,464,818		53,309,965
17	Synchronized Interest	$ 160,158	$ (32,009)	$ 128,149	91.25	$ 11,693,579
18	Cost of Equity	263,642	(263,642)	-	-	-
19	Subtotal	$ 423,800	$ (295,651)	$ 128,149		$ 11,693,579
20	Total	$ 2,012,291	$ (419,324)	$ 1,592,967		$ 65,003,544

21	Expense Lag	Line 17, Col. (E) / (C)	40.81
22	Revenue Lag	Company B-5 Schedules	30.86
23	Net Lag	Line 18 - Line 17	(9.95)
24	RUCO Adjusted Expenses	Col. (C), Line 16	$ 1,592,967
25	Cash Working Capital	Line 19 X Line 20 / 365 Days	(43,410)
26	Company As Filed	Co. Schedule B-6, Page 1	8,965
27	Difference	Line 21 - Line 22	$ (52,375)
28	ADJUSTMENT	Line 27	$ (52,375)

NOTE: Expense Lag Days Used in the Last Western Group Rate Case.

NOTE: RUCO reviewed several invoices from a number of companies with terms of net 30 days.

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule TJC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Operating Revenues					
1	Residential	$ 1,458,989	$ -	$ 1,458,989	$ (35,509)	$ 1,423,481
2	Commercial	609,270	-	609,270	(35,321)	573,948
3	Industrial	8,657	-	8,657	(1,996)	6,660
4	Private Fire Service	1,673	-	1,673	5,952	7,625
5	Other Water Revenues	84,784	-	84,784	(262)	84,521
6	Total Water Revenues	$ 2,163,372	$ -	$ 2,163,372	$ (67,136)	$ 2,096,235
7	Miscellaneous	$ 51,580	$ -	$ 51,580	$ (45)	$ 51,534
8	Total Operating Revenues	$ 2,214,952	$ -	$ 2,214,952	$ (67,182)	$ 2,147,770
	Operating Expenses					
	Source of Supply Expenses:					
9	Purchased Water	$ -	$ -	$ -	$ -	$ -
10	Other	10,262	-	10,262	-	10,262
11	Pumping Expenses:	-				
12	Purchased Power	192,581	-	192,581	-	192,581
13	Purchased Gas	878	-	878	-	878
14	Other	64,710	-	64,710	-	64,710
15	Water Treatment Expenses	33,911	-	33,911	-	33,911
16	Transmission & Distribution Expenses	285,973	-	285,973	-	285,973
17	Customer Accounting Expenses	267,290	-	267,290	-	267,290
18	Sales Expense	890	-	890	-	890
19	Administrative & General Expenses	378,361	(20,878)	357,483	-	357,483
20	Total Operations & Maintenance Expense	$ 1,234,856	$ (20,878)	$ 1,213,978	$ -	$ 1,213,978
21	Depreciation & Amortization Expenses	$ 426,056	$ (34,454)	$ 391,602	$ -	$ 391,602
	Taxes					
22	Federal Income Taxes	$ 60,002	$ 22,360	$ 82,362	$ (19,262)	$ 63,100
23	State Income Taxes	13,218	6,798	20,016	(4,681)	15,335
24	Property Taxes	151,656	(8,367)	143,289	-	143,289
25	Other	52,532	(1,858)	50,673	-	50,673
26	Total Taxes	$ 277,407	$ 18,933	$ 296,340	$ (23,943)	$ 272,397
27	Total Operating Expenses	$ 1,938,319	$ (36,398)	$ 1,901,921	$ (23,943)	$ 1,877,978
28	Operating Income	$ 276,633	$ 36,398	$ 313,031	$ (43,238)	$ 269,792

References:
Column (A): Company Schedule C-1
Column (B): TJC-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 LABOR EXPENSE	(C) ADJMT NO. 2 PAYROLL TAX EXPENSE	(D) ADJMT NO. 3 401(K) EXPENSE	(E) ADJMT NO. 4 REVERSE ADJ. FOR CONSERVATION	(F) ADJMT NO. 5 PURCH. POWER REVENUES	(G) ADJMT NO. 6 INSURANCE EXPENSE	(H) ADJMT NO. 7 DEPRECIATION EXPENSE	(I) ADJMT NO. 8 PROPERTY TAX	(J) ADJMT NO. 9 RATE CASE EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Operating Revenues												
1	Residential	$ 1,458,989	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,458,989
2	Commercial	609,270	-	-	-	-	-	-	-	-	-	-	609,270
3	Industrial	8,657	-	-	-	-	-	-	-	-	-	-	8,657
4	Private Fire Service	1,673	-	-	-	-	-	-	-	-	-	-	1,673
5	Other Water Revenues	84,784	-	-	-	-	-	-	-	-	-	-	84,784
6	Total Water Revenues	$ 2,163,372	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,163,372
7	Miscellaneous	$ 51,580	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,580
8	Total Operating Revenues	$ 2,214,952	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,214,952
	Operating Expenses												
	Source of Supply Expenses:												
9	*Purchased Water*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Other	10,262	-	-	-	-	-	-	-	-	-	-	10,262
11	Pumping Expenses:												
12	Purchased Power	192,581	-	-	-	-	-	-	-	-	-	-	192,581
13	Purchased Gas	878	-	-	-	-	-	-	-	-	-	-	878
14	Other	64,710	-	-	-	-	-	-	-	-	-	-	64,710
15	Water Treatment Expenses	33,911	-	-	-	-	-	-	-	-	-	-	33,911
16	Transmission & Distribution Expenses	285,973	-	-	-	-	-	-	-	-	-	-	285,973
17	Customer Accounting Expenses	267,290	-	-	-	-	-	-	-	-	-	-	267,290
18	Sales Expense	890	-	-	-	-	-	-	-	-	-	-	890
19	Administrative & General Expenses	378,361	(15,955)	-	(1,348)	-	-	(62)	-	-	(3,513)	-	357,483
20	Total Operations & Maintenance Expense	$ 1,234,856	$ (15,955)	$ -	$ (1,348)	$ -	$ -	$ (62)	$ -	$ -	$ (3,513)	$ -	$ 1,213,978
21	Depreciation & Amortization Expenses	$ 426,056	$ -	$ -	$ -	$ -	$ -	$ -	$ (34,454)	$ -	$ -	$ -	$ 391,602
	Taxes												
22	Federal Income Taxes	$ 60,002	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,360	$ 82,362
23	State Income Taxes	13,218	-	-	-	-	-	-	-	-	-	6,798	20,016
24	Property Taxes	151,656	-	-	-	-	-	-	-	(8,367)	-	-	143,289
25	Other	52,532	-	(1,858)	-	-	-	-	-	-	-	-	50,673
26	Total Taxes	$ 277,407	$ -	$ (1,858)	$ -	$ -	$ -	$ -	$ -	$ (8,367)	$ -	$ 29,158	$ 296,340
27	Total Operating Expenses	$ 1,938,319	$ (15,955)	$ (1,858)	$ (1,348)	$ -	$ -	$ (62)	$ (34,454)	$ (8,367)	$ (3,513)	$ 29,158	$ 1,901,921
28	Operating Income	$ 276,633	$ 15,955	$ 1,858	$ 1,348	$ -	$ -	$ 62	$ 34,454	$ 8,367	$ 3,513	$ (29,158)	$ 313,031

ADJUSTMENTS:	REFERENCE:
1 - Labor Expense - Normalize OT Hours in Test Year	Testimony, WAR And Schedule TJC-9 Page, 1 of 3
2 - Payroll Tax Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 2 of 3
3 - 401(K) Expense Related to Adjustment 1	Testimony, WAR And Schedule TJC-9 Page, 3 of 3
4 - Reverse Adjustment for Conservation	Testimony WAR
5 - Purchased Power Revenues	Testimony WAR
6 - Insurance Expense	Testimony, WAR And Schedule TJC-10
7 - Depreciation Expense	Testimony, WAR And Schedule TJC-11
8 - Property Tax Expense	Testimony, WAR And Schedule TJC-12
9 - Rate Case Expense	Testimony, WAR And Schedule TJC-13
10 Income Tax	Testimony, WAR And Schedule TJC-14

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PAYROLL EXPENSE

LINE NO.	DESCRIPTION		(A) PER RUCO DR 1.11.d
1	Normalize Over-Time Over 4 Years:		
2	2005 OT Hours		15,008.5
3	2006 OT Hours		18,080.0
4	2007 OT Hours		28,132.5
5	2008 OT Hours		17,530.0
6			
7	Total OT Hours for 2005 - 2008		78,751.0
8	Divided by 4 Years		4
9			
10	Normalized Level of OT Hours/Yr.		19,687.8
11			
12	OT Hours in Test Year		28,132.5
13			
14	Amount of Abnormal TY OT Hours		8,444.8
15			
16	Multiplied by Average OT Hrly. Rate	**See NOTE**	35.85
17			
18	Total Abnormal OT Dollars in TY		$ 302,744
19			
20	3-Factor Allocator Per District		5.27%
21			
22	RUCO Adjustment		$ (15,955)
23			
24			
25			
26			
27			
28	3-Factor Allocator By District:		
29	Superstition	24.94%	White Tank 2.37%
30	Bisbee	4.98%	Ajo 0.81%
31	Sierra Vista	2.58%	Coolidge 5.27%
32	San Manuel	1.68%	Lakeside 6.20%
33	Oracle	2.28%	Overgaard 3.99%
34	Winkelman	0.22%	Sedona 8.45%
35	Miami	4.98%	Pinewood 2.95%
36	Casa Grande	26.55%	Rimrock 1.48%
37	Stanfield	0.27%	
38			
39			
40			
41			
42	**Calculation Notes:**		
43	Average of Hourly Rate	$ 21.65	
44	OT Hourly Rate 1.5	32.48	

NOTE: The Company calculated the average hourly rate for overtime in response to data request AII-11.6 to be $35.85. RUCO accepts that rate in making its payroll adjustments.

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
PAYROLL TAX EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll Tax Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	5.27%
6		
7	RUCO Allocated Payroll by District	$ 15,955
8		
9	Payroll Tax Expense Allocator By Group:	
10		
11	RUCO Payroll Tax Expense Allocator by Group	11.65%
12		
13	RUCO Payroll Tax Expense Adjustment	$ (1,858)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 7.47%	
40	Western Group 11.65%	
41	Northern Group 15.90%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
PAYROLL 401(K) EXPENSE ASSOCIATED WITH RUCO ADJUSTMENT 1

LINE NO.	DESCRIPTION	(A) PER RUCO DR 1.11.d
1	Payroll 401(K) Expense:	
2		
3	Total Abnormal OT Dollars in TY	$ 302,744
4		
5	3-Factor Allocator Per District	5.27%
6		
7	RUCO Allocated Payroll by District	$ 15,955
8		
9	Payroll 401(K) Expense Allocator By Group:	
10		
11	RUCO Payroll 401(K) Expense Allocator by Group	8.45%
12		
13	RUCO Payroll 401(K) Expense Adjustment	$ (1,348)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Payroll Tax Expense Allocator By Group:	
39	Eastern Group 8.39%	
40	Western Group 8.45%	
41	Northern Group 8.12%	

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
INSURANCE EXPENSE

LINE NO.		(A) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER COMPANY	(B) RUCO ADJUSTMENT	(C) INCREASE/ (DECREASE) LONG-TERM DISABILITY PER RUCO
1	System			
2				
3	Eastern Group			
4	Supersition	$ 2,224	$ (273)	$ 1,950
5	Apache Junction			
6	Superior			
7	Bisbee	122	(45)	77
8	Sierra Vista	115	(38)	77
9	San Manuel	5	(20)	(16)
10	Oracle	25	(20)	5
11	Saddlebrook	5	(0)	4
12	Winkelman	0	(2)	(2)
13	Miami	(338)	(40)	(378)
14	Subtotal	$ 2,157	$ (439)	$ 1,718
15				
16	Western Group			
17	Casa Grande	2,137	(298)	1,839
18	Stanfield	20	(3)	17
19	White Tank	148	(22)	126
20	Ajo	58	(9)	49
21	Coolidge	(127)	(62)	(189)
22	Subtotal	$ 2,235	$ (393)	$ 1,842
23				
24	Northern Group			
25	Lakeside	570	(65)	506
26	Overgaard	507	(55)	452
27	Sedona	445	(84)	361
28	Pinewood	199	(38)	162
29	Rimrock	87	(16)	71
30	Subtotal	$ 1,809	$ (257)	$ 1,551
31				
32				
33	Total Company	$ 6,201	$ (1,090)	$ 5,111 (a)

REFERENCE

COLUMN (A): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (B): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD
COLUMN (C): COMPANY WORKPAPER "GROUP INSURANCE" TAB LTD

NOTES:

(a) CALCULATED AS FOLLOWS:		PER COMPANY	RUCO ADJUSTMENT	PER RUCO	REFERENCE
1	Current Rate per Payroll Dollar	$ 0.0036		$ 0.0036	COMPANY WORKPAPER - "GROUP INSURANCE" TAB LTD
2	Pro Forma Payroll Dollars	$ 11,095,569	$ 302,744	$ 10,792,825	COMPANY WORKPAPER - "GROUP INSURANCE)
3	Pro Forma LTD - Total Company	$ 39,944		$ 38,854	LINE 1 x LINE 2
4	Y/E Number of Customers	$ 83,825		$ 83,825	COMPANY WORKPAPER - "GROUP INSURANCE)
5	Pro Forma 2007 LTD - Spread	$ 38,854		$ 38,854	COMPANY WORKPAPER - "GROUP INSURANCE)
6	Increase / (Decrease)	$ 6,201		$ 5,111	COMPANY WORKPAPER - "GROUP INSURANCE)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 34	0.00%	$ -
2	302	Franchises	17,594	See Acct. 111	704
3	303	Other Intangibles	24,384	See Acct. 111	1,654
4	310.1	Water Rights	47,273	0.00%	-
5	310.3	Other Source of Supply Land	2,931	0.00%	-
6	310.4	Wells - Other	-	See Acct. 111	-
7	314	Wells	1,192,449	3.13%	37,324
8	320	Pumping Plant Land	25,684	0.00%	-
9	321	Pumping Plant Structures & Imprm'ts	14,241	2.86%	407
10	325	Electtric Pumping Equipment	1,341,002	5.88%	78,851
11	328	Gas Engine Equipment	20,026	4.00%	801
12	330	Water Treatment Plant Land	-	0.00%	-
13	331	Water Treatment Structures & Imprm'ts	166,564	2.50%	4,164
14	332	Water Treatment Equipment	678,853	2.86%	19,415
15	340	Transmission and Distribution Land	-	0.00%	-
16	342	Storage Tanks	290,293	2.00%	5,806
17	343	Transmission & Distribution Mains	7,510,051	1.79%	134,430
18	344	Fire Sprinkler Taps	109,774	2.00%	2,195
19	345	Services	2,584,542	2.38%	61,512
20	346	Meters	508,592	4.55%	23,141
21	348	Hydrants	906,830	1.82%	16,504
22	389	General Plant Land	-	0.00%	-
23	390	General Plant Structures	106,697	2.50%	2,667
24	390.1	Leasehold Improvements	121,281	See Acct. 108.2	670
25	391	Office Furniture & Equipment	328,010	6.67%	21,878
26	393	Warehouse Equipment	6,941	5.00%	347
27	394	Tools, Shop & Garage Equipment	88,181	4.00%	3,527
28	395	Laboratory Equipment	12,232	5.00%	612
29	396	Power Operated Equipment	15,093	6.67%	1,007
30	397	Communication Equipment	68,377	6.67%	4,561
31	398	Miscellaneous Equipment	9,558	3.33%	318
32		Rounding	(2)		
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 16,197,488		$ 422,496
34					
35		AMORTIZATION OF CONTRIBUTIONS	(1,544,697)	2.00%	(30,894)
36		Rounding			-
37	**TOTAL DEPRECIATION EXPENSE**				$ 391,602
38					
39	Company As Filed				426,056
40	Difference				$ (34,454)
41					
42	RUCO Adjustment (See TJC-8, Column (B))				$ (34,454)
43					
44					

45	3-Factor Allocator By District:			
46	Superstition	24.94%	White Tank	2.37%
47	Bisbee	4.98%	Ajo	0.81%
48	Sierra Vista	2.58%	Coolidge	5.27%
49	San Manuel	1.68%	Lakeside	6.20%
50	Oracle	2.28%	Overgaard	3.99%
51	Winkelman	0.22%	Sedona	8.45%
52	Miami	4.98%	Pinewood	2.95%
53	Casa Grande	26.55%	Rimrock	1.48%
54	Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 2,214,952	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	2,214,952	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	2,147,770	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 6,577,673	
5	Average Annual Operating Revenues	Line 4 / 3	2,192,558	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 4,385,115
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 1,162,729	
8	10% Of CWIP	Line 7 X 10%		$ 116,273
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Workpapers	$ -	
10	Acc. Dep. Of Transportation Equipment	Company Workpapers	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ (69,647)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 4,431,741
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	22.5%	
14	Assessed Value	Line 12 X Line 13	$ 997,142	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	14.37%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	14.37%	
	Property Tax			$ 143,289
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 143,289
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		151,656
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (8,367)
21	RUCO Adjustment (See TJC-8, Column (C))	Line 20		$ (8,367)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 500,000	$ (200,000)	$ 300,000
2	Allocation Factor			5.27%
3	Coolidge System (Line 1 X Line 2)			$ 15,810
4	Amortization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 5,270
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 8,783
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (3,513)
8	RUCO Adjustment (Line 7) (See TJC-8, Column (E))			$ (3,513)

3-Factor Allocator By District:

Superstition	24.94%	White Tank	2.37%
Bisbee	4.98%	Ajo	0.81%
Sierra Vista	2.58%	Coolidge	5.27%
San Manuel	1.68%	Lakeside	6.20%
Oracle	2.28%	Overgaard	3.99%
Winkelman	0.22%	Sedona	8.45%
Miami	4.98%	Pinewood	2.95%
Casa Grande	26.55%	Rimrock	1.48%
Stanfield	0.27%		

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 415,409
	LESS:		
2	Arizona State Tax	Line 11	20,016
3	Interest Expense	Note (A) Line 21	128,149
4	*Federal Taxable Income*	Line 1 - Line 2 - Line 3	$ 267,244
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	30.82%
6	Federal Income Tax Expense	Line 4 X line 5	$ 82,362
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 415,409
	LESS:		
8	Interest Expense	Note (A) Line 21	128,149
9	State Taxable Income	Line 7 - Line 8	$ 287,260
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 20,016
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 82,362
13	State Income Tax Expense	Line 11	20,016
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 102,378
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		60,002
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		13,218
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 22,360
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 6,798

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$	3,455,162
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L1)		3.71%
21	Interest Expense (L18 X L19)	$	128,149

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.81%

References:
Columns (A) Thru (D): Testimony, WAR

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-08-0440

DIRECT TESTIMONY
ON COST OF CAPITAL

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JUNE 12, 2009

TABLE OF CONTENTS

INTRODUCTION 1

SUMMARY OF TESTIMONY AND RECOMMENDATIONS 3

COST OF EQUITY CAPITAL 7

Discounted Cash Flow (DCF) Method 7
Capital Asset Pricing Model (CAPM) Method 28
Current Economic Environment 35

COST OF DEBT 52

CAPITAL STRUCTURE 52

WEIGHTED COST OF CAPITAL 53

COMMENTS ON AWC'S COST OF EQUITY CAPITAL TESTIMONY 54

DCF Comparison 55

CAPM Comparison 56

ATTACHMENT A – Value Line Water Utility Industry Update

ATTACHMENT B – Value Line Natural Gas Utility Industry Update

ATTACHMENT C – Zacks Earnings Projections

SCHEDULES WAR-1 THROUGH WAR-9

INTRODUCTION

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

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

Q. Please describe your qualifications in the field of utilities regulation and your educational background.

A. I have been involved with utilities regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. I have been awarded the professional designation, Certified Rate of Return Analyst ("CRRA") by the Society of Utility and Regulatory Financial Analysts ("SURFA"). The CRRA designation is awarded based upon experience and the successful completion of a written examination. Appendix I, which is attached to my direct testimony on operating income further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of Arizona Water Company's ("AWC" or the "Company") application for a permanent rate increase ("Application") for the Company's statewide Water operations. AWC filed the Application with the Arizona Corporation Commission ("ACC" or "Commission") on August 22, 2008. The Company has chosen the operating period ended December 31, 2007 for the test year ("Test Year") in this proceeding.

Q. Please explain your role in RUCO's analysis of AWC's Application.

A. I reviewed AWC's Application and performed a cost of capital analysis to determine a fair rate of return on the Company's invested capital. In addition to my recommended capital structure, my direct testimony will present my recommended costs of common equity and my recommended cost of long-term debt (AWC has no preferred stock). The recommendations contained in this testimony are based on information obtained from Company responses to data requests, the Company's Application and from market-based research that I conducted during my analysis.

...

Q. Were you also responsible for conducting an analysis on the Company's proposed revenue level, rate base and rate design?

A. I have filed, under separate cover, direct testimony on the operating income issues associated with AWC's application. RUCO witness Timothy J. Coley will provide direct testimony on the rate base issues in the case and RUCO witness Rodney L. Moore will file direct testimony on RUCO's recommended rate design on Friday, June 26, 2009.

Q. What areas will you address in your testimony?

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

Q. Please identify the exhibits that you are sponsoring.

A. I am sponsoring Schedules WAR-1 through WAR-9.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

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

A. My cost of capital testimony is organized into seven sections. First, the introduction I have just presented and second, the summary of my testimony that I am about to give. Third, I will present the findings of my cost of equity capital analysis, which utilized both the discounted cash flow ("DCF") method, and the capital asset pricing model ("CAPM"). These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past,

and are the methodologies that the ACC has given the most weight to in setting allowed rates of returns for utilities that operate in the Arizona jurisdiction. In this third section I will also provide a brief overview of the current economic climate within which AWC is operating. Fourth, I will discuss my recommended cost of long-term debt. Fifth, I will compare my recommended capital structure with the Company-proposed capital structure. Sixth, I will explain my weighted cost of capital recommendation and seventh, I will comment on AWC's cost of capital testimony. Schedules WAR-1 through WAR-9 will provide support for my cost of capital analysis.

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

A. Based on the results of my analysis of AWC, I am making the following recommendations:

Cost of Equity Capital – I am recommending an 8.33 percent cost of equity capital. This 8.33 percent figure is based on the results that I obtained in my cost of equity analysis, which employed both the DCF and CAPM methodologies. My 8.33 percent cost of equity capital is 407 basis points lower than the 12.40 percent cost of equity capital being proposed by the Company.

Cost of Long-Term Debt – I am recommending that the Commission adopt the Company-proposed 7.31 percent cost of long-term debt. This is based on my review of the costs associated with AWC's various bond issuances.

Capital Structure – I am recommending that the Commission adopt the Company-proposed capital structure comprised of 50.76 percent long-term debt and 49.24 percent common equity.

Weighted Average Cost of Capital – Based on the results of my recommended capital structure, cost of common equity, and long-term debt analyses, I am recommending a 7.81 percent weighted average cost of capital for AWC. This figure represents the weighted cost of my recommended costs of long-term debt and common equity. My recommended weighted average cost of capital is 200 basis points lower than the 9.81 percent weighted average cost of capital being proposed by the Company.

Q. Why do you believe that your recommended 7.81 percent weighted average cost of capital is an appropriate rate of return for AWC to earn on its invested capital?

A. The 7.81 percent weighted average cost of capital figure that I am recommending meets the criteria established in the landmark Supreme Court cases of Bluefield Water Works & Improvement Co. v. Public

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

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

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

A. No. Neither case *guarantees* a rate of return on utility investment. What the Bluefield and Hope decisions *do allow*, is for a utility to be provided with the *opportunity* to earn a reasonable rate of return on its investment. That is to say that a utility, such as AWC, is provided with the opportunity to earn an appropriate rate of return if the Company's management

exercises good judgment and manages its assets and resources in a manner that is both prudent and economically efficient.

COST OF EQUITY CAPITAL

Q. What is your final recommended cost of equity capital for AWC?

A. I am recommending a cost of equity of 8.33 percent. My recommended 8.33 percent cost of equity figure represents the 8.33 percent mean average of the results of my DCF and CAPM analyses, which utilized both a sample of publicly traded water providers and a sample of publicly traded natural gas local distribution companies ("LDC"). This calculation is exhibited on page 3 of my Schedule WAR-1.

Discounted Cash Flow (DCF) Method

Q. Please explain the DCF method that you used to estimate AWC's cost of equity capital.

A. The DCF method employs a stock valuation model known as the constant growth valuation model, that bears the name of Dr. Myron J. Gordon (i.e. the Gordon model), the professor of finance who was responsible for its development. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost

of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

Another way of looking at the investor's cost of capital is to consider it from the standpoint of a company that is offering its shares of stock to the investing public. In order to raise capital, through the sale of common stock, a company must provide a required rate of return on its stock that will attract investors to commit funds to that particular investment. In this respect, the terms "cost of capital" and "investor's required return" are one in the same. For common stock, this required return is a function of the dividend that is paid on the stock. The investor's required rate of return can be expressed as the percentage of the dividend that is paid on the stock (dividend yield) plus an expected rate of future dividend growth. This is illustrated in mathematical terms by the following formula:

$$k = \frac{D_1}{P_0} + g$$

where: k = the required return (cost of equity, equity capitalization rate),

$\frac{D_1}{P_0}$ = the dividend yield of a given share of stock calculated by dividing the expected dividend by the current market price of the given share of stock, and

g = the expected rate of future dividend growth

This formula is the basis for the standard growth valuation model that I used to determine AWC's cost of equity capital.

Q. In determining the rate of future dividend growth for AWC, what assumptions did you make?

A. There are two primary assumptions regarding dividend growth that must be made when using the DCF method. First, dividends will grow by a constant rate into perpetuity, and second, the dividend payout ratio will remain at a constant rate. Both of these assumptions are predicated on the traditional DCF model's basic underlying assumption that a company's earnings, dividends, book value and share growth all increase at the same constant rate of growth into infinity. Given these assumptions, if the dividend payout ratio remains constant, so does the earnings retention ratio (the percentage of earnings that are retained by the company as opposed to being paid out in dividends). This being the case, a company's dividend growth can be measured by multiplying its retention ratio (1 - dividend payout ratio) by its book return on equity. This can be stated as $g = b \times r$.

...

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

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.[1]

Table I

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

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of $10.00 per share, an investor-expected equity return of ten percent, and a dividend payout ratio of sixty percent. This results in earnings per share of $1.00 ($10.00 book value x 10 percent equity return) and a dividend of $0.60 ($1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book value increases to $10.40 in Year 2 of Mr. Hill's illustration. Table I

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

presents the results of this continuing scenario over the remaining five-year period.

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

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

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

Table II

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

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

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

...

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

[3] [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = 6.00%

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

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

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

A. Rational investors will put their available funds into investments that will either meet or exceed their given cost of capital (i.e. the return earned on their investment). In the case of a utility, the book value of a company's stock usually mirrors the equity portion of its rate base (the utility's earning base). Because regulators allow utilities the opportunity to earn a reasonable rate of return on rate base, an investor would take into consideration the effect that a change in book value would have on the rate of return that he or she would expect the utility to earn. If an investor believes that a utility's book value (i.e. the utility's earning base) will increase, then he or she would expect the return on the utility's common stock to increase. If this positive trend in book value continues over an

extended period of time, an investor would have a reasonable expectation for sustained long-term growth.

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

A. As I explained earlier, one way that a utility can increase its equity is by selling new shares of common stock on the open market. If these new shares are purchased at prices that are higher than those shares sold previously, the utility's book value per share will increase in value. This would increase both the earnings base of the utility and the earnings expectations of investors. However, if new shares sold at a price below the pre-sale book value per share, the after-sale book value per share declines in value. If this downward trend continues over time, investors might view this as a decline in the utility's sustainable growth rate and will have lower expectations regarding growth. Using this same logic, if a new stock issue sells at a price per share that is the same as the pre-sale book value per share, there would be no impact on either the utility's earnings base or investor expectations.

...

Q. Please explain how the external component of the DCF growth rate is determined.

A. In his book, The Cost of Capital to a Public Utility,[4] Dr. Gordon (the individual responsible for the development of the DCF or constant growth model) identified a growth rate that includes both expected internal and external financing components. The mathematical expression for Dr. Gordon's growth rate is as follows:

$$g = (br) + (sv)$$

where:	g	=	DCF expected growth rate,
	b	=	the earnings retention ratio,
	r	=	the return on common equity,
	s	=	the fraction of new common stock sold that accrues to a current shareholder, and
	v	=	funds raised from the sale of stock as a fraction of existing equity.
and	v	=	$1 - [(BV) \div (MP)]$
where:	BV	=	book value per share of common stock, and
	MP	=	the market price per share of common stock.

...

[4] Gordon, M.J., The Cost of Capital to a Public Utility, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

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

A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of Schedule WAR-4, where it is added to the internal growth rate estimate (br) to arrive at a final sustainable growth rate estimate.

Q. Please explain why your calculation of external growth on page 2 of Schedule WAR-4, is the current market-to-book ratio averaged with 1.0 in the equation [(M ÷ B) + 1] ÷ 2.

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

Q. Has the Commission ever adopted a cost of capital estimate that included this assumption?

A. Yes. In a prior Southwest Gas Corporation rate case[5], the Commission adopted the recommendations of ACC Staff's cost of capital witness, Stephen Hill, who I noted earlier in my testimony. In that case, Mr. Hill

[5] Decision No. 68487, Dated February 23, 2006 (Docket No. G-01551A-04-0876)

used the same methods that I have used in arriving at the inputs for the DCF model. His final recommendation for Southwest Gas Corporation was largely based on the results of his DCF analysis, which incorporated the same valid market-to-book ratio assumption that I have used consistently in the DCF model as a cost of capital witness for RUCO.

Q. How did you develop your dividend growth rate estimate?

A. I analyzed data on two separate proxy groups. A water company proxy group comprised of three publicly traded water companies and a natural gas proxy group consisting of ten natural gas local distribution companies ("LDC") that have similar operating characteristics to water providers.

Q. Why did you use a proxy group methodology as opposed to a direct analysis of AWC?

A. One of the problems in performing this type of analysis is that the utility applying for a rate increase is not always a publicly traded company, as is the case with AWC itself. Consequently it was necessary to create a proxy by analyzing publicly traded water companies and LDC's with similar risk characteristics.

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

A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope decision that a utility is entitled to earn a rate of return that is

commensurate with the returns on investments of other firms with comparable risk. The proxy technique that I have used derives that rate of return. One other advantage to using a sample of companies is that it reduces the possible impact that any undetected biases, anomalies, or measurement errors may have on the DCF growth estimate.

Q. What criteria did you use in selecting the companies that make up your water company proxy for AWC?

A. The three water companies used in the proxy are publicly traded on the New York Stock Exchange ("NYSE"). All three water companies are followed by The Value Line Investment Survey ("Value Line") and are the same companies that comprise Value Line's large capitalization Water Utility Industry segment of the U.S. economy (Attachment A contains Value Line's April 24, 2009 update of the water utility industry and evaluations of the water companies used in my proxy).

Q. Are these the same water utilities that you have used in prior rate case proceedings?

A. Yes. However, in prior proceedings I have also included a fourth water provider known as Southwest Water Company which is traded over the counter through the National Association of Securities Dealers Automated Quotation System ("NASDAQ").

Q. Why did you exclude Southwest Water Company from your sample in this proceeding?

A. Value Line has suspended its long-term projections on Southwest Water Company as a result of accounting errors that were recently discovered by Southwest Water Company's management. The lack of projected data made Southwest Water Company unsuitable for my sample group of water providers.

Q. Please describe the companies that comprise your water company proxy group.

A. My water company proxy group includes American States Water Co. (stock ticker symbol "AWR"), California Water Service Group ("CWT") and Aqua America, Inc. ("WTR"). Each of these water companies face the same types of risk that AWC faces. For the sake of brevity, I will refer to each of these companies by their appropriate stock ticker symbols henceforth.

Q. Briefly describe the areas served by the companies in your water company sample proxy.

A. In addition to providing water service to residents of Fountain Hills, Arizona through its wholly owned subsidiary Chaparral City Water Company, AWR also serves communities located in Los Angeles, Orange and San Bernardino counties in California. CWT provides service to

customers in seventy-five communities in California, New Mexico and Washington. CWT's principal service areas are located in the San Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys and parts of Los Angeles. WTR is a holding company for a large number of water and wastewater utilities operating in nine different states including Pennsylvania, Ohio, New Jersey, Illinois, Maine, North Carolina, Texas, Florida and Kentucky.

Q. Are these the same water companies that AWC used in its application?

A. AWC's cost of equity witness, Dr. Thomas Zepp, used the same water companies included in my proxy. Dr. Zepp also used three other water companies in his cost of capital analysis[6] which are included in Value Line's Small and Mid Cap Edition.

Q. Why did you exclude the water companies that are followed in Value Line's Small and Mid Cap Edition?

A. Value Line does not provide the same type of forward-looking information (i.e. long-term estimates on return on common equity and share growth) on small and mid-cap companies that it provides on the three water companies that I used in my proxy. Consequently, as in the case of Southwest Water Company, these water providers are not as suitable as the ones that I have used in my analysis.

[6] Connecticut Water Service, Inc., Middlesex Water Company and SJW Corp.

Q. What criteria did you use in selecting the natural gas LDC's included in your proxy for AWC?

A. As are the water companies that I just described, each of the natural gas LDC's used in the proxy are publicly traded on a major stock exchange (all ten trade on the NYSE) and are followed by Value Line. Each of the ten LDC's in my sample are tracked in Value Line's natural gas Utility industry segment. All of the companies in the proxy are engaged in the provision of regulated natural gas distribution services. Attachment B of my testimony contains Value Line's most recent evaluation of the natural gas proxy group that I used for my cost of common equity analysis.

Q. What companies are included your natural gas proxy?

A. The ten natural gas LDC's included in my proxy (and their NYSE ticker symbols) are AGL Resources, Inc. ("AGL"), Atmos Energy Corp. ("ATO"), Laclede Group, Inc. ("LG"), New Jersey Resources Corporation ("NJR"), Nicor, Inc. ("GAS"), Northwest Natural Gas Co. ("NWN"), Piedmont Natural Gas Company ("PNY"), South Jersey Industries, Inc. ("SJI") Southwest Gas Corporation ("SWX"), which is the dominant natural gas provider in Arizona, and WGL Holdings, Inc. ("WGL"). These are the same ten LDC's that I analyzed in the most recent UNS Gas, Inc. proceeding.[7]

[7] Docket No. G-04204A-06-0463

Q. Briefly describe the regions of the U.S. served by the ten natural gas LDC's that make up your sample proxy.

A. The ten LDC's listed above provide natural gas service to customers in the Middle Atlantic region (i.e. NJI which serves portions of northern New Jersey, SJI which serves southern New Jersey and WGL which serves the Washington D.C. metro area), the Southeast and South Central portions of the U.S. (i.e. AGL which serves Virginia, southern Tennessee and the Atlanta, Georgia area and PNY which serves customers in North Carolina, South Carolina and Tennessee), the South, deep South and Midwest (i.e. ATO which serves customers in Kentucky, Mississippi, Louisiana, Texas, Colorado and Kansas, GAS which provides service to northern and western Illinois, and LG which serves the St. Louis area), and the Pacific Northwest (i.e. NWN which serves Washington state and Oregon). Portions of Arizona, Nevada and California are served by SWX.

Q. Did the Company's witness also perform a similar analysis using natural gas LDC's?

A. No, he did not.

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

A. Schedule WAR-5 provides retention ratios, returns on book equity, internal growth rates, book values per share, numbers of shares outstanding, and

the compounded share growth for each of the utilities included in the sample for the historical observation period 2004 to 2008 for both the water and LDC industries. Schedule WAR-5 also includes Value Line's projected 2009, 20010 and 2012-14 values for the retention ratio, equity return, book value per share growth rate, and number of shares outstanding for both the water utilities and the LDC's.

Q. Please describe how you used the information displayed in Schedule WAR-5 to estimate each comparable utility's dividend growth rate.

A. In explaining my analysis, I will use AWR as an example. The first dividend growth component that I evaluated was the internal growth rate. I used the "b x r" formula (described on pages 10 and 11) to multiply AWR's earned return on common equity by its earnings retention ratio for each year in the 2003 to 2007 observation period to derive the utility's annual internal growth rates. I used the mean average of this five-year period as a benchmark against which I compared the projected growth rate trends provided by Value Line. Because an investor is more likely to be influenced by recent growth trends, as opposed to historical averages, the five-year mean noted earlier was used only as a benchmark figure. As shown on Schedule WAR-5, Page 1, AWR's average internal growth rate of 2.62 percent over the 2004 to 2008 time frame reflects an up and down pattern of growth that ranged from a low of 1.01 percent in 2002 to a high of 3.79 percent during 2007. Value Line is predicting that growth will

increase steadily from 3.05 percent in 2008, to 6.35 percent by the end of the 2012-14 time frame. After weighing Value Line's projections for internal growth, lower outlook for earnings per share, no change in dividends and a higher estimate for book value, I believe that a 6.00 percent rate of growth is reasonable for AWR (Schedule WAR-4, Page 1 of 2).

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

A. Schedule WAR-5 demonstrates that the pattern of shares outstanding for AWR increased from 16.75 million to 17.30 million from 2004 to 2008. Value Line is predicting that this level will increase from 18.25 million in 2008 to 20.25 million by the end of 2014. Based on this data, I believe that a 4.75 percent growth in shares is not unreasonable for AWR (Page 2 of Schedule WAR-4). My final dividend growth rate estimate for AWR is 7.81 percent (6.00 percent internal + 1.81 percent external) and is shown on Page 1 of Schedule WAR-4.

Q. What is your average DCF dividend growth rate estimate for your sample of water utilities?

A. My average DCF dividend growth rate estimate for my water company sample is 6.25 percent as displayed on page 1 of Schedule WAR-4.

Q. Did you use the same approach to determine an average dividend growth rate for the proxy comprised of natural gas LDC's?

A. Yes.

Q. What is your average DCF dividend growth rate estimate for the sample natural gas utilities?

A. My average DCF dividend growth rate estimate is 6.44 percent, which is also displayed on page 1 of Schedule WAR-4.

Q. How does your average dividend growth rate estimates on water companies compare to the growth rate data published by Value Line and other analysts?

A. Schedule WAR-6 compares my sustainable growth estimates with the five-year projections of analysts at both Zacks Investment Research, Inc. ("Zacks") (Attachment C) and Value Line. In the case of the water companies, my 6.25 percent estimate falls between Zacks' average long-term EPS projection of 8.33 percent and Value Line's growth projection of 5.36 percent (which is an average of EPS, DPS and BVPS). My 6.25 percent estimate is 38 basis points higher than the 5.87 percent average of Value Line's historical and projected data (and the consensus opinions published by Zacks) and is also 69 basis points higher than Value Line's 5.56 percent 5-year compound historical average of EPS, DPS and BVPS. The estimates of analysts at Value Line indicate that investors are

expecting somewhat lower increased performance from water utilities in the future. On balance, I would say my 6.25 percent estimate is a good representation of the growth projections that are available to the investing public.

Q. How do your average dividend growth rate estimates on natural gas LDC's compare to the growth rate data published by Value Line and other analysts?

A. In regard to the natural gas LDC's, my 6.44 percent estimate also falls between the average 6.59 percent long-term consensus projections published by Zacks, and the 4.33 percent Value Line projected estimate (which is an average of EPS, DPS and BVPS). As can also be seen on Schedule WAR-6, the 6.44 percent estimate that I have calculated is 76 basis points higher than the 5.68 percent average of the 5-year historic EPS, DPS and BVPS means of Value Line and 108 basis points higher than the 5.36 percent five-year compound historical average of Value Line data (on EPS, DPS and BVPS). In fact, my 6.44 percent estimate is 122 basis points higher than the combined 5.22 percent Value Line and Zacks averages displayed in Schedule WAR-6. The estimates of both Value Line's and Zacks' analysts indicate that investors are also expecting somewhat lower performance from natural gas distribution companies in the future. In the case of the LDC's I would say that my 6.44 percent estimate, which is lower than Zack's projections but higher than Value

Line's forecasts, is a fair representation of the growth projections presented by securities analysts at this point in time.

Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

A. For both the water companies and the natural gas LDC's I used the estimated annual dividends, for the next twelve-month period, that appeared in Value Line's April 24, 2009 Ratings and Reports water services industry update and Value Line's March 13, 2009 Ratings and Reports natural gas utility update. I then divided those figures by the eight-week average price per share of the appropriate utility's common stock. The eight-week average price is based on the daily closing stock prices for each of the companies in my proxies for the period April 6, 2009 to May 29, 2009.

Q. Based on the results of your DCF analysis, what is your cost of equity capital estimate for the water and natural gas utilities included in your sample?

A. As shown on page 2 of Schedule WAR-2, the cost of equity capital derived from my DCF analysis is 9.32 percent for the water utilities and 11.42 percent for the natural gas LDC's.

Capital Asset Pricing Model (CAPM) Method

Q. Please explain the theory behind CAPM and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe[8], the Timken Professor Emeritus of Finance at Stanford University, who shared the 1990 Nobel Prize in Economics for research that eventually resulted in the CAPM model. CAPM is used to analyze the relationships between rates of return on various assets and risk as measured by beta.[9] In this regard, CAPM can help an investor to determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification.

[8] William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

[9] Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

Thus, systematic risk is the only risk of importance to investors. Simply stated, the underlying theory behind CAPM states that the expected return on a given investment is the sum of a risk-free rate of return plus a market risk premium that is proportional to the systematic (non-diversifiable risk) associated with that investment. In mathematical terms, the formula is as follows:

$$k = r_f + [\, ß\, (r_m - r_f)\,]$$

where:

k	=	the expected return of a given security,
r_f	=	risk-free rate of return,
$ß$	=	beta coefficient, a statistical measurement of a security's systematic risk,
r_m	=	average market return (e.g. S&P 500), and
$r_m - r_f$	=	market risk premium.

Q. What types of financial instruments are generally used as a proxy for the risk-free rate of return in the CAPM model?

A. Generally speaking, the yields of U.S. Treasury instruments are used by analysts as a proxy for the risk-free rate of return component.

...

Q. Please explain why U.S. Treasury instruments are regarded as a suitable proxy for the risk-free rate of return?

A. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate components,[10] a real rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the real rate of interest is subtracted from the total treasury yield, all that remains is the inflationary expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself represents a degree of risk to an investor. Another way of looking at this is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my

[10] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

testimony, this compensation translates into higher rates of returns to the investor.

Q. What security did you use for a risk-free rate of return in your CAPM analysis?

A. I used an eight-week average of the yield on a 5-year U.S. Treasury instrument. The yields were published in Value Line's Selection and Opinion publication dated April 10, 2009 through May 29, 2009 (Attachment D). This resulted in a risk-free (r_f) rate of return of 1.87 percent.

Q. Why did you use the yield on a 5-year year U.S. Treasury instrument as opposed to a short-term T-Bill?

A. While a shorter term instrument, such as a 91-day T-Bill, presents the lowest possible total risk to an investor, a good argument can be made that the yield on an instrument that matches the investment period of the asset being analyzed in the CAPM model should be used as the risk-free rate of return. Since utilities in Arizona generally file for rates every three to five years, the yield on a 5-year U.S. Treasury Instrument closely matches the investment period or, in the case of regulated utilities, the period that new rates will be in effect.

...

Q. How did you calculate the market risk premium used in your CAPM analysis?

A. I used both a geometric and an arithmetic mean of the historical total returns on the S&P 500 index from 1926 to 2007 as the proxy for the market rate of return (r_m). For the risk-free portion of the risk premium component (r_f), I used the geometric mean of the total returns of long-term government bonds for the same eighty-one year period. The market risk premium (r_m - r_f) that results by using these inputs is 5.10 percent (10.40% - 5.30% = 5.10%). The market risk premium that results by using the arithmetic mean calculation is 6.80 percent (12.30% - 5.50% = 6.80%).

Q. How did you select the beta coefficients that were used in your CAPM analysis?

A. The beta coefficients (ß), for the individual utilities used in both my proxies, were calculated by Value Line and were current as of April 24, 2009 for the water companies and March 13, 2008 for the natural gas LDC's. Value Line calculates its betas by using a regression analysis between weekly percentage changes in the market price of the security being analyzed and weekly percentage changes in the NYSE Composite Index over a five-year period. The betas are then adjusted by Value Line for their long-term tendency to converge toward 1.00. The beta coefficients for the service providers included in my water company sample ranged from 0.75 to 0.85 with an average beta of 0.82. The beta

coefficients for the LDC's included in my natural gas sample ranged from 0.60 to 0.75 with an average beta of 0.67.

Q. What are the results of your CAPM analysis?

A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation using a geometric mean to calculate the risk premium results in an average expected return of 6.04 percent for the water companies and 5.26 percent for the natural gas LDC's. My calculation using an arithmetic mean results in an average expected return of 7.43 percent for the water companies and 6.39 percent for the natural gas LDC's.

Q. Please summarize the results derived under each of the methodologies presented in your testimony.

A. The following is a summary of the cost of equity capital derived under each methodology used:

METHOD	RESULTS
DCF (Water Sample)	9.32%
DCF (Natural Gas Sample)	11.42%
CAPM (Water Sample)	6.04% – 7.43%
CAPM (Natural Gas)	5.26% – 6.39%

Based on these results, my best estimate of an appropriate range for a cost of common equity for AWC is 5.26 percent to 11.42 percent. My final recommended cost of common equity figure is 8.33 percent.

Q How did you arrive at your final recommended 8.33 percent cost of common equity?

A. My recommended 8.33 percent cost of common equity is the mean average of my DCF and CAPM results. The calculation of my 8.33 percent cost of common equity can be seen on Schedule WAR-1, Page 2 of 2.

Q. Did you make any direct adjustment to your recommended cost of common equity that takes into consideration the higher level of equity contained in AWC's capital structure?

A. No. As can be seen in Schedule WAR- 9, the Company-proposed capital structure is in line with the capital structures of the water utilities included in my sample and is roughly in line with the capital structures of the LDC's included in my sample.

...

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The 12.40 percent cost of equity capital proposed by the Company is 407 basis points higher than the 8.33 percent OCRB cost of equity capital that I am recommending.

Current Economic Environment

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall state of the U.S. economy determine the rates of return that investors earn on their invested funds. Each of these factors represent potential risks that must be weighed when estimating the cost of equity capital for a regulated utility and are, most often, the same factors considered by individuals who are also investing in non-regulated entities.

Q. Please discuss your analysis of the current economic environment.

A. My analysis includes a brief review of the economic events that have occurred since 1990. Schedule WAR-8 displays various economic indicators and other data that I will refer to during this portion of my testimony.

In 1991, as measured by the most recently revised annual change in gross domestic product ("GDP"), the U.S. economy experienced a rate of growth of negative 0.20 percent. This decline in GDP marked the beginning of a mild recession that ended sometime before the end of the first half of 1992. Reacting to this situation, the Federal Reserve Board ("Federal Reserve" or "Fed"), then chaired by noted economist Alan Greenspan, lowered its benchmark federal funds rate[11] in an effort to further loosen monetary constraints - an action that resulted in lower interest rates.

During this same period, the nation's major money center banks followed the Federal Reserve's lead and began lowering their interest rates as well. By the end of the fourth quarter of 1993, the prime rate (the rate charged by banks to their best customers) had dropped to 6.00 percent from a 1990 level of 10.01 percent. In addition, the Federal Reserve's discount rate on loans to its member banks had fallen to 3.00 percent and short-term interest rates had declined to levels that had not been seen since 1972.

[11] This is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

Although GDP increased in 1992 and 1993, the Federal Reserve took steps to increase interest rates beginning in February of 1994, in order to keep inflation under control. By the end of 1995, the Federal discount rate had risen to 5.21 percent. Once again, the banking community followed the Federal Reserve's moves. The Fed's strategy, during this period, was to engineer a "soft landing." That is to say that the Federal Reserve wanted to foster a situation in which economic growth would be stabilized without incurring either a prolonged recession or runaway inflation.

Q. Did the Federal Reserve achieve its goals during this period?

A. Yes. The Fed's strategy of decreasing interest rates to stimulate the economy worked. The annual change in GDP began an upward trend in 1992. A change of 4.50 percent and 4.20 percent were recorded at the end of 1997 and 1998 respectively. Based on daily reports that were presented in the mainstream print and broadcast media during most of 1999, there appeared to be little doubt among both economists and the public at large that the U.S. was experiencing a period of robust economic growth highlighted by low rates of unemployment and inflation. Investors, who believed that technology stocks and Internet company start-ups (with little or no history of earnings) had high growth potential, purchased these types of issues with enthusiasm. These types of investors, who exhibited what former Chairman Greenspan described as "irrational exuberance,"

pushed stock prices and market indexes to all time highs from 1997 to 2000.

Q. What has been the state of the economy since 2001?

A. The U.S. economy entered into a recession near the end of the first quarter of 2001. The bullish trend, which had characterized the last half of the 1990's, had already run its course sometime during the third quarter of 2000. Economic data released since the beginning of 2001 had already been disappointing during the months preceding the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon. Slower growth figures, rising layoffs in the high technology manufacturing sector, and falling equity prices (due to lower earnings expectations) prompted the Fed to begin cutting interest rates as it had done in the early 1990's. The now infamous terrorist attacks on New York City and Washington D.C. marked a defining point in this economic slump and prompted the Federal Reserve to continue its rate cutting actions through December 2001. Prior to the 9/11 attacks, commentators, reporting in both the mainstream financial press and various economic publications including Value Line, believed that the Federal Reserve was cutting rates in the hope of avoiding a recession.

Despite several intervals during 2002 and 2003 in which the Federal Open Market Committee ("FOMC") decided not to change interest rates – moves

which indicated that the worst may be over and that the recession might have bottomed out during the last quarter of 2001 – a lackluster economy persisted. The continuing economic malaise and even fears of possible deflation prompted the FOMC to make a thirteenth rate cut on June 25, 2003. The quarter point cut reduced the federal funds rate to 1.00 percent, the lowest level in forty-five years.

Even though some signs of economic strength, mainly attributed to consumer spending, began to crop up during the latter part of 2002 and into 2003, Chairman Greenspan appeared to be concerned with sharp declines in capital spending in the business sector.

During the latter part of 2003, the FOMC went on record as saying that it intended to leave interest rates low "for a considerable period." After its two-day meeting that ended on January 28, 2004, the FOMC announced "that with inflation 'quite low' and plenty of excess capacity in the economy, policy-makers 'can be patient in removing its policy accommodation.[12]"

...

[12] Wolk, Martin, "Fed holds interest rates steady," MSNBC, January 28, 2004.

Q. What actions has the Federal Reserve taken in terms of interest rates since the beginning of 2001?

A. As noted earlier, from January 2001 to June 2003 the Federal Reserve cut interest rates a total of thirteen times. During this period, the federal funds rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25 percent. From June 29, 2004 to January 31, 2006, the FOMC raised the federal funds rate thirteen more times to a level of 4.50 percent.

The FOMC's January 31, 2006 meeting marked the final appearance of Alan Greenspan, who had presided over the rate setting body for a total of eighteen years. On that same day, Greenspan's successor, Ben Bernanke, the former chairman of the President's Council of Economic Advisers and a former Fed governor under Greenspan from 2002 to 2005, was confirmed by the U.S. Senate to be the new Federal Reserve chief.

As expected by Fed watchers, Chairman Bernanke picked up where his predecessor left off and increased the federal funds rate by 25 basis points during each of the next three FOMC meetings for a total of seventeen consecutive rate increases since June 2004, and raising the federal funds rate to a level of 5.25 percent. The Fed's rate increase campaign finally came to a halt at the FOMC meeting held on August 8, 2006, when the FOMC decided not to raise rates.

Q. What was the reaction in the financial community to the Fed's decision not to raise interest rates?

A. As in the past, banks followed the Fed's lead once again and held the prime rate to a level of 8.25 percent, or 300 basis points higher than the federal funds rate of 5.25 percent established on June 29, 2006.

Q. How did analysts view the Fed's actions between January 2001 and August 2006?

A. According to an article that appeared in the December 2, 2004 edition of The Wall Street Journal, the FOMC's decision to begin raising rates two years ago was viewed as a move to increase rates from emergency lows in order to avoid creating an inflation problem in the future as opposed to slowing down the strengthening economy.[13] In other words, the Fed was trying to head off inflation *before* it became a problem. During the period following the August 8, 2006 FOMC meeting, the Fed's decisions not to raise rates were viewed as a gamble that a slower U.S. economy would help to cap growing inflationary pressures.[14]

...

[13] McKinnon, John D. and Greg IP, "Fed Raises Rates by a Quarter Point," The Wall Street Journal, September 22, 2004.

[14] Ip, Greg, "Fed Holds Interest Rates Steady As Slowdown Outweighs Inflation," The Wall Street Journal Online Edition, August 8, 2006.

Q. Was the Fed attempting to engineer another "soft landing", as it did in the mid-nineties, by holding interest rates steady?

A. Yes, however, as pointed out in an August 2006 article in The Wall Street Journal by E.S. Browning, soft landings – like the one that the Fed managed to pull off during the 1994-95 time frame, in which a recession or a bear market were avoided – rarely happen[15]. Since it began increasing the federal funds rate in June 2004, the Fed had assured investors that it would increase rates at a "measured" pace. Many analysts and economists interpreted this language to mean that former Chairman Greenspan would be cautious in increasing interest rates too quickly in order to avoid what is considered to be one of the Fed's few blunders during Greenspan's tenure – a series of increases in 1994 that caught the financial markets by surprise after a long period of low rates. The rapid rise in rates contributed to the bankruptcy of Orange County, California and the Mexican peso crisis[16]. According to Mr. Browning, at the time that his article was published, the hope was that Chairman Bernanke would succeed in slowing the economy "just enough to prevent serious inflation, but not enough to choke off growth." In other words, "a 'Goldilocks economy,' in which growth is not too hot and not too cold."

[15] Browning, E.S, "Not Too Fast, Not Too Slow…," The Wall Street Journal Online Edition, August 21, 2006.

[16] Associated Press (AP), "Fed begins debating interest rates" USA Today, June 29, 2004.

Q. Was the Fed's attempt to engineer a soft landing successful during the period that followed the August 8, 2006 FOMC meeting?

A. It would appear so. Articles published in the mainstream financial press were generally upbeat on the economy during that period. An example of this is an article written by Nell Henderson that appeared in the January 30, 2007 edition of The Washington Post. According to Ms. Henderson, "a year into [Fed Chairman] Bernanke's tenure, the [economic] picture has turned considerably brighter. Inflation is falling; unemployment is low; wages are rising; and the economy, despite continued problems in housing, is growing at a brisk clip."[17]

Q. What has been the state of the economy over the past two years?

A. Reports in the mainstream financial press during the majority of 2007 reflected the view that the U.S. economy was slowing as a result of a worsening situation in the housing market and higher oil prices. The overall outlook for the economy was one of only moderate growth at best. Also during this period the Fed's key measure of inflation began to exceed the rate setting body's comfort level.

On August 7, 2007, the FOMC decided not to increase or decrease the federal funds rate for the ninth straight time and left its target rate

[17] Henderson, Nell, "Bullish on Bernanke" The Washington Post, January 30, 2007.

unchanged at 5.25 percent.[18] At the time of the Fed's decision, analysts speculated that a rate cut over the next several months was unlikely given the Fed's concern that inflation would fail to moderate. However, during this same period, evidence of an even slower economy and a possible recession was beginning to surface. Within days of the Fed's decision to stand pat on rates, a borrowing crisis rooted in a deterioration of the market for subprime mortgages and securities linked to them, forced the Fed to inject $24 billion in funds (raised through open market operations) into the credit markets.[19] By Friday, August 17, 2007, after a turbulent week on Wall Street, the Fed made the decision to lower its discount rate (i.e. the rate charged on direct loans to banks) by 50 basis points, from 6.25 percent to 5.75 percent, and took steps to encourage banks to borrow from the Fed's discount window in order to provide liquidity to lenders. According to an article that appeared in the August 18, 2007 edition of The Wall Street Journal, [20] the Fed had used all of its tools to restore normalcy to the financial markets. If the markets failed to settle down, the Fed's only weapon left was to cut the Federal Funds rate – possibly before the next FOMC meeting scheduled on September 18, 2007.

[18] Ip, Greg, "Markets Gyrate As Fed Straddles Inflation, Growth" The Wall Street Journal, August 8, 2007

[19] Ip, Greg, "Fed Enters Market To Tamp Down Rate" The Wall Street Journal, August 9, 2007

[20] Ip, Greg, Robin Sidel and Randall Smith, "Fed Offers Banks Loans Amid Crises" The Wall Street Journal, August 9, 2007

Q. Did the Fed cut rates as a result of the subprime mortgage borrowing crises?

A. Yes. At its regularly scheduled meeting on September 18, 2007, the FOMC surprised the investment community and cut both the federal funds rate and the discount rate by 50 basis points (25 basis points more than what was anticipated). This brought the federal funds rate down to a level of 4.75 percent. The Fed's action was seen as an effort to curb the aforementioned slowdown in the economy. Over the course of the next four months, the FOMC reduced the Federal funds rate by a total 175 basis points to a level of 3.00 percent – mainly as a result of concerns that the economy was slipping into a recession. This included a 75 basis point reduction that occurred one week prior to the FOMC's meeting on January 29, 2008.

Q. What actions has the Fed taken in regard to interest rates over the past year?

A. The Fed made two more rate cuts which included a 75 basis point reduction in the federal funds rate on March 18, 2008 and an additional 25 basis point reduction on April 30, 2008. The Fed's decision to cut rates was based on its belief that the slowing economy was a greater concern than the current rate of inflation (which the majority of FOMC members

1 believed would moderate during the economic slowdown).[21] As a result of
2 the Fed's actions, the federal funds rate was reduced to a level of 2.00
3 percent. From April 30, 2008 through September 16, 2008, the Fed took
4 no further action on its key interest rate. However, the days before and
5 after the Fed's September 16, 2008 meeting saw longstanding Wall Street
6 firms such as Lehman Brothers, Merrill Lynch and AIG failing as a result of
7 their subprime holdings. By the end of the week, the Bush administration
8 had announced plans to deal with the deteriorating financial condition
9 which had now become a worldwide crisis. The administrations actions
10 included former Treasury Secretary Henry Paulson's request to Congress
11 for $700 billion to buy distressed assets as part of a plan to halt what has
12 been described as the worst financial crisis since the 1930's[22]. Amidst this
13 turmoil, the Fed made the decision to cut the federal funds rate by another
14 50 basis points in a coordinated move with foreign central banks on
15 October 8, 2008. This was followed by another 50 basis point cut during
16 the regular FOMC meeting on October 29, 2008. At the time of this
17 writing, the federal funds target rate now stands at 0.25 percent, the result
18 of a 75 basis point cut announced on December 16, 2008. After FOMC
19 meetings in January, March and April of 2009, the Fed elected not to
20 make any changes in the federal funds rate, stating in January that the

[21] Ip, Greg, "Credit Worries Ease as Fed Cuts, Hints at More Relief" The Wall Street Journal, March 19, 2008

[22] Soloman, Deborah, Michael R. Crittenden and Damian Paletta, "U.S. Bailout Plan Calms Markets, But Struggle Looms Over Details" The Wall Street Journal, September 20, 2008

rate would remain low "for some time."[23] Presently, the Fed's discount rate is at 0.50 percent, a level not seen since 1940s.[24] Based on data released during the early part of December 2008, the U.S. is now officially in a recession which began in December of 2007.

Q. Putting this all into perspective, how have the Fed's actions since 2000 affected benchmark rates?

A. U.S. Treasury instruments are for the most part still at historically low levels. The Fed's actions have also had the overall effect of reducing the cost of many types of business and consumer loans. As can be seen in Schedule WAR-8, the previously mentioned federal discount rate (the rate charged to the Fed's member banks), has fallen to 0.50 percent from 2.25 percent in 2008.

Q. What has been the trend in other leading interest rates over the last year?

A. As of May 20, 2009, the leading interest rates have all dropped from the levels that existed a year ago (Attachment C, Value Line Selection & Opinion page 3517). The prime rate has fallen from 5.00 percent a year ago to 3.25 percent. The benchmark federal funds rate, just discussed, has decreased from 2.00 percent, in May 2008, to a level of 0.25 percent

[23] Hilsenrath, Jon and Liz Rappaport, "Fed Weighs Idea of Buying Treasurys as Focus Shifts" The Wall Street Journal, January 29, 2009

[24] Hilsenrath, Jon, "Fed Cuts Rates Near Zero to Battle Slump" The Wall Street Journal, December 17, 2008

(as a result of the December 16, 2008 rate cut discussed above). The yields on all of the non-inflation protected maturities of U.S. Treasury instruments exhibited in my Attachment C have also decreased over the past year. A previous trend, described by former Chairman Greenspan as a "conundrum"[25], in which long-term rates fell as short-term rates increased, thus creating a somewhat inverted yield curve that existed as late as June 2007, is completely reversed and a more traditional yield curve (one where yields increase as maturity dates lengthen) presently exists (Attachment C). The 5-year Treasury yield, used in my CAPM analysis, has fallen from 3.04 percent, in May 2008, to 2.03 percent as of May 20, 2009. The 30-Year Treasury constant maturity rate also decreased from 4.54 percent over the past year to 4.14 percent. These current yields are considerably lower than corresponding yields that existed during the early nineties and at the beginning of the current decade (as can be seen on Schedule WAR-8).

Q. What is the current outlook for the economy?

A. Value Line's analysts have become more optimistic in their outlook on the economy as of late and had this to say in their Quarterly Economic Review that appeared in the May 29, 2009 edition of Value Line's Selection and Opinion publication:

[25] Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005

> **We probably have seen the low point in the business cycle,** with the six month period from early last fall through late this winter likely having marked that trough. The business outlook, which deteriorated steadily during this time—with housing, auto demand, retail sales, manufacturing, and on manufacturing all slumping in tandem— has grown less troubling in recent weeks. The lessening in the recession's clout suggests that the U.S. gross domestic product, which fell 6.3% in the fourth quarter of 2008 and by 6.1% in the opening period of this year, will decline by less than half that amount in the quarter that ends on June 30th. It should be noted that the surveys being issued largely detail a reduction in the economic downturn's severity, rather than any appreciable pickup in strength. In our view, we are still months away from a sustained business upturn. The best that seems ahead in the next 12 to 18 months is an uneven and understated recovery, with quarterly growth only gradually rising above 2%. We think it will be late 2010 or early 2011 before the economy really gets rolling.

Q. What is Value Line's outlook for interest rates?

A. In the Selection and Opinion publication noted above, Value Line's analysts had this to say:

> **Interest Rates:** Late last year, with the threat of a deepening recession, or worse, increasing by the day, the Federal Reserve voted to lower the Federal Funds rate (the rate charged on overnight loans between banks) to near zero. That is where they remain now and are likely to stay for a year or more. Other short-term interest rates — notably on three-and six-month Treasury bills — remain negligible, as do yields on money market funds and bank certificates of deposit of short duration. Longer-term fixed-income instruments (i.e., 10-year Treasury notes and 30-year Treasury bonds), where yields are more closely tied to long-range inflationary expectations, are also low by recent standards, at 3.2% and 4.2%, respectively. Here, though, yields are trending higher, as some market forecasters opine that inflation will pose a problem later in the pending business recovery. Time will tell if such worries are justified. Long-term interest rates are not yet serious competition for stocks, but they could become so with even a moderate further increase.

Q. What is Value Line's opinion on the current rate of inflation?

A. Also in the Selection and Opinion publication noted above, Value Line's analysts had this to say:

> **Inflation:** The major story here has been the ratcheting down of inflation since late last year, when declining global economic activity and plunging oil prices helped bring about selective deflation, or falling prices. Producer (wholesale) and consumer prices fell further during the opening quarter of 2009, albeit less sharply than in the preceding three months, as demand for labor, raw materials, and energy all contracted. The threat of deflation now seems to be lessening, as the decline in economic activity slows. Our sense is that aggregate price changes will be limited in the second quarter of this year and that inflation will start to selectively edge higher by the fourth quarter. Somewhat higher producer and consumer prices are likely in 2010. We think it will be 2011 or 2012, before there is much chance of an inflation problem.

Q. How are water utilities faring in the current economic environment?

A. Although there are some concerns regarding long-term infrastructure requirements, water utilities appear to be doing well according to Value Line analyst Andre J. Costanza. In the October 24, 2008 quarterly update on the water utility industry Mr. Costanza stated the following:

> The Water Utility Industry has held up relatively well over the past few months. Although the broad market has been sent into a tailspin by growing economic uncertainties and a tightening credit market, water utility stocks have given little, if any, ground, and have thus jumped into the middle of the pack of The Value Line Investment Survey for Timeliness. Companies here are enjoying an increasingly favorable regulatory environment, but the primary reason for the share-price strength boils down to their perceived safety. Indeed, because of the steady stream of income these stocks generate and the necessity for water itself, the group provides shelter for investors looking to get out of the treacherous economic waters that have been pulling many under without having to take too conservative a stance. With no end to the volatility in sight, these stocks are likely to continue outpacing the broad market averages over the coming six to 12 months.

Mr. Costanza reiterated his sentiments on the water utility industry in the Value Line update published on January 23, 2009:

> Not much has changed in the Water Utility Industry since our October report. Stocks here have held their ground for the most part, whereas the broader market continued to struggle with ongoing economic uncertainty. Although an improving regulatory environment has played a hand, the industry is really benefiting from the its perceived safety, stemming from the necessity of water itself as well as the steady stream of income that the stocks here generate. The group as a whole ranks near the top of the Value Line Investment Survey for Timeliness and should continue to do

> well over the next six to 12 months, as investors look for a place to ride out the economic turbulence that is likely to persist.

Mr. Costanza continued to have an upbeat assessment of the water utility industry in the most recent Value Line update published on April 24, 2009:

> Not much has changed in the Water Utility Industry since our October report. Stocks here have held their ground for the most part, whereas the broader market continued to struggle with ongoing economic uncertainty. Although an improving regulatory environment has played a hand, the industry is really benefiting from the its perceived safety, stemming from the necessity of water itself as well as the steady stream of income that the stocks here generate. The group as a whole ranks near the top of the Value Line Investment Survey for Timeliness and should continue to do well over the next six to 12 months, as investors look for a place to ride out the economic turbulence that is likely to persist.

Q. After weighing the economic information that you've just discussed, do you believe that the 8.33 percent cost of equity capital that you have estimated is reasonable for AWC?

A. I believe that my recommended 8.33 percent cost of equity will provide AWC with a reasonable rate of return on the Company's invested capital when economic data on interest rates (that are low by historical standards), the current slowdown in growth in new housing construction, and the Fed's ability to keep inflation in check are all taken into consideration. As I noted earlier, the Hope decision determined that a utility is entitled to earn a rate of return that is commensurate with the returns it would make on other investments with comparable risk. I believe that my cost of equity analysis, which is an average of the results of both the DCF and CAPM models, has produced such a return.

COST OF DEBT

Q. Have you reviewed AWC's testimony on the Company-proposed cost of long-term debt?

A. Yes.

Q. What cost of long-term debt are you recommending for AWC?

A. I am recommending that the Commission adopt the Company proposed cost of debt of 7.31 percent.

CAPITAL STRUCTURE

Q. Have you reviewed AWC's testimony regarding the Company's proposed capital structure?

A. Yes.

Q. Please describe the Company's proposed capital structure.

A. The Company is proposing a capital structure comprised of 50.76 percent long-term debt and 49.24 percent common equity.

Q. Is AWC's capital structure in line with industry averages?

A. For the most part, yes. As can be seen in Schedule WAR-9, AWC's capital structure is definitely in line with the capital structures of the water utilities in my sample. The capital structures for those utilities averaged 50.4 percent for debt and 49.6 percent for equity. AWC is roughly in line

with the capital structures of the LDC's in my sample. The capital structures for those utilities averaged 45.9 percent for debt and 54.1 percent for equity (53.4 percent common equity + 0.7 percent preferred equity).

Q. What capital structure are you recommending for AWC?

A. I am recommending that the Commission adopt the Company-proposed capital structure comprised of 50.76 percent long-term debt and 49.24 percent common equity.

WEIGHTED COST OF CAPITAL

Q. How does the Company's proposed weighted cost of capital compare with your recommendation?

A. The Company has proposed a weighted cost of capital of 9.81 percent. This figure is the result of a weighted average of AWC's proposed 7.31 percent cost of long-term debt and 12.40 percent cost of common equity capital. The Company-proposed 9.81 percent weighted cost of capital is 200 basis points higher than the 7.81 percent weighted cost of capital that I am recommending.

COMMENTS ON AWC'S COST OF EQUITY CAPITAL TESTIMONY

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The Company's cost of capital witness, Dr. Zepp, is recommending a cost of common equity of 12.40 percent. His 12.40 percent cost of equity capital is 407 basis points higher than the 8.33 percent cost of equity capital that I have calculated.

Q. Briefly summarize Dr. Zepp's direct testimony.

A. Dr. Zepp devotes a large portion of his testimony describing the risks faced by AWC and why the Company's requests for a number pass through adjustor mechanisms is justified. The remainder of his testimony presents the results of his DCF and CAPM analyses.

Q. What methods did Dr. Zepp use to arrive at his cost of common equity for AWC?

A. Dr. Zepp used both the DCF and CAPM methods. His DCF analysis relies on two estimates for the growth component ("g") of the constant model that I also used in my analysis. Dr. Zepp's DCF results range from 11.30 percent to 11.90 percent compared with my DCF average of 10.37 percent. In regard to the CAPM, Dr. Zepp also uses the same Sharpe/Litner version of the CAPM model that I have used. His CAPM

analysis uses two different market risk premium inputs and his results range from 11.80 percent to 12.50 percent compared to my average CAPM result of 6.28 percent.

DCF Comparison

Q. What are the main reasons for the difference in the results that you obtained from your DCF analysis and the results that Dr. Zepp obtained from his DCF analysis using the constant growth model?

A. Dr. Zepp's dividend yields, based on three and twelve months of observed stock price movements, are roughly the same as the results I obtained from my water company sample but are lower than the dividend yields obtained from my sample of LDC's. The main reason for the difference in our DCF results are the growth estimates that Dr. Zepp used in his DCF model. His first growth estimate, which he labels as the "conceptually correct DCF estimates" is 8.81 percent based on a 3-month dividend yield and 8.79 percent based on a 12-month dividend yield. His second growth estimate which, is based on ACC Staff's past approach for calculating a DCF growth component is 8.31 percent based on a 3-month dividend yield and 8.29 percent based on a 12-month dividend yield. On average his growth estimates for the DCF model are 221 basis points higher than the average of my DCF growth estimates.

...

Q. Do you agree with Dr. Zepp's estimates of growth?

A. No. I believe that the main reason for the difference in our earnings estimates is that Dr. Zepp is relying only on earnings per share forecasts as opposed to taking estimates of future growth in earnings, dividends and book value per share into consideration as I have in developing my DCF growth estimates (current Value Line estimates of EPS, DPS and BVPS for the companies included in my water and gas samples can be seen on my Schedule WAR-6). Reliance on earnings per share estimates alone would tend to produce the higher results obtained by Dr. Zepp.

CAPM Comparison

Q. What is the difference between the risk-free instrument that Dr. Zepp used in his CAPM model and the one that you used?

A. Dr. Zepp used forecasted yields on long-term U.S. Treasury instruments as the input for the risk-free rate of return component in the CAPM model. Dr Zepp's average forecasted long-term yield of 4.90 percent is 303 basis points higher than 1.87 percent average yield of the 5-year treasury instrument that I relied on.

Q. What are your concerns with Dr. Zepp's use of forecasted yields on long-term U.S. Treasury instruments for a risk-free rate of return?

A. Besides the fact that Dr. Zepp relied on forecasts as opposed to actual current yields (that result from prices for Treasury instruments that factor in investors' future expectations) I believe that long-term treasury instruments are not as suitable as intermediate-term instruments. As I stated earlier in my testimony a good argument can be made that since utilities in Arizona typically file for rates every three to five years, the yield on a 5-year U.S. Treasury Instrument is a better proxy for a risk-free rate of return.

Q. How did Dr. Zepp's average beta used in his CAPM model compare with the average beta that you used in yours?

A. Dr Zepp's average beta for the water companies in his sample averaged 0.98 as opposed to the average 0.82 beta that I used in my CAPM analysis (which did not rely on three of the water utilities that Dr. Zepp included in his sample) and the average beta of 0.67 that I obtained from my sample of LDC's.

Q. Has the average for the water utilities that Dr. Zepp included in his sample changed since the time his testimony was filed?

A. Yes. The current average beta for the water utilities that Dr. Zepp included in his sample is now 0.84 as opposed to the average beta of 0.98 that he relied on. The updated average would produce a lower expected rate of return in Dr. Zepp's CAPM model.

Q. How does Dr. Zepp's market risk premium compare with the market risk premium that you used in your CAPM analysis?

A. Dr. Zepp relied on two higher market risk premiums which produced an average risk premium of 7.40 percent as opposed to the average market risk premium of 5.95 percent that I used. His market risk premiums were calculated on a narrower range of observed returns as opposed to the range of returns that I relied on.

Q. How did Dr. Zepp arrive at his final 12.40 percent cost of common equity for AWC?

A. Dr. Zepp's final estimate of 12.40 percent is based upon an average of the results of his various DCF and CAPM models. In arriving at final cost of equity figure for AWC, he adds an additional 50 basis points, to take into account the additional risks that Dr. Zepp believes AWC faces.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of Dr. Zepp or any other witness for AWC constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony on AWC?

A. Yes, it does.

ATTACHMENT A

Water utility stocks have remained relatively trendy in recent months, with investors continuing to flood the industry with cash in an attempt to seek shelter in its traditionally stable fundamentals and hide out from the broader market volatility. Momentum is likely to remain strong for the foreseeable future, as an improving regulatory environment ought to enable the group to post solid earnings growth, despite heightened economic fears.

Meanwhile, the group's long history of steady income provision is another selling point in a time when many outside this realm are being forced to slash payouts. Although the recent decision by *Southwest Water* to reduce its dividend (see page 1798 for details) proves that nobody is immune, the group, as a whole, has a healthy track record of income generation even in the toughest of atmospheres. That said, the industry ranks near the pinnacle of the *Value Line* investment universe, with a handful of timely issues to choose from.

Longer-term, these stocks lose some of their luster, however. Not a single issue in this industry stands out for 3- to 5-year appreciation potential, with burgeoning infrastructure costs expected to repress profit margins over that period.

INDUSTRY TIMELINESS: 3 (of 99)

Flowing Demand Trends

Water is a necessity of life, making it a much sought after commodity. However, the world's fresh water supply is limited, with many experts predicting that reserves in certain areas may begin to dry up sooner than expected. Obviously, water providers are a vital part of the process and stand to benefit going forward.

Also, helping to paint a favorable backdrop, is the recent uptick in support from state regulatory factions. Indeed, although state regulatory authorities were put in place to help maintain a balance of power between customers and providers and to ensure that fair business practices were followed, many have traditionally sided with the public, limiting corporate profitability. Nevertheless, regulators, perhaps realizing the importance of utilities, have done a 180-degree about face and are putting new guidelines in place to make sure that providers are fairly compensated. The California Public Utilities Commission, which oversees business in the Golden State, is the best example of this, with the formerly antagonistic board, handing down more favorable and timely rate decisions in recent memory. It has also enacted mechanisms set forth in the Water Action Plan that ought to reduce outside influences (such as weather) on usage rates and allow companies to be compensated for unforeseen expenses, a methodology which should help generate smoother earnings.

Rising Expense Tides

But, while demand and government backing increases, so too will the costs associated with doing business. Infrastructures are lacking and, in many cases, require serious maintenance. Add to that increasingly stringent EPA regulations, and the costs of upkeep is expected to require hundreds of millions of dollars in investment over the next decade. Unfortunately, many operating in this arena do not have the cash on hand to foot the bill, making heavy financing activity a must. As such, debt and stock issuances will probably be commonplace, diluting shareholder gains. On the other hand, the high costs of doing business, along with weighty barriers of entry for new players, is creating opportunities for some of the larger players willing to forge ahead. M&A activity has been white hot and will likely remain so going forward, in our opinion.

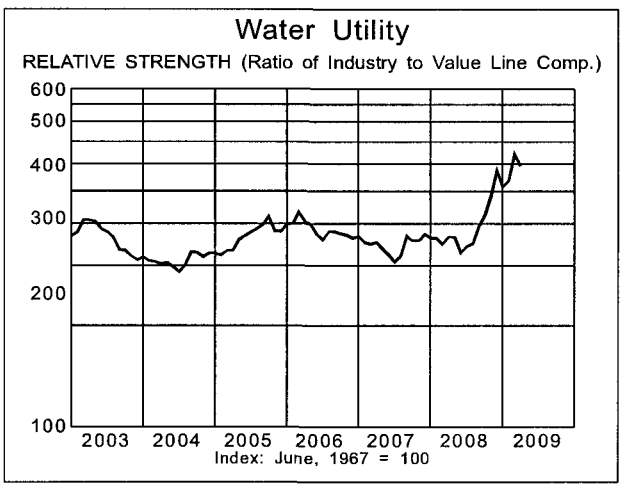
Conclusion

The Water Utility industry looks to be a good a place to be at this juncture. We suspect that the stocks here will be far more stable than the broader market indices, with the aforementioned attributes providing somewhat of an investment safehaven for the coming six to 12 months. Still, we advise investors to review the individual reports of each stock before making a financial commitment. We do urge potential investors to pay particular attention to *American States Water*, whose endeavors into non-regulated military bases may well add to the issue's long-term appeal. *Aqua America*, meanwhile, is interesting based on its aggressive acquisition strategy. That said, we think that investors should keep an eye on *American Water Works*, too. Slightly riskier and unranked because of its short trading history, the stock might well receive a boost if rumors that majority shareholder RWE will liquidate its position pan out.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2005	2006	2007	2008	2009	2010		12-14
1256.9	3454.1	3702.5	*3700*	*4000*	*4250*	Revenues ($mill)	*4775*
148.2	d5.8	d183.0	*350*	*410*	*470*	Net Profit ($mill)	*600*
40.5%	NMF	NMF	*38.0%*	*39.0%*	*40.0%*	Income Tax Rate	*40.0%*
1.1%	NMF	NMF	*5.0%*	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
50.4%	54.0%	51.0%	*52.0%*	*51.0%*	*50.0%*	Long-Term Debt Ratio	*50.0%*
49.5%	45.9%	49.0%	*48.0%*	*49.0%*	*50.0%*	Common Equity Ratio	*50.0%*
3053.8	12113.9	12985.9	*12325*	*13100*	*13825*	Total Capital ($mill)	*15750*
4200.7	13308.3	14315.2	*14925*	*15750*	*16300*	Net Plant ($mill)	*18725*
6.3%	1.6%	.2%	*4.0%*	*4.5%*	*5.0%*	Return on Total Cap'l	*6.5%*
9.8%	NMF	NMF	*6.0%*	*6.5%*	*7.0%*	Return on Shr. Equity	*7.5%*
9.8%	NMF	NMF	*6.0%*	*6.5%*	*7.0%*	Return on Com Equity	*7.5%*
3.7%	NMF	NMF	*3.0%*	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
62%	NMF	NMF	*50%*	*60%*	*60%*	All Div'ds to Net Prof	*57%*
29.4	NMF	NMF				Avg Ann'l P/E Ratio	*18.5*
1.57	NMF	NMF		*Bold figures are Value Line estimates*		Relative P/E Ratio	*1.20*
2.1%	2.0%	2.3%				Avg Ann'l Div'd Yield	*2.0%*



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AMER. STATES WATER NYSE-AWR

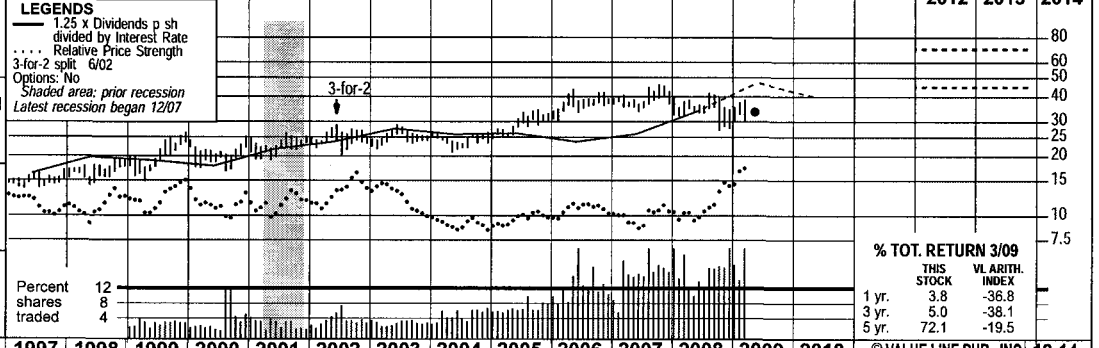
RECENT PRICE 33.62 | P/E RATIO 19.0 (Trailing: 22.1 / Median: 22.0) | RELATIVE P/E RATIO 1.46 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 2 Raised 3/20/09
SAFETY 3 New 2/4/00
TECHNICAL 2 Raised 3/13/09
BETA .85 (1.00 = Market)

High:	19.5	26.5	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8
Low:	14.1	14.8	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: No
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+110%)	22%
Low	45	(+35%)	10%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	2	0	0	0	0	0	0	0
Options	1	0	0	3	0	0	0	0	0
to Sell	1	0	0	3	0	0	1	2	0

Institutional Decisions

	2Q2008	3Q2008	4Q2008
to Buy	59	48	64
to Sell	50	54	52
Hld's(000)	10177	9411	8980

% TOT. RETURN 3/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	3.8	-36.8
3 yr.	5.0	-38.1
5 yr.	72.1	-19.5

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	*18.35*	*19.20*	Revenues per sh	*21.50*
1.67	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	*3.60*	*3.80*	"Cash Flow" per sh	*4.60*
1.11	.95	1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	*1.80*	*1.95*	Earnings per sh A	*2.60*
.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	*1.06*	*1.08*	Div'd Decl'd per sh B■	*1.28*
1.90	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	*4.25*	*4.30*	Cap'l Spending per sh	*4.50*
9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	*18.90*	*19.45*	Book Value per sh	*21.00*
11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	*18.25*	*18.75*	Common Shs Outst'g C	*20.25*
13.4	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	*Bold figures are*		Avg Ann'l P/E Ratio	*22.0*
.79	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.37	*Value Line*		Relative P/E Ratio	*1.45*
5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	*estimates*		Avg Ann'l Div'd Yield	*2.2%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $341.8 mill. **Due in 5 Yrs** $12.4 mill.
LT Debt $266.5 mill. **LT Interest** $20.0 mill.
(LT interest earned: 3.2x: total interest coverage: 3.0x) (46% of Cap'l)

Leases, Uncapitalized: Annual rentals $2.9 mill.
Pension Assets-12/08 $54.2 mill.
Oblig. $94.5 mill.
Pfd Stock None.

Common Stock 17,301,047 shs.
MARKET CAP: $575 million (Small Cap)

2004	2005	2006	2007	2008	2009	2010		12-14
173.4	184.0	197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	*335*	*360*	Revenues ($mill)	*435*
16.1	18.0	20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	*33.0*	*37.0*	Net Profit ($mill)	*53.0*
46.0%	45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	*39.5%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	--	--	12.2%	8.5%	6.9%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
51.0%	47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	*43.5%*	*46.5%*	Long-Term Debt Ratio	*45.5%*
48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	*56.5%*	*53.5%*	Common Equity Ratio	*54.5%*
328.2	371.1	447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	*610*	*680*	Total Capital ($mill)	*825*
449.6	509.1	539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	*870*	*915*	Net Plant ($mill)	*1025*
6.6%	6.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	*7.0%*	*7.5%*	Return on Total Cap'l	*9.0%*
10.0%	9.2%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	*9.5%*	*10.0%*	Return on Shr. Equity	*12.5%*
10.1%	9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	*9.5%*	*10.0%*	Return on Com Equity	*12.5%*
2.9%	3.0%	3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	*4.0%*	*4.5%*	Retained to Com Eq	*6.5%*
72%	68%	65%	65%	113%	84%	67%	67%	58%	64%	*59%*	*56%*	All Div'ds to Net Prof	*48%*

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	3.2	1.7	7.3
Receivables	14.8	16.1	14.3
Inventory (Avg Cst)	1.6	1.6	2.1
Other	44.8	43.7	66.9
Current Assets	64.4	63.1	90.6
Accts Payable	24.0	29.1	36.6
Debt Due	32.6	37.8	75.3
Other	29.3	27.4	25.5
Current Liab.	85.9	94.3	137.4
Fix. Chg. Cov.	268%	314%	293%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	4.5%	5.0%	*4.0%*
"Cash Flow"	5.5%	6.0%	*6.5%*
Earnings	3.5%	5.5%	*9.5%*
Dividends	1.5%	2.0%	*5.0%*
Book Value	4.5%	5.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2006	64.3	63.0	75.0	66.3	268.6
2007	72.3	79.3	75.8	74.0	301.4
2008	68.9	80.3	85.3	84.2	318.7
2009	*72.0*	*84.0*	*90.0*	*89.0*	*335*
2010	*78.0*	*90.0*	*96.0*	*96.0*	*360*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2006	.35	.36	.32	.30	1.33
2007	.40	.42	.44	.35	1.62
2008	.30	.53	.26	.43	1.55
2009	*.32*	*.55*	*.47*	*.46*	*1.80*
2010	*.35*	*.59*	*.51*	*.50*	*1.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.225	.225	.225	.225	.90
2006	.225	.225	.225	.235	.91
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250				

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has roughly 675 employees. Officers & directors own 2.5% of common stock (4/08 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Inc: CA. Addr.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tele.: 909-394-3600. Internet: www.aswater.com.

American States Water's nonregulated franchise helped it close out 2008 in impressive fashion. Although the water utility provider's core business was hampered by conservation efforts in the Golden State and increased expenses, continued penetration onto military bases (which are not as heavily regulated) enabled it to post earnings of $0.43 a share in the fourth quarter, 23% better than the year before. Construction activity was especially strong, as pipelines are still being installed at some recently added locations. Total revenues improved 14%, to $84 million.

Its traditional business stands to improve this year. Historically a foe, the state regulatory body, the California Public Utilities Commission (CPUC), appears to have come around, adopting a more business-friendly approach and methodology that provides utilities with the means to mitigate the risks of weather fluctuations and the effects on water consumption. Specifically, the board implemented the water revenue adjustment mechanism (WRAM) and a modified cost balancing accounting (MCBA) principal that will enable American to recoup lost wages and production costs not anticipated in general rate case decisions. Adopted in late November, WRAM and MCBA should help to stabilize costs and produce smoother earnings growth. In all, we are forecasting that the company will earn $1.80 a share, on $335 million in revenues in 2009.

Additional relief will likely come next year. The company is awaiting a ruling on its 2008 general rate case for regions II and III, requesting an increase north of $50 million. If approved, the new rates are to go into effect in January, 2010. The CPUC's recent rulings leave us optimistic.

The stock is ranked 2 (Above Average) for Timeliness . . . We expect AWR to continue outpacing the broader market over the coming six to 12 months.

. . . but is not for everyone. Although the steady stream of income may pique the interest of investors looking to steer clear of the recent market volatility, we suspect that the financing that will be required to keep up with anticipated burgeoning infrastructure costs will limit 3- to 5-year shareholder gains.

Andre J. Costanza *April 24, 2009*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '91, 73¢; '92, 13¢; '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢). Next earnings report due early May. May not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	75
Earnings Predictability	65

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CALIFORNIA WATER NYSE-CWT

RECENT PRICE 36.35 | P/E RATIO 18.1 (Trailing: 19.1 Median: 22.0) | RELATIVE P/E RATIO 1.39 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 2 Raised 11/7/08
SAFETY 3 Lowered 7/27/07
TECHNICAL 1 Raised 4/24/09
BETA .85 (1.00 = Market)

High:	33.8	32.0	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4	46.6	48.3
Low:	20.8	22.6	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2	27.7	36.3

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

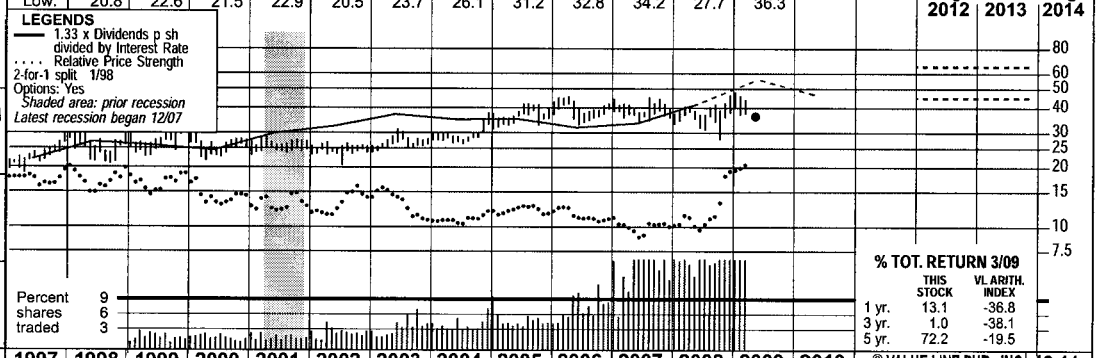
	Price	Gain	Ann'l Total Return
High	65	(+80%)	18%
Low	45	(+25%)	9%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	0	0

Institutional Decisions

	2Q2008	3Q2008	4Q2008
to Buy	65	49	107
to Sell	45	58	46
Hld's(000)	9849	9891	9799



% TOT. RETURN 3/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	13.1	-36.8
3 yr.	1.0	-38.1
5 yr.	72.2	-19.5

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
13.34	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	19.80	*21.20*	*22.10*	Revenues per sh	*24.45*
2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	3.72	*3.95*	*4.10*	"Cash Flow" per sh	*4.65*
1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	1.90	*2.05*	*2.15*	Earnings per sh A	*2.65*
.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	1.17	*1.18*	*1.19*	Div'd Decl'd per sh B ■	*1.34*
2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	4.82	*4.75*	*4.80*	Cap'l Spending per sh	*5.00*
10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	19.44	*19.90*	*20.60*	Book Value per sh C	*22.20*
11.38	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	20.72	*21.00*	*21.25*	Common Shs Outst'g D	*22.50*
13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	*Bold figures are*		Avg Ann'l P/E Ratio	*21.0*
.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.20	*Value Line*		Relative P/E Ratio	*1.40*
5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*2.4%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $330.3 mill. **Due in 5 Yrs** $70.9 mill.
LT Debt $287.5 mill. **LT Interest** $20.6 mill.

(LT interest earned: 4.4x; total int. cov.: 4.1x)

Pension Assets-12/08 $66.9 mill.
Oblig. $192.9 mill.

Pfd Stock None

Common Stock 20,723,952 shs.
as of 2/23/09

MARKET CAP: $750 million (Small Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
206.4	244.8	246.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	*445*	*470*	Revenues ($mill)	*550*
19.9	20.0	14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	*43.0*	*46.0*	Net Profit ($mill)	*60.0*
37.9%	42.3%	39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	*38.0%*	*38.5%*	Income Tax Rate	*39.0%*
--	--	--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	*8.5%*	*8.5%*	AFUDC % to Net Profit	*8.5%*
46.9%	48.9%	50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	*48.0%*	*47.5%*	Long-Term Debt Ratio	*45.0%*
52.0%	50.2%	48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	*52.0%*	*52.5%*	Common Equity Ratio	*55.0%*
333.8	388.8	402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	*805*	*835*	Total Capital ($mill)	*950*
515.4	582.0	624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	*1175*	*1235*	Net Plant ($mill)	*1425*
7.8%	6.8%	5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	*7.0%*	*7.0%*	Return on Total Cap'l	*8.0%*
11.2%	10.0%	7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	*10.5%*	*10.5%*	Return on Shr. Equity	*12.0%*
11.4%	10.1%	7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	*10.5%*	*10.5%*	Return on Com Equity	*12.0%*
3.5%	1.8%	NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	*4.5%*	*4.5%*	Retained to Com Eq	*6.0%*
70%	82%	119%	90%	91%	77%	78%	86%	77%	61%	*58%*	*55%*	All Div'ds to Net Prof	*50%*

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	60.3	6.7	13.9
Other	49.3	53.3	65.9
Current Assets	109.6	60.0	79.8
Accts Payable	33.1	36.7	41.8
Debt Due	1.8	2.7	42.8
Other	35.3	30.3	35.8
Current Liab.	70.2	69.7	123.2
Fix. Chg. Cov.	290%	333%	398%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	2.0%	1.5%	5.5%
"Cash Flow"	2.0%	5.5%	6.5%
Earnings	--	7.0%	9.0%
Dividends	1.0%	0.5%	2.5%
Book Value	4.0%	6.5%	3.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	65.2	81.1	107.8	80.6	334.7
2007	71.6	95.8	113.8	85.9	367.1
2008	72.9	105.6	131.7	100.1	410.3
2009	*80.0*	*115*	*140*	*110*	*445*
2010	*85.0*	*120*	*150*	*115*	*470*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.04	.31	.68	.31	1.34
2007	.07	.37	.67	.39	1.50
2008	.01	.48	1.06	.35	1.90
2009	*.08*	*.53*	*1.05*	*.39*	*2.05*
2010	*.10*	*.55*	*1.10*	*.40*	*2.15*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.285	.285	.285	.285	1.14
2006	.2875	.2875	.2875	.2875	1.15
2007	.290	.290	.290	.290	1.16
2008	.293	.293	.293	.293	1.17
2009	.295				

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 463,600 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '08: residential, 69%; business, 18%; public authorities, 5%; industrial, 5%; other, 3%. '08 reported depreciation rate: 2.4%. Has roughly 929 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/09 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group ran into some unforeseen problems in the final quarter of 2008. Although recent regulatory rulings helped the water utility provider post a handsome 16% top-line advance, production and maintenance costs ballooned. As a result, earnings disappointed, coming in 20% below our estimate and 10% off last year's mark.

We look for earnings growth to resume this year, however, to the tune of roughly 8%. The regulatory environment has evolved greatly in recent months, with the California Public Utilities Commission (CPUC) implementing a rate increase on the company's 2007 general rate case, which should add $47 million to the ledger annually. Meanwhile, the board also instituted a water revenue adjustment mechanism (WRAM) as well as a modified cost-balancing accounting principle (MCBA). WRAM basically decouples sales from revenues, enables utilities to recover wages below rates adopted in general rate assumptions, while the MCBA component allows for the recovery of production costs, such as purchased water. We look for the company to earn $2.05 a share, on $445 million in revenues, with the new procedures in place.

Wall Street was not happy with the latest earnings miss . . . CWT has sunk nearly 10% since our January report.

. . . but the stock remains favorably ranked (2: Above Average) for Timeliness. The adoption of the WRAM and MCBA principles are expected to provide smoother, more predictable earnings growth going forward, which ought to appeal to investors seeking shelter from the turbulent market environment. Likewise, CWT's steady dividend is a boon.

Nevertheless, the issue holds limited 3- to 5-year appreciation potential. Water distribution is a capital-intense business, with aging infrastructures and growing EPA requirements facilitating heavy investments that the company is currently ill equipped to meet. Equity and debt issuances will likely remain commonplace, such as the $100 million bond offering that management intends to unveil. Indeed, the increased financing costs are likely to keep bottom-line growth under wraps for the foreseeable future.

Andre J. Costanza *April 24, 2009*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; '02, 8¢. Next earnings report due early May.
(B) Dividends historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '08: $3.9 mill., $.19/sh.
(D) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	70
Earnings Predictability	75

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AQUA AMERICA NYSE-WTR

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
18.93	24.0	(Trailing: 25.9 Median: 25.0)	1.85	2.9%	VALUE LINE

TIMELINESS 2 Raised 11/14/08
SAFETY 3 Lowered 8/1/03
TECHNICAL 1 Raised 4/24/09
BETA .75 (1.00 = Market)

High:	11.5	11.5	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5
Low:	7.2	7.6	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	16.6

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

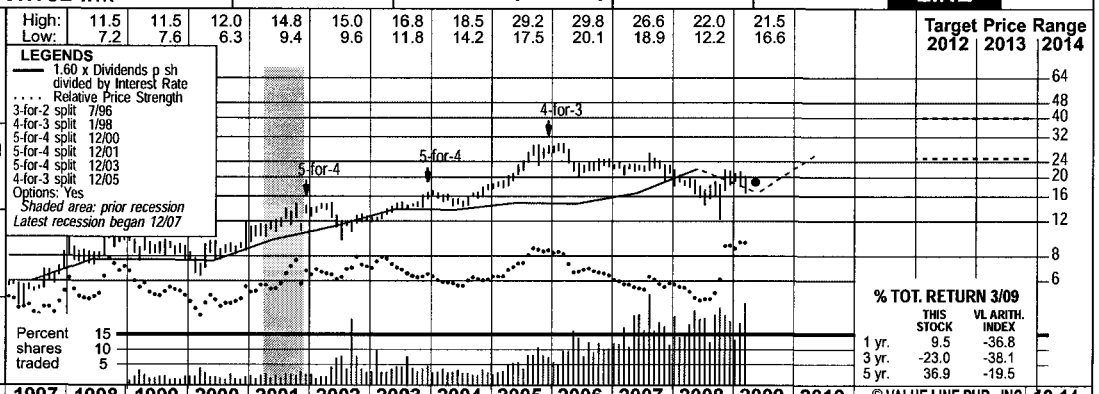
	Price	Gain	Ann'l Total Return
High	40	(+110%)	22%
Low	25	(+30%)	10%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	0	0	0	1	0
to Sell	1	0	0	0	0	0	0	1	0

Institutional Decisions

	2Q2008	3Q2008	4Q2008
to Buy	115	103	131
to Sell	111	108	131
Hld's(000)	66368	62150	60996



% TOT. RETURN 3/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.5	-36.8
3 yr.	-23.0	-38.1
5 yr.	36.9	-19.5

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
1.70	1.82	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	*4.95*	*5.30*	Revenues per sh	*6.50*
.42	.42	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	*1.55*	*1.65*	"Cash Flow" per sh	*2.10*
.24	.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	*.80*	*.90*	Earnings per sh A	*1.25*
.21	.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	*.54*	*.56*	Div'd Decl'd per sh B■	*.62*
.47	.46	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	*2.05*	*2.10*	Cap'l Spending per sh	*2.15*
2.29	2.41	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	*8.15*	*8.55*	Book Value per sh	*10.60*
59.40	59.77	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	*136.00*	*136.50*	Common Shs Outst'g C	*138.00*
14.4	13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	*Bold figures are*		Avg Ann'l P/E Ratio	*25.0*
.85	.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.51	*Value Line*		Relative P/E Ratio	*1.65*
5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*1.9%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $1336.0 mill. **Due in 5 Yrs** $243.9 mill.
LT Debt $1248.1 mill. **LT Interest** $65.0 mill.
(LT interest earned: 3.4x; total interest coverage: 3.4x) (54% of Cap'l)

Pension Assets-12/08 $112.2 mill. **Oblig.** $204.7 mill.

Pfd Stock None
Common Stock 135,413,407 shares as of 2/10/09

MARKET CAP: $2.6 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
257.3	275.5	307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	*675*	*725*	Revenues ($mill)	*900*
45.0	50.7	58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	*110*	*125*	Net Profit ($mill)	*170*
38.4%	38.9%	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
--	--	--	--	--	--	--	--	2.9%	3.1%	*3.5%*	*3.2%*	AFUDC % to Net Profit	*2.5%*
52.9%	52.0%	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	*53.5%*	*52.5%*	Long-Term Debt Ratio	*49.0%*
46.7%	47.8%	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	*46.5%*	*47.5%*	Common Equity Ratio	*51.0%*
782.7	901.1	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	*2385*	*2470*	Total Capital ($mill)	*2865*
1135.4	1251.4	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	*3150*	*3300*	Net Plant ($mill)	*3600*
7.6%	7.4%	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	*5.5%*	*6.0%*	Return on Total Cap'l	*6.5%*
12.2%	11.7%	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	*10.0%*	*10.5%*	Return on Shr. Equity	*11.5%*
12.3%	11.7%	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	*10.0%*	*10.5%*	Return on Com Equity	*11.5%*
4.3%	4.7%	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	*2.5%*	*3.0%*	Retained to Com Eq	*5.0%*
65%	60%	59%	59%	59%	57%	56%	63%	67%	70%	*67%*	*60%*	All Div'ds to Net Prof	*47%*

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	44.0	14.5	14.9
Receivables	72.1	82.9	84.5
Inventory (AvgCst)	10.2	8.8	9.8
Other	8.4	9.3	11.8
Current Assets	134.7	115.5	121.0
Accts Payable	49.4	45.8	50.0
Debt Due	150.4	80.8	87.9
Other	55.8	56.6	55.3
Current Liab.	255.6	183.2	193.2
Fix. Chg. Cov.	352%	323%	329%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	8.0%	9.0%	*6.5%*
"Cash Flow"	9.5%	8.0%	*7.5%*
Earnings	7.5%	5.5%	*10.0%*
Dividends	7.0%	8.0%	*3.5%*
Book Value	9.5%	10.0%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	117.9	131.7	147.0	136.9	533.5
2007	137.3	150.6	165.5	149.1	602.5
2008	139.3	151.0	177.1	159.6	627.0
2009	*150*	*160*	*190*	*175*	*675*
2010	*160*	*175*	*205*	*185*	*725*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.13	.17	.21	.19	.70
2007	.13	.17	.22	.19	.71
2008	.11	.17	.26	.19	.73
2009	*.13*	*.19*	*.28*	*.20*	*.80*
2010	*.15*	*.22*	*.30*	*.23*	*.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.098	.098	.098	.107	.40
2006	.107	.107	.115	.115	.44
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135				

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately 2.8 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '08: residential, 60%; commercial, 14%; industrial & other, 26%. Officers and directors own 1.3% of the common stock (4/09 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America completed 2008 on a solid note. On a year-over-year comparative basis, revenues increased 4% and earnings advanced 3%. These gains were mostly due to customers obtained through acquisitions, and successful court-mandated rate-increase adjustments. Offsetting some of these gains were rising costs for chemicals and fuel during the year, and increased outlays for pipe repair, most of which occurred during the fourth quarter. Still, by divesting underperforming assets in Virginia and Texas, management was able to mitigate the impact of the cost increases.

The company should be able to build on this momentum in 2009. Indeed, several rate-relief cases should be decided over the coming months, and should add $15 million–$20 million to the top line toward the latter half of the year if decided in Aqua America's favor. Additional rate increase petitions for upwards of $70 million will also be filed during the year. Too, there will likely be further acquisitions, as the company's growth strategy includes purchasing available utilities and making infrastructure improvements in order to obtain rate relief judgments. This should benefit the company's cost structure and broaden its customer base. Expenses should also moderate as costs for fuel and chemicals have leveled recently.

We are instituting top- and bottom-line estimates of $725 million and $0.90 for 2010. With the majority of its rate cases uncontested, the average nine-month turnaround for rate relief decisions should begin to add to sales and earnings in early 2010. These price increases should offset the higher capital expenditures that are likely to occur, as Aqua continues to purchase plants that it believes will be profitable after the company's infrastructure improvements have been made.

These shares are ranked Above Average (2) for Timeliness, but most of the gains we project over the coming 3- to 5-year stretch are already discounted in the current quotation. However, this stock has a steady, though unexciting, dividend yield, and while it holds an Average (3) rank for Safety, it's high scores for Earnings Predictability and Price Stability should appeal to conservative investors.

John D. Burke *April 24, 2009*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '92, (38¢); '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due early May.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	100

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ATTACHMENT B

The Natural Gas Utility Industry has performed well in recent months. This is impressive given the weak economy and a tough regulatory environment. Despite these challenges, companies in this sector continue to deliver solid results and represent a relatively safe option amid the turmoil in the world's financial markets. As a result, this group has risen near the top of our industry spectrum.

Economic Environment

The global economy continues to struggle. Tight credit and a slumping real estate market are among the main factors contributing to the recessionary environment. Furthermore, these conditions continue to weigh on results in this sector. Indeed, usage continues to decline as customers have become more cost conscious. Moreover, bill collection has become increasingly difficult as unemployment and foreclosures continue to rise. Despite the aforementioned conditions, investors should note that this group is an interesting defensive play. While these factors will likely continue to impact the utilities, this industry should perform well compared to the rest of the market in the months ahead. Natural Gas Utilities generally have solid balance sheets and predictable cash flows, which is appealing given the weakness in the economy.

Regulation

This group is regulated by state commissions that dictate the return on equity these utilities can achieve. Consequently, the regulatory environment has a heavy bearing on each individual company's results. If a utility does not have ample relief, its budget can become strained. As a result, a company's infrastructure can age and profitability can decline. On the other hand, a favorable ruling can position a utility to register steady gains and allow it to build its infrastructure. Therefore, rate cases remain the main theme in this sector. On point, numerous companies currently have rate cases pending. *Southwest Gas*, *Nicor*, *AGL Resources* are all awaiting decisions, which should drive their performance going forward. Moreover, energy efficiency will likely become an increasingly important factor in these decisions given the new administration in the White House. As the United States moves in this direction,

INDUSTRY TIMELINESS: 5 (of 99)

utilities that embrace energy conservation measures may benefit from a more favorable regulatory environment.

Nonregulated Ventures

A strategy that is becoming increasingly common is nonregulated ventures. These opportunities allow companies to diversify their operations and gain income that is not subject to the state regulatory commissions. These businesses currently make up only a small portion of this sector's profits but will likely become a more important opportunity in the years ahead.

Weather

The peak heating season is just about coming to an end. This period is when these utilities have their best opportunity to post strong results on the bottom line. Looking ahead, these companies will likely turn their attention to strengthening their operations and better managing their costs as we move toward the summer months.

Weather abnormalities can hurt results. Many of these businesses have weather-adjusted rate mechanisms that are used to hedge the risk of unseasonable weather. Thus, investors should keep an eye out for utilities that rely on this strategy since they usually have a relatively steady performance.

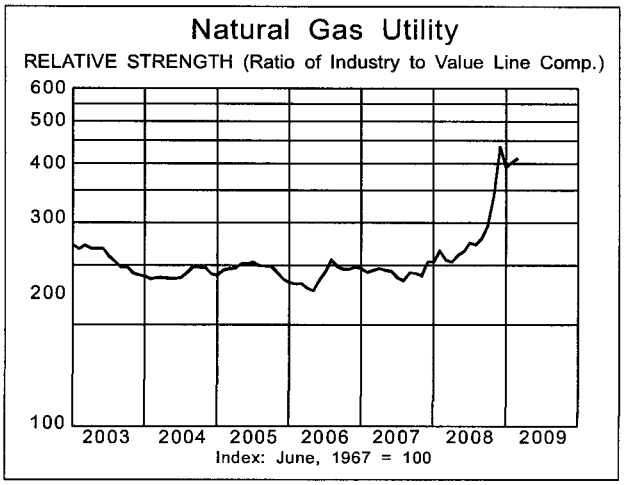
Conclusion

The Natural Gas Utility sector has climbed near the top of our industry spectrum in recent months. Indeed, it features numerous timely stocks. In fact, *UGI* holds our highest rank (1) for Timeliness. However, various other companies are ranked to outperform the market over the coming six to 12 months. What's more, the majority of the equities in this industry offer above-average yields. Most notably, *Nicor*, *AGL Resources* and *Atmos Energy* all offer attractive payouts supported by steady cash flows. Therefore, investors looking for a good play in the year ahead should consider some of the names in this group.

Richard Gallagher

Composite Statistics: Natural Gas Utility

2005	2006	2007	2008	2009	2010		12-14
36075	38273	38528	*40000*	*41500*	*42750*	Revenues ($mill)	*51250*
1386.0	1553.3	1562.4	*1650*	*1725*	*1800*	Net Profit ($mill)	*2150*
36.0%	35.3%	33.9%	*36.0%*	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
3.8%	4.0%	4.1%	*4.1%*	*4.2%*	*4.2%*	Net Profit Margin	*4.2%*
51.3%	51.2%	50.4%	*51.0%*	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
48.4%	48.7%	49.5%	*48.0%*	*48.0%*	*48.0%*	Common Equity Ratio	*46.0%*
29218	30847	32263	*33750*	*33250*	*34750*	Total Capital ($mill)	*40000*
30894	32543	33936	*35250*	*36750*	*38500*	Net Plant ($mill)	*46250*
6.5%	6.6%	6.5%	*6.5%*	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
9.7%	10.2%	9.8%	*10.0%*	*10.0%*	*10.5%*	Return on Shr. Equity	*11.0%*
9.8%	10.2%	9.8%	*10.0%*	*10.0%*	*10.5%*	Return on Com Equity	*11.0%*
3.5%	4.0%	3.7%	*4.0%*	*4.0%*	*4.5%*	Retained to Com Eq	*5.0%*
65%	61%	62%	*63%*	*63%*	*64%*	All Div'ds to Net Prof	*65%*
17.1	15.6	16.6		*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.91	.84	.88		*Value Line*		Relative P/E Ratio	*.85*
3.8%	3.9%	3.7%		*estimates*		Avg Ann'l Div'd Yield	*4.6%*
315%	327%	336%	*350%*	*375%*	*375%*	Fixed Charge Coverage	*400%*



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AGL RESOURCES NYSE-AGL

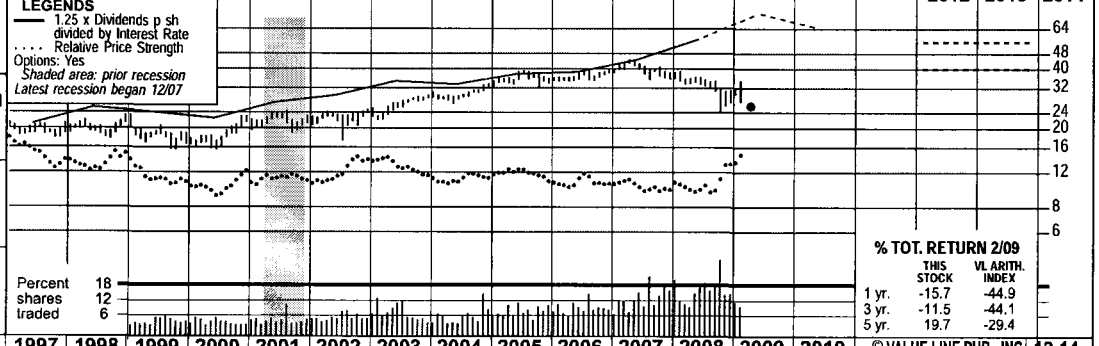
RECENT PRICE	25.92	P/E RATIO	9.2 (Trailing: 9.2 / Median: 14.0)	RELATIVE P/E RATIO	0.89	DIV'D YLD	6.7%	VALUE LINE

TIMELINESS 2 Raised 2/13/09
SAFETY 2 New 7/27/90
TECHNICAL 2 Raised 3/6/09
BETA .75 (1.00 = Market)

High:	23.4	23.4	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1	34.9
Low:	17.7	15.6	15.5	19.0	17.3	21.9	26.5	32.0	34.4	35.2	24.0	25.8

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+110%)	24%
Low	40	(+55%)	16%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	3	0	0	1	0	0	2	1
to Sell	0	2	0	0	1	0	0	3	1

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	105	131	92
to Sell	127	106	130
Hld's(000)	47696	46762	48796

Percent shares traded 18 12 6

% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-15.7	-44.9
3 yr.	-11.5	-44.1
5 yr.	19.7	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	*35.90*	*36.40*	Revenues per sh A	*39.40*
2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	*4.70*	*4.85*	"Cash Flow" per sh	*5.30*
1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	*2.70*	*2.85*	Earnings per sh A B	*3.20*
1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	*1.72*	*1.76*	Div'ds Decl'd per sh C■	*1.88*
2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	*4.35*	*4.30*	Cap'l Spending per sh	*5.00*
9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	*21.55*	*21.85*	Book Value per sh D	*21.75*
49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	*78.00*	*79.00*	Common Shs Outst'g E	*85.00*
17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
1.06	.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.76	*Value Line*		Relative P/E Ratio	*1.00*
5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $2541.0 mill. **Due in 5 Yrs** $1410 mill.
LT Debt $1675.0 mill. **LT Interest** $80.0 mill.
(Total interest coverage: 4.0x)

Leases, Uncapitalized Annual rentals $30.0 mill.
Pension Assets-12/08 $242.0 mill. **Oblig.** $442.0 mill.

Pfd Stock None

Common Stock 76,902,777 shs. as of 1/30/09
MARKET CAP: $2.0 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
1068.6	607.4	1049.3	868.9	983.7	1832.0	2718.0	2621.0	2494.0	2800.0	*2800*	*2875*	Revenues ($mill) A	*3350*
52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.0	211.0	207.6	*210*	*225*	Net Profit ($mill)	*270*
33.1%	34.3%	40.7%	36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	38.9%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
4.9%	11.7%	7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	*7.5%*	*7.8%*	Net Profit Margin	*8.1%*
45.3%	45.9%	61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	*50.0%*	*46.5%*	Long-Term Debt Ratio	*45.0%*
49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	*50.0%*	*53.5%*	Common Equity Ratio	*55.0%*
1345.8	1286.2	1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	*3355*	*3225*	Total Capital ($mill)	*3350*
1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	*3950*	*4100*	Net Plant ($mill)	*4400*
5.7%	7.4%	6.5%	8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	*7.5%*	*7.5%*	*8.0%*	Return on Total Cap'l	*9.0%*
7.1%	10.2%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	*12.5%*	*13.0%*	Return on Shr. Equity	*14.5%*
7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	*12.5%*	*13.0%*	Return on Com Equity	*14.5%*
NMF	3.2%	4.2%	7.0%	6.6%	5.6%	6.2%	6.3%	5.3%	*5.0%*	*4.5%*	*5.0%*	Retained to Com Eq	*6.0%*
101%	72%	65%	52%	53%	49%	52%	52%	58%	60%	*64%*	*62%*	All Div'ds to Net Prof	*59%*

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	20.0	21.0	16.0
Other	1802.0	1790.0	2026.0
Current Assets	1822.0	1811.0	2042.0
Accts Payable	213.0	172.0	202.0
Debt Due	539.0	580.0	866.0
Other	875.0	893.0	915.0
Current Liab.	1627.0	1645.0	1983.0
Fix. Chg. Cov.	397%	391%	416%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	4.5%	17.5%	*2.5%*
"Cash Flow"	6.5%	7.0%	*2.5%*
Earnings	7.0%	11.5%	*3.0%*
Dividends	3.5%	6.5%	*2.5%*
Book Value	7.0%	11.5%	*.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1044	436	434	707	2621
2007	973	467	369	685	2494
2008	1012	444	539	805	2800
2009	*1030*	*490*	*505*	*775*	*2800*
2010	*1045*	*505*	*520*	*805*	*2875*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.41	.25	.46	.60	2.72
2007	1.29	.40	.17	.86	2.72
2008	1.16	.30	.28	.97	2.71
2009	*1.20*	*.35*	*.30*	*.85*	*2.70*
2010	*1.25*	*.35*	*.35*	*.90*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.31	.31	.31	.37	1.30
2006	.37	.37	.37	.37	1.48
2007	.41	.41	.41	.41	1.64
2008	.42	.42	.42	.42	1.68
2009	.43				

BUSINESS: AGL Resources, Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, and Virginia Natural Gas. The utilities have more than 2.2 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in nonregulated natural gas marketing and other allied services. Also wholesales and retails propane. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Officers/directors own less than 1.0% of common (3/08 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

Shares of AGL Resources have held up better than the broader market over the past six months. That's owing to the steadiness of its underlying operations. Share net roughly equaled the tally reached in the prior two years. In 2008, healthy performances at the Wholesale Services and Energy Investments units were roughly offset by lower operating earnings at the Distribution and Retail Energy businesses. (Note: AGL is the stock's new ticker symbol).

The economic environment should remain challenging in the current year. Slower customer growth ought to hinder results at the company's utility operations. Moreover, we expect higher development and maintenance costs and a return to a more normal earnings level at the Wholesale Services business. Overall, AGL anticipates share net of $2.65-$2.75 for 2009, assuming normal weather patterns. Our estimate lies at the midpoint of this range. Bottom-line growth may well resume in 2010, assuming success at obtaining rate relief (discussed below).

The company is seeking higher rates. It will have four rate cases in the next two years, beginning with a filing in New Jersey. AGL's focus on procuring rate relief is encouraging, as the company depends upon such approved revenue increases to cope with higher costs and compensate it for investments made in its utility operations. Still, what pressures the rate boards may face remain unclear.

The board of directors has recently approved a modest dividend increase. Starting with the March payout, the quarterly dividend will now be $0.43. A modest increase makes sense, given stalled earnings growth and a lower cash balance in recent times. Slow, but steady, dividend growth will likely continue at AGL in the coming years.

This issue has good appeal at present. The shares have improved a notch in Timeliness since our December review, and are now ranked 2 (Above Average). Moreover, AGL earns high marks for Safety, Price Stability, and Earnings Predictability. In addition, the stock's healthy dividend yield should appeal to income investors. Overall, this equity offers attractive total return potential for a utility.

Michael Napoli, CPA *March 13, 2009*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0.83); '99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07); '08, $0.13. Next earnings report due late April. (C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2008: $418 million, $5.44/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	85

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
20.24	9.6 (Trailing: 10.0 Median: 16.0)	0.93	6.6%

VALUE LINE

TIMELINESS 2 Raised 12/12/08
SAFETY 2 Raised 12/16/05
TECHNICAL 2 Raised 3/13/09
BETA .60 (1.00 = Market)

High:	32.3	33.0	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3	26.2
Low:	24.8	19.6	14.3	19.5	17.6	20.8	23.4	25.0	25.5	23.9	19.7	20.2

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

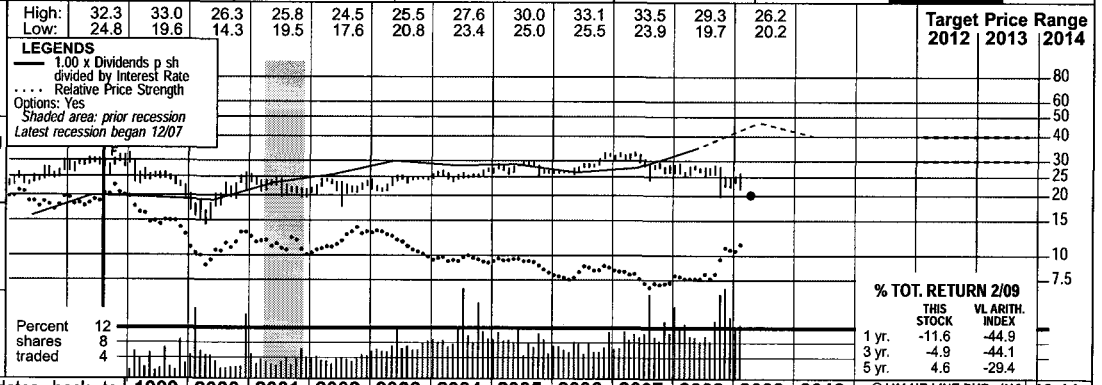
	Price	Gain	Ann'l Total Return
High	40	(+100%)	23%
Low	30	(+50%)	15%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	3	0	1	1	0	1	1

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	112	119	103
to Sell	103	89	119
Hld's(000)	58504	58318	56301



% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-11.6	-44.9
3 yr.	-4.9	-44.1
5 yr.	4.6	-29.4

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
22.09	26.61	35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.52	*82.60*	*84.95*	Revenues per sh A	*94.55*
2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.19	*4.35*	*4.40*	"Cash Flow" per sh	*4.80*
.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	*2.10*	*2.15*	Earnings per sh A B	*2.50*
1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	*1.32*	*1.34*	Div'ds Decl'd per sh C■	*1.40*
3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	*5.50*	*5.75*	Cap'l Spending per sh	*6.60*
12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	22.01	22.60	*24.05*	*24.70*	Book Value per sh	*26.90*
31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	89.33	90.81	*92.00*	*93.00*	Common Shs Outst'g D	*110.00*
33.0	18.9	15.6	15.2	13.4	15.9	16.1	13.5	15.9	13.6	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
1.88	1.23	.80	.83	.76	.84	.86	.73	.84	.84	*Value Line*		Relative P/E Ratio	*.95*
4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	*estimates*		Avg Ann'l Div'd Yield	*4.0%*
690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	*7600*	*7900*	Revenues ($mill) A	*10400*
25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	*195*	*200*	Net Profit ($mill)	*275*
35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	*39.0%*	*39.0%*	Income Tax Rate	*40.5%*
3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	*2.6%*	*2.5%*	Net Profit Margin	*2.6%*
50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	*48.5%*	*48.0%*	Long-Term Debt Ratio	*49.0%*
50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	*51.5%*	*52.0%*	Common Equity Ratio	*51.0%*
755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	*4300*	*4415*	Total Capital ($mill)	*5800*
965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	*4350*	*4560*	Net Plant ($mill)	*5850*
5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.0%*
6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	*9.0%*	*8.5%*	Return on Shr. Equity	*9.5%*
6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	*9.0%*	*8.5%*	Return on Com Equity	*9.5%*
NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
NMF	112%	79%	82%	70%	77%	73%	63%	65%	65%	*62%*	*62%*	All Div'ds to Net Prof	*56%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $2481.2 mill. **Due in 5 Yrs** $1360.0 mill.
LT Debt $1719.9 mill. **LT Interest** $105.0 mill.
(LT interest earned: 2.9x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals $18.4 mill.
Pfd Stock None
Pension Assets-9/08 $341.4 mill. **Oblig.** $337.6 mill.
Common Stock 91,634,602 shs. as of 1/27/09
MARKET CAP: $1.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2007	2008	12/31/08
Cash Assets	60.7	46.7	69.8
Other	1008.2	1238.4	1613.3
Current Assets	1068.9	1285.1	1683.1
Accts Payable	355.3	395.4	815.1
Debt Due	154.4	351.3	761.3
Other	410.0	460.4	441.5
Current Liab.	919.7	1207.1	2017.9
Fix. Chg. Cov.	405%	450%	430%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	9.5%	14.5%	*4.0%*
"Cash Flow"	3.5%	5.5%	*2.5%*
Earnings	2.5%	5.0%	*4.0%*
Dividends	2.5%	1.5%	*1.5%*
Book Value	6.5%	7.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	2283.8	2033.8	863.2	971.6	6152.4
2007	1602.6	2075.6	1218.2	1002.0	5898.4
2008	1657.5	2484.0	1639.1	1440.7	7221.3
2009	1716.3	*2585*	*1750*	*1548.7*	*7600*
2010	*1830*	*2900*	*1710*	*1460*	*7900*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	.88	1.10	d.22	.25	2.00
2007	.97	1.20	d.15	d.05	1.94
2008	.82	1.24	d.07	.02	2.00
2009	.83	*1.33*	*d.05*	*d.01*	*2.10*
2010	*.90*	*1.35*	*d.06*	*d.04*	*2.15*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.31	.31	.31	.315	1.25
2006	.315	.315	.315	.32	1.27
2007	.32	.32	.32	.325	1.29
2008	.325	.325	.325	.33	1.31
2009	.33				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3.2 million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined *2008 gas volumes: 293 MMcf.* Breakdown: 56%, residential; 32%, commercial; 7%, industrial; and 5% other. 2008 depreciation rate 3.5%. Has around 4,560 employees. Officers and directors own approximately 1.9% of common stock (12/08 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy's core natural gas utility has performed nicely thus far in fiscal 2009 (which ends on September 30th). That can be attributed partially to an increase in rates, primarily for the Mid-Tex and Louisiana divisions. What's more, there has been a steady rise in throughput. And it's worth noting that bad debt expense as a percentage of revenues has been lower, reflecting more aggressive collection efforts.

Results for the other operations have been a mixed bag. The pipeline and storage segment is enjoying expanded transportation margins earned under asset optimization agreements. But the performance of the regulated transmission and storage segment is being weighed down by a rise in employee and pipeline maintenance costs. Also, the nonregulated marketing segment is encountering a reduction in unrealized margins, reflecting less volatility in natural gas prices.

All things considered, earnings per share stand to rise around 5%, to $2.10, this fiscal year. Assuming further expansion in operating margins, the bottom line may advance to $2.15 a share in fiscal 2010.

We envision steady, though unexciting, profit growth over the 2012-2014 period. The utility is one of the country's leading natural gas-only distributors, now serving customers across 12 states. Moreover, the unregulated segments, especially pipelines, possess healthy overall prospects. Lastly, management may get back to its successful strategy of purchasing less-efficient utilities and shoring up their profitability via expense-reduction efforts, rate relief, and aggressive marketing. In the present configuration, annual share-net gains may be in the mid-single-digit range over the 3- to 5-year time frame.

The good-quality stock offers an appealing dividend yield. Further moderate hikes in the payout seem plausible, as well. Earnings coverage ought to remain adequate. The shares are timely.

For a natural gas utility stock, total return possibilities appear decent. Meter growth has slowed, but the company is benefiting from a high level of gas flowing through its Texas pipelines from the Barnett Shale.

Frederick L. Harris, III *March 13, 2009*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '99, d23¢; '00, 12¢; '03, d17¢; '06, d18¢; '07, d2¢. Next egs. rpt. due early May. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	80

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LACLEDE GROUP NYSE-LG

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
38.10	13.4	(Trailing: 12.4 Median: 15.0)	1.30	4.1%	VALUE LINE

TIMELINESS 2 Raised 10/10/08
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Lowered 2/13/09
BETA .65 (1.00 = Market)

High:	27.9	27.0	24.8	25.5	25.0	30.0	32.5	34.3	37.5	36.0	55.8	48.3
Low:	22.4	20.0	17.5	21.3	19.0	21.8	26.0	26.9	29.1	28.8	31.9	38.0

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

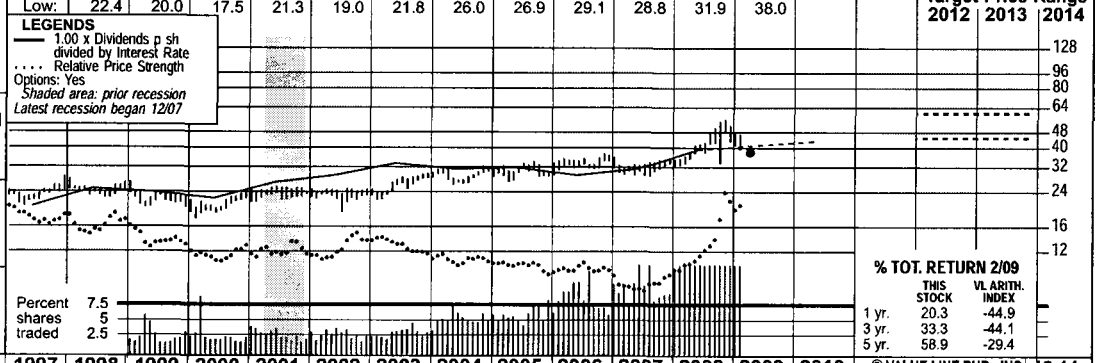
	Price	Gain	Ann'l Total Return
High	60	(+55%)	15%
Low	45	(+20%)	8%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	9	0	0	2	0	0	6	0
to Sell	0	9	0	0	2	0	0	6	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	72	97	82
to Sell	55	50	72
Hld's(000)	10492	11750	11943



% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.3	-44.9
3 yr.	33.3	-44.1
5 yr.	58.9	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
32.33	33.43	24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	*102.65*	*96.10*	Revenues per sh	*111.55*
2.81	2.65	2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	*4.65*	*4.50*	"Cash Flow" per sh	*5.40*
1.61	1.42	1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	*2.85*	*2.60*	Earnings per sh A B	*3.00*
1.22	1.22	1.24	1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	*1.53*	*1.57*	Div'ds Decl'd per sh C■	*1.70*
2.62	2.50	2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	*2.65*	*2.70*	Cap'l Spending per sh	*3.45*
12.19	12.44	13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	*23.60*	*25.10*	Book Value per sh D	*28.05*
15.59	15.67	17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	*22.50*	*23.00*	Common Shs Outst'g E	*26.00*
13.5	16.4	15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	*Bold figures are*		Avg Ann'l P/E Ratio	*17.5*
.80	1.08	1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.89	*Value Line*		Relative P/E Ratio	*1.15*
5.6%	5.3%	6.3%	5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.2%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $652.9 mill. **Due in 5 Yrs** $50.0 mill.
LT Debt $389.2 mill. **LT Interest** $25.0 mill.
(Total interest coverage: 3.0x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/08 $248.3 mill. **Oblig.** $308.7 mill.
Pfd Stock $.5 mill. **Pfd Div'd** $.03 mill.
Common Stock 22,135,185 shs. **as of 1/29/09**

MARKET CAP: $850 million (Small Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
491.6	566.1	1002.1	755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	*2310*	*2210*	Revenues ($mill) A	*2900*
26.9	26.0	30.5	22.4	34.6	36.1	40.1	50.5	49.8	57.6	*65.0*	*60.0*	Net Profit ($mill)	*80.0*
35.5%	35.2%	32.7%	35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	*31.5%*	*31.5%*	Income Tax Rate	*35.0%*
5.5%	4.6%	3.0%	3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	*2.8%*	*2.7%*	Net Profit Margin	*2.8%*
41.8%	45.2%	49.5%	47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	*45.0%*	*45.0%*	Long-Term Debt Ratio	*47.0%*
57.8%	54.5%	50.2%	52.3%	49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	*55.0%*	*55.0%*	Common Equity Ratio	*53.0%*
488.6	519.2	574.1	546.6	605.0	737.4	707.9	798.9	784.5	876.1	*965*	*1050*	Total Capital ($mill)	*1375*
519.4	575.4	602.5	594.4	621.2	646.9	679.5	763.8	793.8	823.2	*855*	*880*	Net Plant ($mill)	*980*
7.1%	6.7%	6.9%	6.0%	7.4%	6.6%	7.6%	8.4%	8.5%	8.1%	*8.0%*	*7.0%*	Return on Total Cap'l	*7.0%*
9.5%	9.1%	10.5%	7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	*12.5%*	*10.5%*	Return on Shr. Equity	*11.0%*
9.5%	9.1%	10.5%	7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	*12.5%*	*10.5%*	Return on Com Equity	*11.0%*
1.0%	.2%	1.8%	NMF	3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	*6.0%*	*4.0%*	Retained to Com Eq	*5.0%*
89%	98%	83%	113%	74%	73%	72%	59%	63%	56%	*53%*	*60%*	All Div'ds to Net Prof	*55%*

CURRENT POSITION ($MILL.)	2007	2008	12/31/08
Cash Assets	52.7	14.9	30.1
Other	414.6	547.0	609.8
Current Assets	467.3	561.9	639.9
Accts Payable	106.8	159.6	175.3
Debt Due	251.6	216.1	263.7
Other	115.3	103.5	121.7
Current Liab.	473.7	479.2	560.7
Fix. Chg. Cov.	282%	377%	330%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	11.5%	14.0%	2.5%
"Cash Flow"	2.0%	6.5%	5.5%
Earnings	3.5%	9.5%	3.5%
Dividends	1.0%	1.5%	2.5%
Book Value	3.5%	5.5%	5.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	689.2	708.8	330.6	269.0	1997.6
2007	539.6	700.8	457.9	323.3	2021.6
2008	504.0	747.7	505.5	451.8	2209.0
2009	674.3	*700*	*485*	*450.7*	*2310*
2010	*555*	*555*	*550*	*550*	*2210*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	1.23	1.05	.13	d.04	2.37
2007	.89	.97	.43	.03	2.31
2008	.99	1.39	.41	d.14	2.64
2009	1.42	*1.25*	*.30*	*d.12*	*2.85*
2010	*1.03*	*1.21*	*.38*	*d.02*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.34	.345	.345	.345	1.38
2006	.345	.355	.355	.355	1.41
2007	.365	.365	.365	.365	1.46
2008	.375	.375	.375	.375	1.50
2009	.385				

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 630,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2008: 1.08 mill. Revenue mix for regulated operations: residential, 62%; commercial and industrial, 24%; transportation, 1%; other, 13%. Has around 1,807 employees. Officers and directors own approximately 7.2% of common shares (1/09 proxy). Chairman, Chief Executive Officer, and President: Douglas H. Yaeger. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

Laclede Group started fiscal 2009 (which ends on September 30th) in excellent fashion. That was made possible primarily by Laclede Energy Resources, which benefited, in part, from higher volumes (attributable to contracting for additional pipeline capacity). That division also enjoyed wider margins on sales of natural gas, due to depressed supply pricing in the Midwest from increased shale supply production. Meanwhile, profits for Laclede Gas were moderately higher than the year-earlier figure, arising from greater income from natural gas sales, brought about by colder weather and higher Infrastructure System Replacement Surcharge revenues. But a rise in both operating expenses and investment losses largely offset these results.

At this juncture, the bottom line stands to advance about 8%, to $2.85 a share, in fiscal 2009. Earnings may be lower next year, however, because of the tough comparison.

Unexciting results appear to be in store for the energy firm over the 2012-2014 period. Growth in the customer base for the natural gas distribution unit will probably remain moderate. (In fact, the number of customers in fiscal 2008 was just 2% higher than in fiscal 1998.) That's because the service territory, located in eastern Missouri, is in a mature phase. We think the non-regulated division has promising expansion opportunities, but it has contributed only a small portion to Laclede Group's profits on a historical basis. A major acquisition could help to offset this, but it seems that no such plans are on the agenda at this time. Consequently, annual earnings-per-share growth could be just between 4% and 5% over the 3- to 5-year horizon.

This stock, ranked favorably for both Timeliness and Safety, offers a modestly appealing current yield. Additional hikes in the dividend will likely be gradual, though. That is largely because of the regulated gas operation's unspectacular long-term prospects.

The shares of Laclede have limited long-term total-return potential, given the current quotation and our assumption of moderate future increases in the distribution.

Frederick L. Harris, III *March 13, 2009*

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late April. (C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '08: $340.4 mill., $15.48/sh.
(E) In millions.
(F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	75

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NEW JERSEY RES. NYSE-NJR

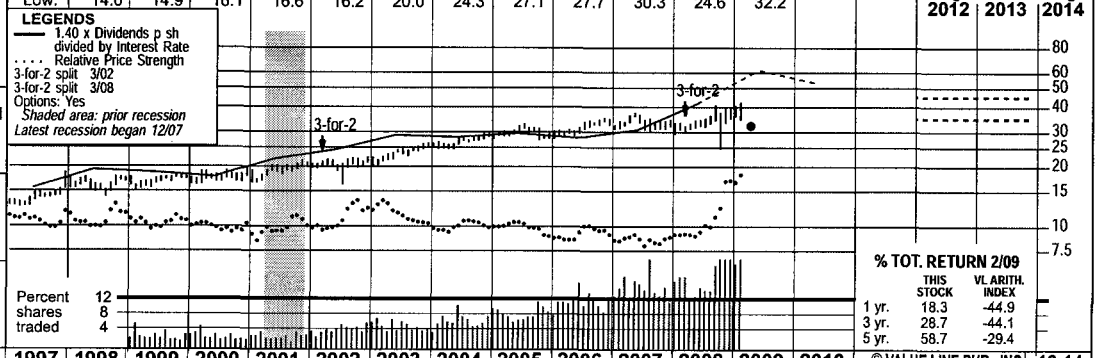
RECENT PRICE 32.25 | P/E RATIO 12.9 (Trailing: 11.7 Median: 15.0) | RELATIVE P/E RATIO 1.25 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 2 Raised 11/28/08
SAFETY 1 Raised 9/15/06
TECHNICAL 2 Raised 11/21/08
BETA .65 (1.00 = Market)

High:	17.9	18.3	19.8	21.7	22.4	26.4	29.7	32.9	35.4	37.6	41.1	42.4	
Low:	14.0	14.9	16.1	16.6	16.2	20.0	24.3	27.1	27.7	30.3	24.6	32.2	

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 3/02
3-for-2 split 3/08
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+40%)	12%
Low	35	(+10%)	6%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	1	2	0	0	1	0	1	2	3
to Sell	0	2	0	0	1	0	0	1	4

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	85	90	64
to Sell	70	62	88
Hld's(000)	26518	26910	26312

% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	18.3	-44.9
3 yr.	28.7	-44.1
5 yr.	58.7	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
12.02	12.81	11.36	13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	*89.20*	*90.95*	Revenues per sh A	*95.00*
1.42	1.54	1.42	1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	*3.40*	*3.60*	"Cash Flow" per sh	*3.75*
.76	.84	.86	.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	*2.50*	*2.70*	Earnings per sh B	*2.85*
.68	.68	.68	.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	*1.24*	*1.28*	Div'ds Decl'd per sh C■	*1.40*
1.54	1.40	1.18	1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	*1.75*	*1.75*	Cap'l Spending per sh	*1.80*
6.54	6.43	6.47	6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	*18.80*	*20.75*	Book Value per sh D	*25.75*
37.84	38.93	40.03	40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	*42.50*	*43.00*	Common Shs Outst'g E	*45.00*
15.1	13.0	11.8	13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.89	.85	.79	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.77	*Value Line*		Relative P/E Ratio	*.95*
5.8%	6.2%	6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	*estimates*		Avg Ann'l Div'd Yield	*3.4%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $757.1 mill. **Due in 5 Yrs** $175.6 mill.
LT Debt $460.7 mill. **LT Interest** $16.9 mill.
Incl. $8.8 mill. capitalized leases.
(LT interest earned: 4.8x; total interest coverage: 4.8x)
Pension Assets-9/08 $80.6 mill. **Oblig.** $102.4 mill.
Pfd Stock None

Common Stock 42,318,558 shs. as of 2/4/09
MARKET CAP: $1.4 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
904.3	1164.5	2048.4	1830.8	2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	*3790*	*3910*	Revenues ($mill) A	*4275*
44.9	47.9	52.3	56.8	65.4	71.6	74.4	78.5	65.3	113.9	*105*	*115*	Net Profit ($mill)	*130*
36.2%	37.8%	38.0%	38.7%	39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	*39.0%*	*39.0%*	Income Tax Rate	*40.0%*
5.0%	4.1%	2.6%	3.1%	2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	*2.8%*	*3.0%*	Net Profit Margin	*3.0%*
48.7%	47.0%	50.1%	50.6%	38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	*38.5%*	*37.0%*	Long-Term Debt Ratio	*33.0%*
51.2%	52.9%	49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	*61.5%*	*63.0%*	Common Equity Ratio	*67.0%*
590.4	620.1	706.2	732.4	676.8	783.8	755.3	954.0	1028.0	1182.1	*1300*	*1415*	Total Capital ($mill)	*1730*
705.4	730.6	743.9	756.4	852.6	880.4	905.1	934.9	970.9	1017.3	*1040*	*1060*	Net Plant ($mill)	*1125*
9.0%	9.0%	8.5%	8.7%	10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	*9.0%*	*9.0%*	Return on Total Cap'l	*8.0%*
14.8%	14.6%	14.8%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	*13.5%*	*13.0%*	Return on Shr. Equity	*11.0%*
14.8%	14.6%	14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	*13.5%*	*13.0%*	Return on Com Equity	*11.0%*
5.0%	5.4%	6.1%	6.9%	7.7%	7.8%	8.5%	6.3%	3.6%	9.5%	*6.5%*	*7.0%*	Retained to Com Eq	*5.5%*
67%	63%	59%	56%	51%	49%	50%	50%	64%	40%	*50%*	*47%*	All Div'ds to Net Prof	*49%*

CURRENT POSITION ($MILL.)	2007	2008	12/31/08
Cash Assets	5.1	42.6	26.0
Other	794.8	1067.1	1046.5
Current Assets	799.9	1109.7	1072.5
Accts Payable	64.4	61.7	43.4
Debt Due	260.8	238.3	296.4
Other	378.1	594.0	578.7
Current Liab.	703.3	894.0	918.5
Fix. Chg. Cov.	461%	450%	450%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	17.5%	9.0%	*2.5%*
"Cash Flow"	6.0%	6.0%	*4.0%*
Earnings	7.5%	7.5%	*5.5%*
Dividends	4.0%	5.0%	*5.5%*
Book Value	8.5%	11.5%	*8.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	1164	1064	536.1	535.5	3299.6
2007	737.4	1029	662.2	593.2	3021.8
2008	811.1	1178	1000	827.1	3816.2
2009	801.3	*1175*	*993.7*	*820*	*3790*
2010	*830*	*1205*	*1025*	*850*	*3910*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	.82	1.43	d.09	d.29	1.87
2007	.70	.19	.60	.06	1.55
2008	.87	.30	d.18	1.86	2.70
2009	.77	*.33*	*d.10*	*1.50*	*2.50*
2010	*.80*	*.40*	*d.05*	*1.55*	*2.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C E■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.227	.227	.227	.227	.91
2006	.24	.24	.24	.24	.96
2007	.253	.253	.253	.253	1.01
2008	.267	.28	.28	.28	1.11
2009	.31				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 484,000 customers at 9/30/08 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2008 volume: 99.6 bill. cu. ft. (59% firm, 6% interruptible industrial and electric utility, 35% off-system and capacity release). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2008 dep. rate: 2.9%. Has 854 empls. *Off./dir. own about 1.7% of common (12/08Proxy). Chrmn.*, CEO, & Pres. : Laurence M. Downes. Inc.: N.J. Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources did not perform as well as expected during its 2009 fiscal first quarter (ended December 31st). The New Jersey Natural Gas (NJNG) unit did benefit from a recent rate case increase, and steady customer growth. That division added roughly 1,765 new customers over the December interim. However, that was not sufficient enough to offset the downturn at the company's NJR Energy Services (NJRES) unit. Narrower winter storage spreads, and a slowdown in contracted transportation capacity across the Northeast, cut this segment's contribution to earnings in half. Consequently, NJR's bottom line suffered.

Thus, we have trimmed this year's earnings figure approximately 11%. The domestic recession has prompted many consumers in NJR's service areas to scale back spending. Meanwhile, home foreclosure resulting in vacant domiciles adds another element of risk and uncertainty. In all, 2009's prospects have been hindered. But, on a brighter note,

Economic stimulus programs may bear fruit down the road. NJNG recently filed a proposal with the New Jersey Board of Public Utilities for two programs aimed at stimulating the local economy through energy efficiency, job creation, and infrastructure spending. If approved, these capital projects would create up to 100 jobs. The benefit to NJR would be an increase in the safety and reliability of its distribution system.

Meantime, we have introduced a 2010 bottom-line estimate of $2.70 a share. Top-line volumes ought to rebound next year due to the addition of utility customers, coupled with NJRES' capital projects. The Steckman Ridge storage facility and the recently completed 16-inch main pipeline both ought to contribute nicely.

These timely shares may appeal to momentum- and income-oriented accounts (Timeliness: 2). And the recent dividend hike of 10.7% only sweetens the deal; dividend growth is a hallmark here. Finally, New Jersey Resources' ability to hold up in such a difficult market is a plus. This characteristic is supported by the stock's top Safety rank (1), and high marks for Financial Strength and Price Stability.

Bryan Fong *March 13, 2009*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2008: $340.7 million, $8.09/share.
(E) In millions, adjusted for split.
(F) Restated.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	50

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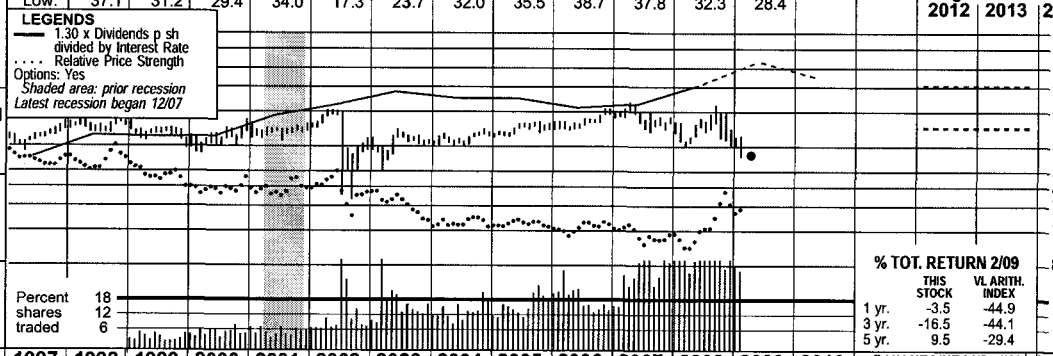
NICOR, INC. NYSE-GAS

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
29.17	11.4	(Trailing: 11.1 Median: 15.0)	1.11	6.4%	VALUE LINE

TIMELINESS 3 Raised 12/7/07
SAFETY 3 Lowered 6/17/05
TECHNICAL 3 Lowered 2/20/09
BETA .75 (1.00 = Market)

High:	44.4	42.9	43.9	42.4	49.0	39.3	39.7	43.0	49.9	53.7	52.0	36.3
Low:	37.1	31.2	29.4	34.0	17.3	23.7	32.0	35.5	38.7	37.8	32.3	28.4

Target Price Range
2012 | 2013 | 2014



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+125%)	26%
Low	40	(+35%)	13%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	1	0	0	0
to Sell	0	0	0	0	0	1	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	91	119	105
to Sell	120	90	125
Hld's(000)	31875	32273	32539

% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-3.5	-44.9
3 yr.	-16.5	-44.1
5 yr.	9.5	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
31.02	31.23	29.42	37.39	41.33	30.84	34.45	50.52	57.30	43.11	60.46	62.12	76.00	65.92	69.20	83.68	*78.90*	*82.20*	Revenues per sh	*98.35*
3.80	4.11	4.19	4.97	5.29	5.21	5.59	6.16	6.41	6.03	5.37	6.00	6.19	6.82	6.96	6.85	*6.50*	*7.00*	"Cash Flow" per sh	*7.95*
1.97	2.07	1.96	2.42	2.55	2.31	2.57	2.94	3.01	2.88	2.11	2.22	2.27	2.87	2.99	2.63	*2.50*	*2.90*	Earnings per sh A	*3.30*
1.22	1.25	1.28	1.32	1.40	1.48	1.54	1.66	1.76	1.84	1.86	1.86	1.86	1.86	1.86	1.86	*1.86*	*1.86*	Div'ds Decl'd per sh B■	*1.86*
2.62	3.34	3.12	2.42	2.34	2.87	3.28	3.48	4.18	4.37	4.12	4.32	4.57	4.17	3.77	5.54	*4.35*	*4.50*	Cap'l Spending per sh	*4.85*
13.05	13.26	13.67	14.74	15.43	15.97	16.80	15.56	16.39	16.55	17.13	16.99	18.36	19.43	20.58	21.55	*22.25*	*23.30*	Book Value per sh	*27.05*
53.96	51.54	50.30	49.49	48.22	47.51	46.89	45.49	44.40	44.01	44.04	44.10	44.18	44.90	45.90	45.13	*45.00*	*45.00*	Common Shs Outst'g C	*45.00*
14.1	12.5	13.1	12.5	14.2	17.6	14.6	11.9	12.8	13.1	15.8	15.9	17.3	15.0	15.0	15.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.83	.82	.88	.78	.82	.92	.83	.77	.66	.72	.90	.84	.92	.81	.80	.93	*Value Line*		Relative P/E Ratio	*1.05*
4.4%	4.8%	5.0%	4.4%	3.9%	3.6%	4.1%	4.7%	4.6%	4.9%	5.6%	5.3%	4.7%	4.3%	4.2%	4.7%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

CAPITAL STRUCTURE as of 12/31/08
Total Debt $1237.9 mill. **Due in 5 Yrs** $914.9 mill.
LT Debt $448.0 mill. **LT Interest** $5.0 mill.
(Total interest coverage: 5.1x)

Pension Assets-12/08 $306.6 mill. **Oblig.** $270.2 mill.

Pfd Stock $.6 mill. **Pfd Div'd** None

Common Stock 45,198,311 shares as of 2/17/09
MARKET CAP: $1.3 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
1615.2	2298.1	2544.1	1897.4	2662.7	2739.7	3357.8	2960.0	3176.3	3776.6	*3550*	*3700*	Revenues ($mill)	*4200*
121.9	136.4	136.3	128.0	93.1	98.1	101.1	128.3	135.2	119.5	*112.5*	*130*	Net Profit ($mill)	*150*
34.7%	34.8%	33.5%	31.0%	35.2%	31.8%	28.3%	26.3%	26.6%	27.0%	*27.0%*	*27.0%*	Income Tax Rate	*27.0%*
7.5%	5.9%	5.4%	6.7%	3.5%	3.6%	3.0%	4.3%	4.3%	3.2%	*3.2%*	*3.5%*	Net Profit Margin	*3.6%*
35.5%	32.7%	37.8%	35.1%	39.6%	39.8%	37.4%	36.3%	30.9%	31.5%	*31%*	*30%*	Long-Term Debt Ratio	*26%*
64.0%	66.7%	61.7%	64.5%	60.3%	60.1%	62.5%	63.7%	69.0%	68.4%	*69%*	*70%*	Common Equity Ratio	*74%*
1230.1	1061.2	1180.1	1128.9	1251.5	1246.0	1297.7	1370.7	1368.0	1421.1	*1450*	*1500*	Total Capital ($mill)	*1650*
1735.2	1729.6	1768.6	1796.8	2484.2	2549.8	2659.1	2714.1	2757.3	2858.6	*2950*	*3060*	Net Plant ($mill)	*3380*
10.9%	13.7%	12.3%	12.2%	8.3%	8.8%	9.4%	10.9%	11.2%	9.7%	*9.0%*	*10.0%*	Return on Total Cap'l	*10.0%*
15.4%	19.1%	18.6%	17.5%	12.3%	13.1%	12.5%	14.7%	14.3%	12.3%	*11.0%*	*12.5%*	Return on Shr. Equity	*12.0%*
15.4%	19.2%	18.7%	17.5%	12.3%	13.1%	12.5%	14.7%	14.3%	12.3%	*11.0%*	*12.5%*	Return on Com Equity	*12.0%*
6.2%	8.5%	7.9%	6.5%	1.5%	2.1%	2.3%	5.2%	5.4%	3.6%	*3.0%*	*4.5%*	Retained to Com Eq	*5.5%*
60%	56%	58%	63%	88%	84%	81%	65%	62%	71%	*74%*	*64%*	All Div'ds to Net Prof	*56%*

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	67.6	91.9	95.5
Other	843.1	931.9	1243.4
Current Assets	910.7	1023.8	1338.9
Accts Payable	564.5	428.2	411.3
Debt Due	350.0	444.0	789.9
Other	227.9	404.2	466.8
Current Liab.	1142.4	1276.4	1668.0
Fix. Chg. Cov.	543%	544%	461%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	7.0%	6.5%	*5.0%*
"Cash Flow"	3.0%	3.0%	*2.5%*
Earnings	1.5%	1.0%	*2.5%*
Dividends	3.0%	0.5%	*Nil*
Book Value	3.0%	4.0%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1319.4	451.3	351.1	838.2	2960.0
2007	1334.7	556.9	365.2	919.5	3176.3
2008	1595.7	699.8	440.3	1040.8	3776.6
2009	*1500*	*650*	*400*	*1000*	*3550*
2010	*1550*	*675*	*425*	*1050*	*3700*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.99	.19	.39	1.30	2.87
2007	1.04	.40	.32	1.22	2.98
2008	.91	.64	.03	1.05	2.63
2009	*.90*	*.35*	*.25*	*1.00*	*2.50*
2010	*1.00*	*.45*	*.35*	*1.10*	*2.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.465	.465	.465	.465	1.86
2006	.465	.465	.465	.465	1.86
2007	.465	.465	.465	.465	1.86
2008	.465	.465	.465	.465	1.86
2009	.465	.465			

BUSINESS: Nicor Inc. is a holding company with gas distribution as its primary business. Serves over 2.2 million customers in northern and western Illinois. 2008 gas delivered: 498.1 Bcf, incl. 222.6 Bcf from transportation. 2008 gas sales (275.5 bcf): residential, 93%; commercial, 6%; industrial, 1%. Principal supplying pipelines: Natural Gas Pipeline, Horizon Pipeline, and TGPC. Current operations include Tropical Shipping subsidiary and several energy related ventures. Divested oil and gas E&P, 6/93. Has about 3,900 employees. Officers/directors own about 2.2% of common stock (3/08 proxy). Chairman and Chief Executive Officer: Russ Strobel. Incorporated: Illinois. Address: 1844 Ferry Road, Naperville, Illinois 60563. Telephone: 630-305-9500. Internet: www.nicor.com.

Nicor struggled in the second half of 2008. Most recently, the company posted earnings of $1.05 a share in the fourth quarter, which beat our estimate but still fell short of the prior-year tally. Rising costs coupled with the weak economic environment weighed on GAS' performance. As a result, annual share net fell below 2007's mark of $2.98. Nicor continues to be pressured by higher operating costs.

The company awaits a decision for a rate case filed with the Illinois Commerce Commission (ICC). Given rising expenditures, the utility filed a case for an overall increase in rates. Nicor seeks to raise its rate base by $140.4 million to reflect a return of equity of 11.15%. The new rate would allow the company to better adjust to the current market conditions. In response, the ICC proposed a base increase of $68.8 million, which reflects a cost of equity of 10.17%. The proposal also includes two rate mechanisms focused on energy efficiency. Management is in the process of responding to this offer. After this, Nicor and the ICC will move toward a final decision, which should be announced this month. Accordingly, we recommend investors monitor this situation since it will likely have a heavy bearing on this equity's performance going forward.

We have lowered our estimates for 2009. We look for the bottom line to come in at about $2.50 a share, which is near the proposed base by the ICC. This estimate assumes normal weather and is supported by this utility's steady cash flow. However, if the rate case is approved, our estimates may prove to be conservative.

We are introducing our expectations for 2010. We look for the top and bottom lines to bounce back next year. The shipping business should begin to strengthen over this time frame. Accordingly, we estimate earnings of $2.90 a share.

This stock is ranked 3 (Average) for Timeliness. Nicor's prospects are somewhat ill-defined, given the pending rate case. Thus, we recommend most investors take a wait-and-see approach. However, income-oriented accounts should note that this issue offers an attractive dividend yield, which is above the average for a natural gas utility.

Richard Gallagher *March 13, 2009*

(A) Based on primary earnings thru. '96, then diluted. Excl. nonrecurring gains/(loss): '97, 6¢; '98, 11¢; '99, 5¢; '00, ($1.96); '01, 16¢; '03, (27¢); '04, (52¢); '05, 80¢; '06, (17¢); '07 (13¢). Excl. items from discontinued ops.: '93, 4¢; '96, 30¢. Next egs. report due early May. (B) Dividends historically paid mid February, May, August, November. ■ Dividend reinvestment plan available. (C) In millions.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	75

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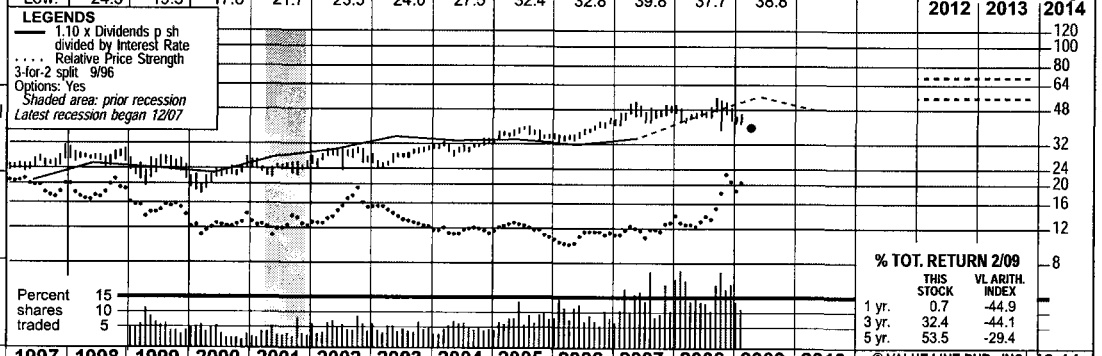
N.W. NAT'L GAS NYSE-NWN

RECENT PRICE **38.95** | P/E RATIO **14.3** (Trailing: 15.1 Median: 16.0) | RELATIVE P/E RATIO **1.39** | DIV'D YLD **4.2%** | VALUE LINE

TIMELINESS 2 Raised 2/20/09
SAFETY 1 Raised 3/18/05
TECHNICAL 2 Raised 3/6/09
BETA .60 (1.00 = Market)

High:	30.8	27.9	27.5	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2	45.7
Low:	24.3	19.5	17.8	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7	38.8

Target Price Range
2012 | 2013 | 2014



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+80%)	19%
Low	55	(+40%)	12%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	0	0	0	0	0	0
Options	0	0	1	0	1	2	0	1	0
to Sell	0	0	1	0	1	2	0	2	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	77	78	65
to Sell	92	71	74
Hld's(000)	16772	16947	16310

% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	0.7	-44.9
3 yr.	32.4	-44.1
5 yr.	53.5	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
18.15	18.30	16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.17	**39.60**	**41.50**	Revenues per sh	**48.20**
3.74	3.50	3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.29	**5.60**	**5.85**	"Cash Flow" per sh	**6.75**
1.74	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.58	**2.75**	**2.85**	Earnings per sh A	**3.45**
1.17	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	**1.58**	**1.66**	Div'ds Decl'd per sh B■	**2.00**
3.61	4.23	3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	4.15	**4.50**	**4.50**	Cap'l Spending per sh	**4.50**
13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.70	**24.90**	**26.10**	Book Value per sh	**30.50**
19.77	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	**26.50**	**26.50**	Common Shs Outst'g C	**28.00**
12.9	13.0	12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	17.7	*Bold figures are*		Avg Ann'l P/E Ratio	**18.0**
.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.14	*Value Line*		Relative P/E Ratio	**1.20**
5.2%	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	*estimates*		Avg Ann'l Div'd Yield	**3.2%**

CAPITAL STRUCTURE as of 12/31/08
Total Debt $760.0 mill. **Due in 5 Yrs** $259.8 mill.
LT Debt $512.0 mill. **LT Interest** $37.0 mill.

(Total interest coverage: 4.0x)

Pension Assets-12/07 $241 mill.
Oblig. $260 mill.
Pfd Stock None

Common Stock 26.5 mill. shares

MARKET CAP $1.0 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
455.8	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	**1050**	**1100**	Revenues ($mill)	**1350**
44.9	47.8	50.2	43.8	46.0	50.6	58.1	65.2	74.5	68.5	**73.0**	**75.5**	Net Profit ($mill)	**96.5**
35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	**37.0%**	**37.0%**	Income Tax Rate	**37.0%**
9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	**7.0%**	**6.9%**	Net Profit Margin	**7.2%**
46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	**47%**	**47%**	Long-Term Debt Ratio	**47%**
49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	**53%**	**53%**	Common Equity Ratio	**53%**
861.5	887.8	880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	**1180**	**1225**	Total Capital ($mill)	**1400**
895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.0	**1600**	**1660**	Net Plant ($mill)	**1900**
6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	**8.0%**	**8.0%**	**8.0%**	Return on Total Cap'l	**8.0%**
9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	11.2%	**11.0%**	**11.0%**	Return on Shr. Equity	**11.0%**
9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	11.2%	**11.0%**	**11.0%**	Return on Com Equity	**11.0%**
2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.7%	**4.5%**	**4.5%**	Retained to Com Eq	**4.5%**
74%	70%	67%	79%	72%	69%	63%	59%	52%	59%	**57%**	**58%**	All Div'ds to Net Prof	**58%**

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	5.8	6.1	6.9
Other	303.0	268.8	474.1
Current Assets	308.8	274.9	481.0
Accts Payable	113.6	119.7	94.4
Debt Due	129.6	148.1	248.0
Other	98.3	122.1	208.9
Current Liab.	341.5	389.9	551.3
Fx. Chg. Cov.	349%	408%	393%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '12-'14
Revenues	8.5%	8.5%	6.5%
"Cash Flow"	3.0%	5.5%	5.0%
Earnings	3.0%	6.5%	7.0%
Dividends	1.5%	2.0%	5.5%
Book Value	3.5%	3.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	390.4	171.0	114.9	336.9	1013.2
2007	394.1	183.2	124.2	331.7	1033.2
2008	387.7	191.3	109.7	349.2	1037.9
2009	**390**	**200**	**120**	**340**	**1050**
2010	**410**	**210**	**125**	**355**	**1100**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.48	.07	d.35	1.15	2.35
2007	1.77	.10	d.22	1.11	2.76
2008	1.63	.08	d.38	1.25	2.58
2009	**1.72**	**.10**	**d.34**	**1.27**	**2.75**
2010	**1.75**	**.11**	**d.33**	**1.32**	**2.85**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.325	.325	.325	.345	1.32
2006	.345	.345	.345	.355	1.39
2007	.355	.355	.355	.375	1.44
2008	.375	.375	.375	.395	1.52
2009	.395				

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 662,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 55%; commercial, 28%; industrial, gas transportation, and other, 17%. Employs 1,130. Barclays Global owns 6.5% of shares; officers and directors, 1.3% (4/08 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural's fourth-quarter earnings gain was a bit above normal. In the final period of 2008, the company profited from its gas cost-sharing arrangement in Oregon, where it had lost money in the prior-year period. Operating and maintenance costs declined 12%, year to year, and the Oregon weather normalization clause helped, as well, though it had no effect on 2007 December-period profits. Despite gas cost-sharing profit in the fourth quarter, Northwest lost about $0.11 a share from the arrangement in 2008. Customer growth, though, slowed to 1.6% in 2008, well below the recent average.

Earnings will likely rise nicely in 2009. Northwest guided to a range of $2.55 to $2.70 a share this year, but we think the company will do a bit better. Even though customer growth will probably be modest in 2009, Northwest should continue to garner new accounts from customers switching to gas from other sources of heat. The revised gas cost-sharing system in Oregon should also help, as the company should benefit from gas prices that are now well below last fall; Northwest's gas cost forecast is approved by the Oregon PUC in October. The new arrangement should reduce earnings swings, as Northwest will book only 10% or 20% of the profit or loss on the cost of gas, down from one-third through 2008.

Earnings from present operations will probably rise steadily through 2012-2014. Customer growth will likely continue to exceed the U.S. average of around 1% per year. Oregon's enlightened regulations should protect Northwest from the vagaries of the weather, and Washington will probably institute a weather adjustment clause, as well. Costs should rise at a slower pace than the customer roster. But

Two large projects could significantly boost Northwest's earnings by 2014. If regulators give all necessary approvals, a gas storage project in California and a new gas pipeline in Oregon will come on stream in 2011-2012. Together, they could require over $525 million of investment by Northwest. The company would have to sell some stock, but the projects could add at least $0.35 a share to our forecast.

These top-quality shares have solid risk-adjusted total-return potential.

Sigourney B. Romaine *March 13, 2009*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03). Next earnings report due early May.

(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.

(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	80

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PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
22.46	14.0	(Trailing: 15.0 Median: 18.0)	1.36	4.6%	VALUE LINE

TIMELINESS 3 Raised 6/15/07
SAFETY 2 New 7/27/90
TECHNICAL 2 Lowered 1/9/09
BETA .65 (1.00 = Market)

High:	18.1	18.3	19.7	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0
Low:	13.9	14.3	11.8	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7	22.4

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

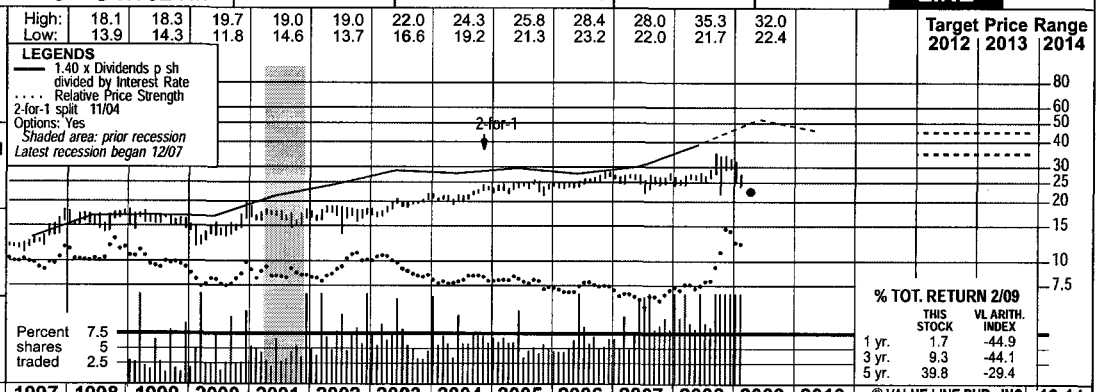
	Price	Gain	Ann'l Total Return
High	45	(+100%)	23%
Low	35	(+55%)	16%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	78	97	82
to Sell	85	77	96
Hld's(000)	36778	36688	35228



% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.7	-44.9
3 yr.	9.3	-44.1
5 yr.	39.8	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
10.57	10.82	8.76	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	*29.25*	*30.15*	Revenues per sh A	*33.15*
1.14	1.13	1.25	1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	*2.85*	*3.05*	"Cash Flow" per sh	*3.40*
.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	*1.60*	*1.80*	Earnings per sh B	*2.15*
.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	*1.05*	*1.10*	Div'ds Decl'd per sh C■	*1.25*
1.58	1.95	1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	*3.15*	*2.10*	Cap'l Spending per sh	*2.25*
5.45	5.68	6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	*12.65*	*13.45*	Book Value per sh D	*15.85*
52.30	53.15	57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	*73.50*	*73.50*	Common Shs Outst'g E	*73.00*
15.4	15.7	13.8	13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.15	*Value Line*		Relative P/E Ratio	*1.50*
4.3%	4.8%	5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	*estimates*		Avg Ann'l Div'd Yield	*3.1%*

CAPITAL STRUCTURE as of 10/31/08
Total Debt $1230.8 mill. **Due in 5 Yrs** $150.0 mill.
LT Debt $794.3 mill. **LT Interest** $55.5 mill.
(LT interest earned: 4.0x; total interest coverage: 3.7x)

Pension Assets-10/08 $150.3 mill. **Oblig.** $143.5 mill.

Pfd Stock None

Common Stock 73,260,672 shs. as of 12/16/08
MARKET CAP: $1.7 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	*2150*	*2215*	Revenues ($mill) A	*2420*
58.2	64.0	65.5	62.2	74.4	95.2	101.3	97.2	104.4	110.0	*120*	*135*	Net Profit ($mill)	*155*
39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.4%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	*5.5%*	*6.0%*	Net Profit Margin	*6.5%*
46.2%	46.1%	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	*51.0%*	*49.5%*	Long-Term Debt Ratio	*47.0%*
53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	*49.0%*	*50.5%*	Common Equity Ratio	*53.0%*
914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	*1900*	*1955*	Total Capital ($mill)	*2180*
1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	*2250*	*2300*	Net Plant ($mill)	*2450*
8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	*7.5%*	*8.5%*	Return on Total Cap'l	*8.5%*
11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	*12.5%*	*13.5%*	Return on Shr. Equity	*13.5%*
11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	*12.5%*	*13.5%*	Return on Com Equity	*13.5%*
3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	*4.0%*	*5.0%*	Retained to Com Eq	*6.0%*
72%	71%	75%	83%	74%	66%	68%	74%	70%	69%	*67%*	*62%*	All Div'ds to Net Prof	*57%*

CURRENT POSITION ($MILL.)	2006	2007	10/31/08
Cash Assets	8.9	7.5	7.0
Other	467.1	427.8	593.8
Current Assets	476.0	435.3	600.8
Accts Payable	80.3	143.6	132.3
Debt Due	170.0	195.0	436.5
Other	150.1	75.9	112.7
Current Liab.	400.4	424.5	681.5
Fix. Chg. Cov.	323%	309%	341%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	7.5%	10.0%	*4.0%*
"Cash Flow"	5.0%	7.0%	*4.5%*
Earnings	4.5%	6.5%	*7.5%*
Dividends	5.0%	4.5%	*3.5%*
Book Value	5.5%	6.0%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	921.4	483.2	237.9	282.2	1924.7
2007	677.2	531.5	224.4	278.2	1711.3
2008	788.5	634.2	354.7	311.7	2089.1
2009	*815*	*655*	*360*	*320*	*2150*
2010	*830*	*670*	*375*	*340*	*2215*

Fiscal Year Ends	EARNINGS PER SHARE A B F Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	.94	.57	d.16	d.08	1.27
2007	.94	.69	d.12	d.11	1.40
2008	1.12	.66	d.10	d.18	1.49
2009	*1.13*	*.68*	*d.10*	*d.11*	*1.60*
2010	*1.15*	*.70*	*d.02*	*d.03*	*1.80*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.215	.23	.23	.23	.91
2006	.23	.24	.24	.24	.95
2007	.24	.25	.25	.25	.99
2008	.25	.26	.26	.26	1.03
2009	.26				

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 935,724 customers in North Carolina, South Carolina, and Tennessee. 2008 revenue mix: residential (39%), commercial (24%), industrial (12%), other (25%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: *73.5% of revenues.* '08 *deprec. rate:* 3.2%. Estimated plant age: 8.7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,833 employees. Officers & directors own about 1.1% of common stock (1/09 proxy). Chairman, CEO, & President: Thomas E. Skains. Inc.: NC. Address: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas finished fiscal 2008 (ended October 31st) with solid results, despite the difficult economy. Revenues advanced 22% due to higher system throughput volumes, as well as additional customer accounts at the utility segment. However, the bottom-line increase was moderated owing to weaker contributions at the Southstar Energy Services unit. But progress was made.

The January-period bottom line came in slightly above the prior year. The top line benefited from additional customers in the residential, commercial, and conversion markets. Meanwhile, the Hardy Storage facility has begun to gain traction. It recently boosted its contribution to income by more than 20%. Margins were impacted last year because of declining natural gas prices, and a greater gas storage writedown than management expected. More recently, indications are that prices may start to help widen margins and boost earnings contributions from the nonutility portion of PNY's business mix.

Still, economic headwinds may weigh on this year's growth prospects. The past couple of quarters have experienced tapered growth in new accounts. And while these metrics are still relatively steady, the state of the regional economy suggests customer growth may slow further in the months to come. However, cost-cutting efforts ought to offset the slowdown and augur well for the bottom line, contributing to a share-net advance of roughly 7%.

We have introduced our 2010 earnings estimate at $1.80 a share. The continued utilization of Piedmont's Hardy Storage facility should provide a nice avenue for expansion next year. Meanwhile, it's only a matter of time before natural gas prices trend higher. And in the longer term, the Robeson liquefied natural gas storage project is slightly ahead of schedule and on budget to be in service by 2012.

These neutrally ranked shares may appeal to income-oriented accounts. Since our December review, they have declined approximately 21%. They still do not offer much in the way of capital appreciation potential. However, the recent downturn provides a more attractive entry point to this good-yielding stock.

Bryan Fong *March 13, 2009*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring charge: '97, 2¢. Next earnings report due early May.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2008: $16.3 million, 22¢/share.
(E) In millions, adjusted for stock split.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	85

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SOUTH JERSEY INDS. NYSE-SJI

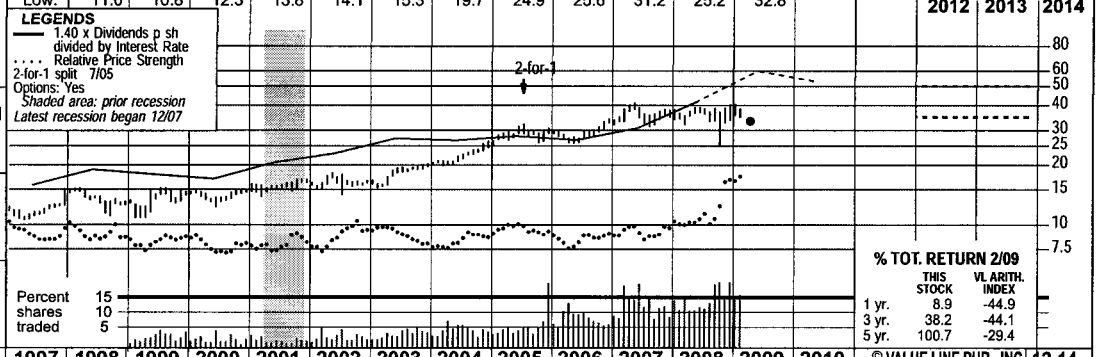
RECENT PRICE 33.42 | P/E RATIO 13.8 (Trailing: 14.7 Median: 14.0) | RELATIVE P/E RATIO 1.34 | DIV'D YLD 3.6% | VALUE LINE

TIMELINESS 2 Raised 12/26/08
SAFETY 2 Lowered 1/4/91
TECHNICAL 2 Raised 3/6/09
BETA .65 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	15.4	15.4	15.1	17.0	18.3	20.3	26.5	32.4	34.3	41.3	40.6	40.8
Low:	11.0	10.8	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.2	25.2	32.8

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 7/05
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+50%)	13%
Low	35	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	1	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	2	1	0	0	0	0	2	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	57	85	71
to Sell	71	58	59
Hld's(000)	17182	17430	17041

% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	8.9	-44.9
3 yr.	38.2	-44.1
5 yr.	100.7	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
17.03	17.45	16.50	16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.36	32.80	33.55	Revenues per sh	36.35
1.54	1.35	1.65	1.54	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.27	3.50	3.65	"Cash Flow" per sh	4.20
.78	.61	.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.27	2.45	2.65	Earnings per sh A	3.10
.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.20	1.28	Div'ds Decl'd per sh B ■	1.50
1.87	1.93	2.08	2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.51	1.88	2.08	2.25	2.40	Cap'l Spending per sh	2.90
7.17	7.23	7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.33	18.35	19.35	Book Value per sh C	21.20
19.61	21.43	21.44	21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	29.73	30.50	31.00	Common Shs Outst'g D	33.00
15.8	16.1	12.2	13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	11.9	17.2	15.9	Bold figures are		Avg Ann'l P/E Ratio	14.0
.93	1.06	.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	.98	Value Line		Relative P/E Ratio	.95
5.9%	7.4%	7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%	3.1%	estimates		Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 12/31/08
Total Debt $570.4 mill. **Due in 5 Yrs** $302.7 mill.
LT Debt $332.8 mill. **LT Interest** $17.0 mill.
(Total interest coverage: 6.0x)

Pension Assets-12/08 $88.3 mill. **Oblig.** $142.7 mill.

Pfd Stock none

Common Stock 29,738,256 common shs. **as of 2/23/09**

MARKET CAP: $1.0 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
392.5	515.9	837.3	505.1	696.8	819.1	921.0	931.4	956.4	962.0	1000	1040	Revenues ($mill)	1200
22.0	24.7	26.8	29.4	34.6	43.0	48.6	72.0	61.8	67.9	75.0	80.0	Net Profit ($mill)	100.0
42.8%	43.1%	42.2%	41.4%	40.6%	40.9%	41.5%	41.3%	41.9%	43.3%	40.0%	40.0%	Income Tax Rate	40.0%
5.6%	4.8%	3.2%	5.8%	5.0%	5.2%	5.3%	7.7%	6.5%	7.1%	7.5%	7.7%	Net Profit Margin	8.3%
53.8%	54.1%	57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	42.7%	39.2%	40.5%	40.5%	Long-Term Debt Ratio	40.5%
37.0%	37.6%	35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	57.3%	60.8%	59.5%	59.5%	Common Equity Ratio	59.5%
405.9	443.5	516.2	512.5	608.4	675.0	710.3	801.1	839.0	848.0	945	1010	Total Capital ($mill)	1175
533.3	562.2	607.0	666.6	748.3	799.9	877.3	920.0	948.9	982.6	1015	1040	Net Plant ($mill)	1220
7.4%	7.4%	6.9%	7.6%	7.3%	7.9%	8.3%	10.1%	8.6%	8.5%	9.0%	9.0%	Return on Total Cap'l	10.0%
11.7%	12.1%	12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	12.8%	13.2%	13.5%	13.5%	Return on Shr. Equity	14.5%
14.6%	14.8%	12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	12.8%	13.2%	13.5%	13.5%	Return on Com Equity	14.5%
4.2%	4.8%	3.5%	4.7%	5.0%	5.9%	6.2%	10.2%	6.7%	6.8%	7.0%	6.5%	Retained to Com Eq	7.0%
72%	67%	76%	62%	57%	52%	50%	37%	48%	49%	49%	50%	All Div'ds to Net Prof	50%

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	7.9	11.7	5.8
Other	363.8	316.6	429.3
Current Assets	371.7	328.3	435.1
Accts Payable	101.6	101.2	120.2
Debt Due	197.0	118.4	237.6
Other	124.2	108.7	142.1
Current Liab.	422.8	328.3	499.9
Fix. Chg. Cov.	527%	476%	598%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	7.0%	4.0%	2.0%
"Cash Flow"	7.0%	9.0%	4.0%
Earnings	9.5%	12.5%	5.5%
Dividends	2.5%	4.5%	7.0%
Book Value	7.5%	12.5%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	372.6	153.8	154.7	250.3	931.4
2007	368.4	171.7	156.2	260.1	956.4
2008	348.1	135.8	210.4	267.7	962.0
2009	365	160	200	275	1000
2010	375	170	210	285	1040

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.06	.20	.51	.69	2.46
2007	1.30	.21	d.05	.63	2.09
2008	1.32	.26	.04	.67	2.27
2009	1.35	.30	.10	.70	2.45
2010	1.40	.35	.15	.75	2.65

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	--	.213	.213	.438	.86
2006	--	.225	.225	.470	.92
2007	--	.245	.245	.515	1.01
2008	--	.270	.270	.568	1.11
2009					

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 340,136 customers in New Jersey's southern counties, which covers about 2,500 square miles and includes Atlantic City. Gas revenue mix '08: residential, 46%; commercial, 23%; cogeneration and electric generation, 6%; industrial, 25%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 602 employees. Off./dir. control 1.0% of com. shares; Dimensional Fund Advisors, 6.5%; Barclays, 6.1% (3/08 proxy). Chrmn. & CEO: Edward Graham. Incorp.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Tel.: 609-561-9000. Internet: www.sjindustries.com.

Shares of South Jersey Industries have held up well in recent months. The company reported a solid bottom-line advance for the fourth quarter and full-year 2008. Its nonutility operations posted healthy growth at the Asset Management & Marketing unit. The utility segment has also benefited from increased customer conversions to natural gas and higher margins on off-system sales. The customer base increased by roughly 1.3% in 2008, despite a considerable slowdown in the new housing construction market.

The company has attractive prospects for the coming years. Natural gas remains the fuel of choice in the markets served by South Jersey Gas, where the fuel enjoys a significant price advantage over alternatives. Moreover, healthy performance should continue at South Jersey's nonutility operations. Overall, share earnings will probably advance at a nice clip in 2009.

South Jersey Gas recently filed two petitions with the New Jersey Board of Public Utilities advancing economic stimulus plans. The first accelerates into 2009 and 2010 roughly $100 million of capital spending on various utility infrastructure projects. The company is seeking to recover, and earn a return on, this investment through higher rates. The second petition proposes a $17 million Energy Efficiency Tracker that encourages energy conservation while allowing SJG to earn a competitive return. In addition, South Jersey plans to file a base rate case in early 2010, which will reflect approximately $380 million in capital investment since the last filing.

The company leased out its interest in the Marcellus Shale. It has formed an agreement with an exploration and production company to develop the deep mineral rights on over 21,000 acres of the Marcellus Shale in western Pennsylvania. This move will allow South Jersey to realize the value of this asset without incurring the costs of drilling the acreage itself.

This stock is timely. Earnings and dividend growth should continue to 2012-2014. However, this appears to be partly reflected in the current quotation. The yield on this good-quality issue is also below the average of the gas-utility group.

Michael Napoli, CPA *March 13, 2009*

(A) Based on GAAP EPS through 2006, economic earnings thereafter. GAAP EPS: '07, $2.10; '08, $2.58. Excl. nonrecur. gain (loss): '01, $0.13; '08, ($0.70). Excl gain (losses) from discont. ops.: '99, ($0.02); '00, ($0.04); '01, ($0.02); '02, ($0.04); '03, ($0.09); '05, ($0.02); '06, ($0.02); '07, $0.01. Earnings may not sum due to rounding. Next egs. report due late April/early May. (B) Div'ds paid early Apr., Jul., Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. regulatory assets. In 2008: $270.4 mill., $9.10 per shr. (D) In millions, adj. for split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	95
Earnings Predictability	75

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SOUTHWEST GAS NYSE-SWX

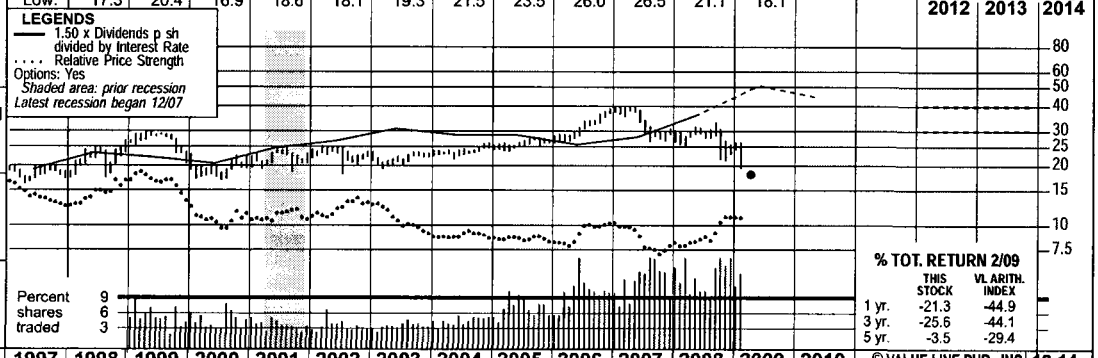
RECENT PRICE 18.15 | P/E RATIO 13.9 (Trailing: 12.9 Median: 18.0) | RELATIVE P/E RATIO 1.35 | DIV'D YLD 5.2% | VALUE LINE

TIMELINESS 3 Raised 5/23/08
SAFETY 3 Lowered 1/4/91
TECHNICAL 2 Raised 3/6/09
BETA .70 (1.00 = Market)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	26.9	29.5	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	26.4
Low:	17.3	20.4	16.9	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	18.1

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+120%)	25%
Low	30	(+65%)	17%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	2	1	1	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	3	0	0	0	2	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	80	85	69
to Sell	88	65	74
Hld's(000)	34496	34150	33669

Percent shares traded 9 6 3

% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-21.3	-44.9
3 yr.	-25.6	-44.1
5 yr.	-3.5	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
25.68	28.16	23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	*44.45*	*46.75*	Revenues per sh	*55.00*
3.24	5.09	2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	*5.75*	*6.05*	*6.65*	"Cash Flow" per sh	*7.50*
.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	*1.50*	*1.85*	Earnings per sh A	*2.30*
.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	*.95*	*1.00*	Div'ds Decl'd per sh B■†	*1.15*
5.43	6.64	6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	*7.00*	*7.20*	Cap'l Spending per sh	*9.00*
15.96	16.38	14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.48	*24.45*	*25.00*	Book Value per sh	*26.00*
21.00	21.28	24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	*45.00*	*46.00*	Common Shs Outst'g C	*50.00*
26.5	14.0	NMF	NMF	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
1.57	.92	NMF	NMF	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.25	*Value Line*		Relative P/E Ratio	*1.00*
4.4%	4.7%	5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 12/31/08

Total Debt $1348.3 mill. **Due in 5 Yrs** $624.0 mill.
LT Debt $1285.5 mill. **LT Interest** $90.0 mill.
(Total interest coverage: 2.1x)
Leases, Uncapitalized Annual rentals $6.0 mill.
Pension Assets-12/08 $342.9 mill. **Oblig.** $558.9 mill.
Pfd Stock None

Common Stock 44,436,610 shs. **as of 2/17/09**

MARKET CAP: $800 million (Small Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
936.9	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	*2000*	*2150*	Revenues ($mill)	*2750*
39.3	38.3	37.2	38.6	38.5	58.9	48.1	80.5	83.2	61.0	*67.5*	*85.0*	Net Profit ($mill)	*115*
35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	*38.0%*	*38.0%*	Income Tax Rate	*36.0%*
4.2%	3.7%	2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	*3.4%*	*4.0%*	Net Profit Margin	*4.2%*
60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	*53.5%*	*52.5%*	Long-Term Debt Ratio	*51.0%*
35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	*46.5%*	*47.5%*	Common Equity Ratio	*49.0%*
1424.7	1489.9	1417.6	1748.3	1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	*2375*	*2425*	Total Capital ($mill)	*2650*
1581.1	1686.1	1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	*3100*	*3250*	Net Plant ($mill)	*3700*
4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	*4.5%*	*4.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
7.0%	6.5%	6.0%	5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	*6.0%*	*7.5%*	Return on Shr. Equity	*9.0%*
7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	*6.0%*	*7.5%*	Return on Com Equity	*9.0%*
2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	*2.5%*	*3.5%*	Retained to Com Eq	*4.5%*
64%	67%	71%	70%	72%	49%	65%	42%	44%	63%	*63%*	*54%*	All Div'ds to Net Prof	*50%*

CURRENT POSITION ($MILL.)	2006	2007	12/31/08
Cash Assets	18.8	32.0	26.4
Other	482.8	470.5	411.7
Current Assets	501.6	502.5	438.1
Accts Payable	265.7	220.7	191.4
Debt Due	27.5	47.1	62.8
Other	202.9	260.1	255.7
Current Liab.	496.1	527.9	509.9
Fix. Chg. Cov.	220%	229%	224%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	7.0%	4.5%	*2.0%*
"Cash Flow"	6.0%	4.0%	*4.0%*
Earnings	16.5%	8.0%	*4.5%*
Dividends	--	.5%	*5.0%*
Book Value	4.0%	4.0%	*2.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	676.9	430.9	351.8	565.1	2024.7
2007	793.7	426.6	371.5	560.3	2152.1
2008	813.6	447.3	374.4	509.4	2144.7
2009	*790*	*400*	*310*	*500*	*2000*
2010	*810*	*440*	*350*	*550*	*2150*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.11	.02	d.26	1.11	1.98
2007	1.17	d.01	d.22	1.01	1.95
2008	1.14	d.06	d.38	.71	1.39
2009	*1.00*	*d.05*	*d.35*	*.90*	*1.50*
2010	*1.05*	*Nil*	*d.30*	*1.10*	*1.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205	.205	.82
2007	.205	.215	.215	.215	.85
2008	.215	.225	.225	.225	.89
2009	.225	.238			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.8 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2008 margin mix: residential and small commercial, 86%; large commercial and industrial, 5%; transportation, 9%. Total throughput: 2.4 billion therms. Sold PriMerit Bank, 7/96. Has 4,732 employees. Off. & Dir. own 1.8% of common stock; T. Rowe Price Associates, Inc., 6.7%; GAMCO Investors, Inc., 5.8% (3/08 Proxy). Chairman: James J. Kropid. Chief Executive Officer: Jeffrey W. Shaw. Inc.: California. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Shares of Southwest Gas have traded lower in the past six months. Share earnings for 2008 came in well below the prior-year tally. Customer growth dropped to its lowest level in over two decades, owing to the prolonged housing slowdown in the Southwest. This has also hurt performance at construction subsidiary NPL. Looking forward, the business environment will probably remain challenging in 2009. Thus, we anticipate unimpressive results for the current year, too. Operating performance may well improve in 2010, assuming success at controlling costs and an economic rebound.

The company has announced two rate case settlements. In Arizona, Southwest Gas was granted an annual rate increase of $33.5 million, which was somewhat less than the $50.2 million SWX had been seeking. Elsewhere, higher rates in California became effective in January. Looking ahead, Southwest is preparing to file a rate case in Nevada during the second quarter. The company's focus on obtaining rate relief and improving rate design is important, as it depends upon such improved revenue increases to help it cope with higher expenses.

Southwest Gas has announced a dividend increase. Starting in June, the quarterly dividend will be $0.2375 per share, almost 6% higher than the most recent payout. This follows similar increases in the past two years. This pattern is encouraging, and may well continue going forward.

Investors should be mindful of several caveats. Warmer-than-normal temperatures during the winter months can hinder profitability at Southwest Gas. Further efforts to expand operations would probably be accompanied by greater operating costs, too. Moreover, insufficient, or lagging, rate relief can hurt performance.

These shares are not a standout for the coming six to 12 months. Market conditions will likely continue to stymie growth at Southwest Gas in the near term. Looking further out, we anticipate higher earnings by 2012-2014. Moreover, this issue's healthy dividend yield may appeal to income-oriented investors. From the current quotation, this stock has good total return potential for a utility.

Michael Napoli, CPA *March 13, 2009*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '93, 8¢; '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Incl. asset writedown: '93, 44¢. Excl. loss from disc. ops.: '95, 75¢. Totals may not sum due to rounding. Next egs. report due early May. (B) Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	70

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WGL HOLDINGS NYSE-WGL

RECENT PRICE **28.99** | P/E RATIO **11.6** (Trailing: 11.5 Median: 15.0) | RELATIVE P/E RATIO **1.13** | DIV'D YLD **5.0%** | VALUE LINE

TIMELINESS 2 Raised 2/13/09
SAFETY 1 Raised 4/2/93
TECHNICAL 2 Raised 3/6/09
BETA .65 (1.00 = Market)

High:	30.8	29.4	31.5	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5
Low:	23.1	21.0	21.8	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.9

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

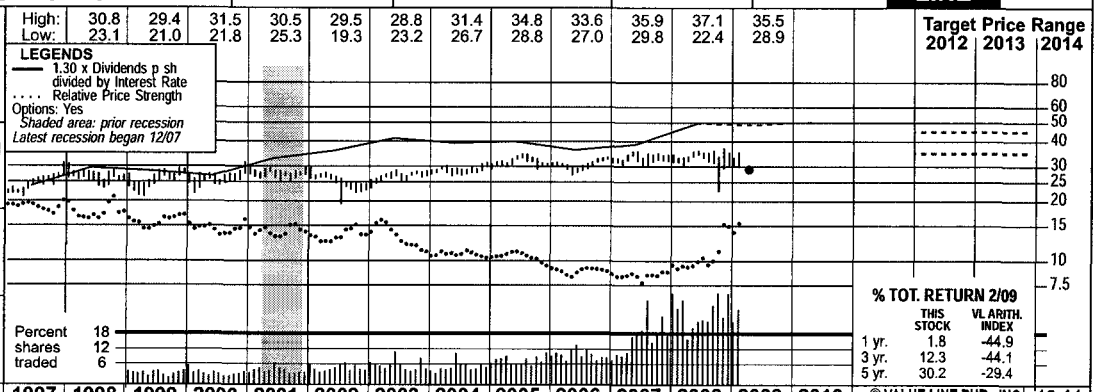
	Price	Gain	Ann'l Total Return
High	45	55%	15%
Low	35	20%	9%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	1	0	0	0	0	0	0	0
Options	0	5	1	0	0	2	0	4	0
to Sell	0	7	1	0	0	2	0	4	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	106	95	83
to Sell	89	100	119
Hld's(000)	35559	34195	32939



% TOT. RETURN 2/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.8	-44.9
3 yr.	12.3	-44.1
5 yr.	30.2	-29.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
21.55	21.69	19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	**53.50**	**54.60**	Revenues per sh A	**57.90**
2.25	2.43	2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.89	3.89	4.34	**4.40**	**4.45**	"Cash Flow" per sh	**4.70**
1.31	1.42	1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.10	2.44	**2.50**	**2.55**	Earnings per sh B	**2.75**
1.09	1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	**1.45**	**1.50**	Div'ds Decl'd per sh C■	**1.60**
2.43	2.84	2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	**3.00**	**3.00**	Cap'l Spending per sh	**2.50**
11.04	11.51	11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	**22.05**	**23.10**	Book Value per sh D	**26.45**
41.50	42.19	42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	**50.00**	**50.00**	Common Shs Outst'g E	**50.00**
15.6	14.0	12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	*Bold figures are*		Avg Ann'l P/E Ratio	**15.0**
.92	.92	.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.82	.85	*Value Line*		Relative P/E Ratio	**1.00**
5.3%	5.6%	6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	*estimates*		Avg Ann'l Div'd Yield	**4.2%**

CAPITAL STRUCTURE as of 12/31/08
Total Debt $1073.0 mill. **Due in 5 Yrs** $264.5 mill.
LT Debt $657.7 mill. **LT Interest** $37.4 mill.
(LT interest earned: 5.9x; total interest coverage: 5.2x)
Pension Assets-9/08 $588.2 mill.
Oblig. $590.5 mill.
Preferred Stock $28.2 mill. **Pfd. Div'd** $1.3 mill.

Common Stock 50,124,429 shs.
as of 1/31/09

MARKET CAP: $1.5 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	**2675**	**2730**	Revenues ($mill) A	**2895**
68.8	84.6	89.9	55.7	112.3	98.0	104.8	96.0	102.9	122.9	**125**	**130**	Net Profit ($mill)	**140**
36.0%	36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	**37.0%**	**37.0%**	Income Tax Rate	**38.0%**
7.1%	8.2%	6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	**4.7%**	**4.7%**	Net Profit Margin	**4.8%**
41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	**36.5%**	**35.5%**	Long-Term Debt Ratio	**34.0%**
56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	**62.0%**	**63.0%**	Common Equity Ratio	**64.5%**
1218.5	1299.2	1400.8	1462.5	1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	**1780**	**1835**	Total Capital ($mill)	**2050**
1402.7	1460.3	1519.7	1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	**2325**	**2420**	Net Plant ($mill)	**2720**
7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	**8.0%**	**8.0%**	Return on Total Cap'l	**8.0%**
9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	**11.5%**	**11.0%**	Return on Shr. Equity	**10.5%**
9.9%	11.7%	11.2%	7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	**12.0%**	**11.5%**	Return on Com Equity	**11.0%**
1.8%	3.7%	3.8%	NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	**4.5%**	**4.5%**	Retained to Com Eq	**4.5%**
82%	69%	67%	112%	56%	65%	62%	69%	66%	57%	**57%**	**57%**	All Div'ds to Net Prof	**58%**

CURRENT POSITION ($MILL.)	2007	2008	12/31/08
Cash Assets	4.9	6.2	8.8
Other	568.8	736.1	1066.3
Current Assets	573.7	742.3	1075.1
Accts Payable	216.9	243.1	326.9
Debt Due	205.4	347.0	415.3
Other	134.8	158.4	271.8
Current Liab.	557.1	748.5	1014.0
Fix. Chg. Cov.	432%	490%	500%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	8.5%	9.0%	1.5%
"Cash Flow"	3.5%	4.0%	2.5%
Earnings	2.0%	4.0%	4.0%
Dividends	1.5%	1.5%	2.5%
Book Value	4.0%	4.5%	5.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	902.9	1064.5	346.9	323.6	2637.9
2007	732.9	1119.9	467.5	325.7	2646.0
2008	751.6	1020.0	464.7	391.9	2628.2
2009	821.5	**1024**	**469.5**	**360**	**2675**
2010	**835**	**1040**	**485**	**370**	**2730**

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	.93	1.17	d.01	d.15	1.94
2007	.92	1.27	.22	d.31	2.10
2008	.96	1.66	.06	d.24	2.44
2009	1.03	**1.50**	**.15**	**d.18**	**2.50**
2010	**1.05**	**1.50**	**.15**	**d.15**	**2.55**

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.325	.333	.333	.333	1.32
2006	.333	.338	.338	.338	1.34
2007	.34	.34	.34	.34	1.36
2008	.34	.36	.36	.36	1.42
2009	.36				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,053,032 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. *Non-regulated subs.:* Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. American Century Inv. own 7.1% of common stock; Off./dir. less than 1% (1/09 proxy). Chrmn. & CEO: J.H. DeGraffenreidt. Inc.: D.C. and VA. Addr.: 1100 H St., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings started fiscal 2009 (began October 1st) on a high note. Its regulated utility business gained roughly 7,500 active metered accounts over the year-ago period. And the retail energy marketing segment's contribution to revenues and earnings got a boost from higher realized margins on the sale of natural gas. These items contributed nicely to the 9% top-line volume advance. Meanwhile, decreased labor and benefit costs, due to outsourcing, benefited margins. However, offsetting factors included a slowing of natural gas and electric volumes owing to a reduced number of customers at the retail energy segment. Still, in all, WGL's bottom line advanced 7.3% over this timeframe.

However, March-interim share net will likely fall short compared to the previous year. Over the past 12 months, WGL has initiated decoupling programs in both Virginia and the DC areas to help minimize the effects of weather and usage on its financial results. Thus, last year's second quarter benefited from increased consumption levels whereas 2008's has not. Moving forward, decoupling creates a smoothing effect on the bottom line, and ought to reduce earnings volatility.

On balance, though, the company ought to see its profits rise roughly 3% this year. The regulated utility segment ought to continue to benefit from additional active meters. However, many in this industry have been experiencing a moderation in new accounts. This stems from the sharp recessionary environment that has pushed up home foreclosures. Furthermore, natural gas consumption patterns may decline throughout all service areas as consumers try to cut monthly spending. Still, with over one million active meters, WGL appears to be in good shape to weather this economic storm.

These high-quality shares have provided a bit of a safe haven, as they have held up better than most stocks since our December review. They are also ranked to outperform the broader market in the coming year. What's more, dividend growth is a hallmark here. On the downside, WGL offers minimal appreciation potential for the coming 3 to 5 years, but this is typical for most utilities.

Bryan Fong *March 13, 2009*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late April. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '08: $291.3 million, $5.81/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	75

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ATTACHMENT C

Proven Ratings, Research & Recommendations

Zacks.com Quotes and Research

AMERICAN STS WTR CO (NYSE)

Scottrade

AWR	31.35	▼-0.20	(-0.63%)	Vol. 256,519	16:00 ET

American States is a public utility company engaged principally in thepurchase, production, distribution and sale of water. The company alsodistributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

General Information

AMER STATES WTR
630 East Foothill Boulevard
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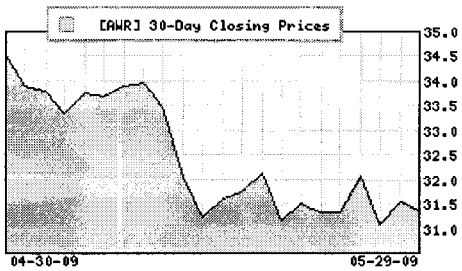
Phone: 909 394-3600
Fax: 909 394-0711
Web: www.gswater.com
Email: investorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	08/06/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	31.55
52 Week High	42.00
52 Week Low	27.00
Beta	0.41
20 Day Moving Average	168,721.91
Target Price Consensus	N/A



% Price Change		% Price Change Relative to S&P 500	
4 Week	-9.21	4 Week	-13.79
12 Week	-0.60	12 Week	-26.19
YTD	-4.94	YTD	-3.29

Share Information		Dividend Information	
Shares Outstanding (millions)	17.32	Dividend Yield	3.19%
		Annual Dividend	$1.00
Market Capitalization (millions)	542.92	Payout Ratio	0.62
Short Ratio	2.55	Change in Payout Ratio	0.00
Last Split Date	06/10/2002	Last Dividend Payout / Amount	05/07/2009 / $0.25

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.44	Current (1=Strong Buy, 5=Strong Sell)	1.67
Current Year EPS Consensus Estimate	1.66	30 Days Ago	2.33
Estimated Long-Term EPS Growth Rate	8.70	60 Days Ago	2.00
Next EPS Report Date	08/06/2009	90 Days Ago	1.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.85	vs. Previous Year	-6.67%	vs. Previous Year	15.47%
Trailing 12 Months:	19.47	vs. Previous Quarter	-30.00%	vs. Previous Quarter:	-5.45%
PEG Ratio	2.17				

Price Ratios		ROE		ROA	
Price/Book	1.74	03/31/09	9.02	03/31/09	2.68

Price/Cash Flow	8.33	12/31/08	9.20	12/31/08	2.80
Price / Sales	1.65	09/30/08	8.97	09/30/08	2.77
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	0.82	03/31/09	0.80	03/31/09	8.51
12/31/08	0.66	12/31/08	0.64	12/31/08	8.91
09/30/08	0.57	09/30/08	0.55	09/30/08	8.91
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	9.75	03/31/09	9.75	03/31/09	18.01
12/31/08	11.10	12/31/08	11.10	12/31/08	17.96
09/30/08	14.27	09/30/08	14.27	09/30/08	18.02
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	52.72	03/31/09	0.98	03/31/09	49.56
12/31/08	54.08	12/31/08	0.86	12/31/08	46.19
09/30/08	59.72	09/30/08	0.86	09/30/08	46.19

Zacks.com Quotes and Research

CALIFORNIA WTR SVC GROUP (NYSE)

Scottrade

CWT	34.82	▲0.38	(1.10%)	Vol. 159,092	16:05 ET

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

General Information

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1720 North First Street
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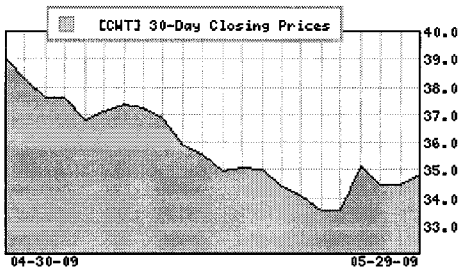
Web: www.calwatergroup.com
Email: klichtenberg@calwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	07/22/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	34.44
52 Week High	48.28
52 Week Low	27.68
Beta	0.55
20 Day Moving Average	168,056.95
Target Price Consensus	N/A



% Price Change		% Price Change Relative to S&P 500	
4 Week	-10.79	4 Week	-15.28
12 Week	-7.96	12 Week	-31.65
YTD	-25.01	YTD	-26.44

Share Information		Dividend Information	
Shares Outstanding (millions)	20.72	Dividend Yield	3.39%
		Annual Dividend	$1.18
Market Capitalization (millions)	721.61	Payout Ratio	0.59
Short Ratio	2.62	Change in Payout Ratio	-0.19
Last Split Date	01/26/1998	Last Dividend Payout / Amount	05/06/2009 / $0.29

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.53	Current (1=Strong Buy, 5=Strong Sell)	2.17
Current Year EPS Consensus Estimate	2.07	30 Days Ago	2.50
Estimated Long-Term EPS Growth Rate	8.00	60 Days Ago	2.57
Next EPS Report Date	07/22/2009	90 Days Ago	2.29

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.81	vs. Previous Year	1,100.00%	vs. Previous Year	18.78%
Trailing 12 Months:	17.32	vs. Previous Quarter	-65.71%	vs. Previous Quarter:	-13.48%
PEG Ratio	2.10				

Price Ratios		ROE		ROA	
Price/Book	1.81	03/31/09	10.58	03/31/09	3.14
Price/Cash Flow	9.02	12/31/08	10.14	12/31/08	3.10
Price / Sales	1.70	09/30/08	9.99	09/30/08	3.14
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	0.56	03/31/09	0.52	03/31/09	9.92
12/31/08	0.65	12/31/08	0.61	12/31/08	9.70
09/30/08	0.57	09/30/08	0.54	09/30/08	9.81
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	15.95	03/31/09	15.95	03/31/09	19.28
12/31/08	15.67	12/31/08	15.67	12/31/08	19.45
09/30/08	-	09/30/08	-	09/30/08	19.37
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	36.94	03/31/09	0.72	03/31/09	41.82
12/31/08	34.10	12/31/08	0.71	12/31/08	41.64
09/30/08	-	09/30/08	0.72	09/30/08	41.83

Zacks.com Quotes and Research

AQUA AMERICA INC (NYSE)

Scottrade

WTR	16.49	▼-0.16	(-0.96%)	Vol. 904,419	16:04 ET

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

General Information

AQUA AMER INC
762 W Lancaster Avenue
Bryn Mawr, PA 19010-3489
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Fax: 610-645-1061
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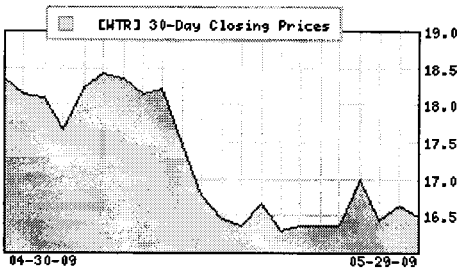
Email: ir.aquaamerica.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	08/05/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	16.65
52 Week High	22.00
52 Week Low	12.20
Beta	0.23
20 Day Moving Average	1,107,139.38
Target Price Consensus	N/A



% Price Change		% Price Change Relative to S&P 500	
4 Week	-10.14	4 Week	-14.67
12 Week	-9.64	12 Week	-32.90
YTD	-19.91	YTD	-19.04

Share Information		Dividend Information	
Shares Outstanding (millions)	135.41	Dividend Yield	3.27%
		Annual Dividend	$0.54
Market Capitalization (millions)	2,232.96	Payout Ratio	0.71
Short Ratio	12.63	Change in Payout Ratio	0.07
Last Split Date	12/02/2005	Last Dividend Payout / Amount	05/14/2009 / $0.14

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.20	Current (1=Strong Buy, 5=Strong Sell)	2.11
Current Year EPS Consensus Estimate	0.83	30 Days Ago	2.38
Estimated Long-Term EPS Growth Rate	8.30	60 Days Ago	2.22
Next EPS Report Date	08/05/2009	90 Days Ago	2.22

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	19.78	vs. Previous Year	27.27%	vs. Previous Year	10.92%
Trailing 12 Months:	21.70	vs. Previous Quarter	-26.32%	vs. Previous Quarter:	-3.35%
PEG Ratio	2.39				

Price Ratios	ROE	ROA

Price/Book	2.10	03/31/09	9.77	03/31/09	2.99
Price/Cash Flow	11.57	12/31/08	9.58	12/31/08	2.93
Price / Sales	3.48	09/30/08	9.70	09/30/08	2.96
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	0.60	03/31/09	0.55	03/31/09	15.87
12/31/08	0.63	12/31/08	0.58	12/31/08	15.62
09/30/08	0.59	09/30/08	0.54	09/30/08	15.77
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	26.37	03/31/09	26.37	03/31/09	7.86
12/31/08	25.92	12/31/08	25.92	12/31/08	7.85
09/30/08	25.94	09/30/08	25.94	09/30/08	7.62
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	31.95	03/31/09	1.15	03/31/09	53.52
12/31/08	24.96	12/31/08	1.18	12/31/08	54.15
09/30/08	6.51	09/30/08	1.18	09/30/08	54.14

Zacks.com Quotes and Research

AGL RESOURCES INC (NYSE)

Scottrade

AGL	28.46	▼-0.16	(-0.56%)	Vol. 229,976	16:02 ET

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

General Information

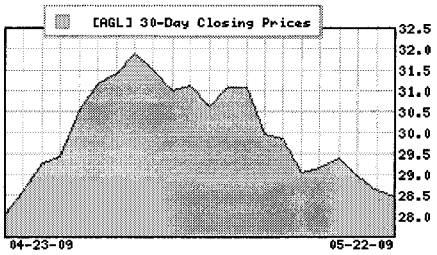
AGL RESOURCES
Ten Peachtree Place NE
Atlanta, GA 30309
Phone: 404 584-4000
Fax: 404 584-3945
Web: www.aglresources.com
Email: scave@aglresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	07/23/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	28.62
52 Week High	36.42
52 Week Low	24.02
Beta	0.43
20 Day Moving Average	453,827.84
Target Price Consensus	33.75



% Price Change		% Price Change Relative to S&P 500	
4 Week	1.50	4 Week	-2.52
12 Week	2.04	12 Week	-13.39
YTD	-9.22	YTD	-5.30

Share Information		Dividend Information	
Shares Outstanding (millions)	77.09	Dividend Yield	6.04%
		Annual Dividend	$1.72
Market Capitalization (millions)	2,193.90	Payout Ratio	0.55
Short Ratio	3.45	Change in Payout Ratio	-0.02
Last Split Date	12/04/1995	Last Dividend Payout / Amount	05/13/2009 / $0.43

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.22	Current (1=Strong Buy, 5=Strong Sell)	2.20
Current Year EPS Consensus Estimate	2.68	30 Days Ago	2.20
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.20
Next EPS Report Date	07/23/2009	90 Days Ago	2.17

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	10.62	vs. Previous Year	33.62%	vs. Previous Year	-1.68%
Trailing 12 Months:	9.18	vs. Previous Quarter	59.79%	vs. Previous Quarter:	23.60%
PEG Ratio	1.99				

Price Ratios		ROE		ROA	
Price/Book	1.24	03/31/09	13.92	03/31/09	3.66

Price/Cash Flow	6.08	12/31/08	12.23	12/31/08	3.20
Price / Sales	0.79	09/30/08	11.74	09/30/08	3.13
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	1.06	03/31/09	0.80	03/31/09	8.53
12/31/08	1.03	12/31/08	0.70	12/31/08	7.41
09/30/08	1.06	09/30/08	0.62	09/30/08	7.44
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	14.84	03/31/09	14.84	03/31/09	22.87
12/31/08	12.46	12/31/08	12.46	12/31/08	21.52
09/30/08	12.43	09/30/08	12.43	09/30/08	22.49
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	3.45	03/31/09	0.95	03/31/09	48.72
12/31/08	3.35	12/31/08	1.01	12/31/08	50.82
09/30/08	2.77	09/30/08	0.97	09/30/08	49.71

Zacks.com Quotes and Research

ATMOS ENERGY CORP (NYSE)

Scottrade

ATO	23.91	-0.15	(-0.62%)	Vol. 290,909	16:03 ET

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

General Information

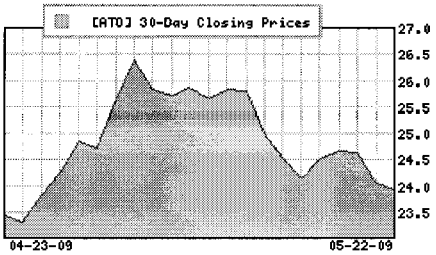
ATMOS ENERGY CP
Three Lincoln Centre 5430 Lbj Freeway
Suite 1800
Dallas, TX 75240
Phone: 972-934-9227
Fax: 972-855-3040
Web: www.atmosenergy.com
Email: InvestorRelations@atmosenergy.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Reported Quarter	03/31/09
Next EPS Date	08/04/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	24.06
52 Week High	28.66
52 Week Low	19.68
Beta	0.52
20 Day Moving Average	664,797.38
Target Price Consensus	28.42



% Price Change		% Price Change Relative to S&P 500	
4 Week	2.05	4 Week	-1.99
12 Week	7.75	12 Week	-8.55
YTD	0.89	YTD	4.16

Share Information		Dividend Information	
Shares Outstanding (millions)	91.91	Dividend Yield	5.52%
		Annual Dividend	$1.32
Market Capitalization (millions)	2,197.66	Payout Ratio	0.63
Short Ratio	2.42	Change in Payout Ratio	-0.03
Last Split Date	05/17/1994	Last Dividend Payout / Amount	02/23/2009 / $0.33

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	-0.10	Current (1=Strong Buy, 5=Strong Sell)	2.57
Current Year EPS Consensus Estimate	2.08	30 Days Ago	2.57
Estimated Long-Term EPS Growth Rate	5.80	60 Days Ago	2.57
Next EPS Report Date	08/04/2009	90 Days Ago	2.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	11.49	vs. Previous Year	7.26%	vs. Previous Year	-26.67%
Trailing 12 Months:	11.33	vs. Previous Quarter	60.24%	vs. Previous Quarter:	6.12%
PEG Ratio	1.97				

Price Ratios		ROE		ROA	
Price/Book	1.01	03/31/09	9.16	03/31/09	2.93
Price/Cash Flow	5.69	12/31/08	8.73	12/31/08	2.81
Price / Sales	0.33	09/30/08	8.67	09/30/08	2.82
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	1.15	03/31/09	0.90	03/31/09	2.91
12/31/08	0.83	12/31/08	0.55	12/31/08	2.51
09/30/08	1.06	09/30/08	0.59	09/30/08	2.50
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	4.61	03/31/09	4.61	03/31/09	23.70
12/31/08	4.05	12/31/08	4.05	12/31/08	22.70
09/30/08	4.05	09/30/08	4.05	09/30/08	22.65
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	11.66	03/31/09	1.00	03/31/09	49.89
12/31/08	12.20	12/31/08	0.83	12/31/08	45.28
09/30/08	11.99	09/30/08	1.03	09/30/08	50.81

Zacks.com Quotes and Research

LACLEDE GROUP INC (NYSE)

Scottrade

LG	29.80	-0.35	(-1.16%)	Vol. 133,326	16:03 ET

The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

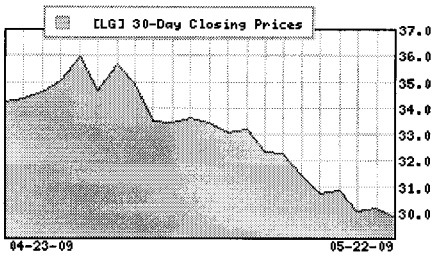
General Information

LACLEDE GRP INC
720 Olive Street
St. Louis, MO 63101
Phone: 314-342-0500
Fax: 314-421-1979
Web: www.thelacledegroup.com
Email: mkullman@lacledegas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/09
Next EPS Date	07/24/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	30.15
52 Week High	55.81
52 Week Low	29.75
Beta	0.09
20 Day Moving Average	208,767.66
Target Price Consensus	40



% Price Change		% Price Change Relative to S&P 500	
4 Week	-12.97	4 Week	-16.41
12 Week	-26.29	12 Week	-37.44
YTD	-36.38	YTD	-31.48

Share Information		Dividend Information	
Shares Outstanding (millions)	22.14	Dividend Yield	5.17%
		Annual Dividend	$1.54
Market Capitalization (millions)	659.62	Payout Ratio	0.50
Short Ratio	3.23	Change in Payout Ratio	-0.15
Last Split Date	03/08/1994	Last Dividend Payout / Amount	03/09/2009 / $0.38

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.34	Current (1=Strong Buy, 5=Strong Sell)	3.25
Current Year EPS Consensus Estimate	2.94	30 Days Ago	3.25
Estimated Long-Term EPS Growth Rate	6.50	60 Days Ago	3.25
Next EPS Report Date	07/24/2009	90 Days Ago	3.25

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	10.14	vs. Previous Year	0.72%	vs. Previous Year	-11.85%
Trailing 12 Months:	9.61	vs. Previous Quarter	-1.41%	vs. Previous Quarter:	-2.25%
PEG Ratio	1.56				

Price Ratios		ROE		ROA	
Price/Book	1.24	03/31/09	13.53	03/31/09	3.89

Price/Cash Flow	6.93	12/31/08	13.74	12/31/08	3.89
Price / Sales	0.29	09/30/08	12.04	09/30/08	3.35
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	1.17	03/31/09	0.95	03/31/09	2.97
12/31/08	1.14	12/31/08	0.74	12/31/08	2.83
09/30/08	1.17	09/30/08	0.69	09/30/08	2.53
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	4.46	03/31/09	4.46	03/31/09	24.11
12/31/08	4.20	12/31/08	4.20	12/31/08	22.98
09/30/08	3.79	09/30/08	3.79	09/30/08	22.14
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	11.31	03/31/09	0.73	03/31/09	42.17
12/31/08	12.61	12/31/08	0.77	12/31/08	43.33
09/30/08	13.28	09/30/08	0.80	09/30/08	44.42

Zacks.com Quotes and Research

NEW JERSEY RES (NYSE)

Scottrade

NJR	32.33	-0.06	(-0.19%)	Vol. 218,797	16:00 ET

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

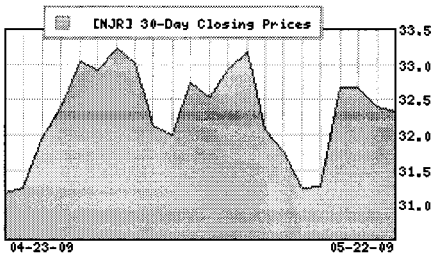
General Information

NJ RESOURCES
1415 Wyckoff Road
Wall, NJ 07719
Phone: 732-938-1489
Fax: 732 938-3154
Web: www.njresources.com
Email: investcont@njresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/09
Next EPS Date	07/22/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	32.39
52 Week High	42.37
52 Week Low	21.90
Beta	0.16
20 Day Moving Average	536,252.06
Target Price Consensus	43



% Price Change		% Price Change Relative to S&P 500	
4 Week	3.75	4 Week	-0.35
12 Week	-8.98	12 Week	-22.75
YTD	-17.84	YTD	-18.78

Share Information		Dividend Information	
Shares Outstanding (millions)	42.32	Dividend Yield	3.84%
		Annual Dividend	$1.24
Market Capitalization (millions)	1,368.17	Payout Ratio	0.63
Short Ratio	3.34	Change in Payout Ratio	0.12
Last Split Date	03/04/2008	Last Dividend Payout / Amount	03/11/2009 / $0.31

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.02	Current (1=Strong Buy, 5=Strong Sell)	1.67
Current Year EPS Consensus Estimate	2.39	30 Days Ago	1.67
Estimated Long-Term EPS Growth Rate	8.00	60 Days Ago	1.67
Next EPS Report Date	07/22/2009	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.53	vs. Previous Year	-8.60%	vs. Previous Year	-20.38%
Trailing 12 Months:	16.41	vs. Previous Quarter	123.68%	vs. Previous Quarter:	17.00%
PEG Ratio	1.69				

Price Ratios		ROE		ROA	
Price/Book	1.81	03/31/09	11.73	03/31/09	3.25
Price/Cash Flow	10.20	12/31/08	12.89	12/31/08	3.48
Price / Sales	0.38	09/30/08	13.77	09/30/08	3.74
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	1.17	03/31/09	1.07	03/31/09	2.37
12/31/08	1.17	12/31/08	0.76	12/31/08	2.36
09/30/08	1.24	09/30/08	0.70	09/30/08	2.46
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	5.26	03/31/09	5.26	03/31/09	17.90
12/31/08	3.89	12/31/08	3.89	12/31/08	17.49
09/30/08	4.72	09/30/08	4.72	09/30/08	17.29
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	10.09	03/31/09	0.61	03/31/09	37.74
12/31/08	9.51	12/31/08	0.63	12/31/08	38.48
09/30/08	9.16	09/30/08	0.63	09/30/08	38.50

Zacks.com Quotes and Research

NICOR INC (NYSE)

Scottrade

GAS	30.90	▼-0.18	(-0.58%)	Vol. 288,557	16:01 ET

Nicor Inc. is a holding company and is a member of the Standard & Poor's 500 Index. Its primary business is Nicor Gas, one of the nation's largest natural gas distribution companies. Nicor owns Tropical Shipping, a containerized shipping business serving the Caribbean region and the Bahamas. In addition, the company owns and has an equity interest in several energy-related businesses.

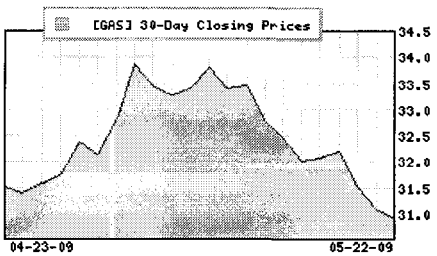
General Information

NICOR INC
1844 Ferry Road
Naperville, IL 60563-9600
Phone: 630-305-9500
Fax: 630-983-9328
Web: www.nicor.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	08/10/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	31.08
52 Week High	51.99
52 Week Low	27.50
Beta	0.36
20 Day Moving Average	519,217.91
Target Price Consensus	40.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.94	4 Week	-5.81
12 Week	-2.43	12 Week	-17.19
YTD	-11.05	YTD	-5.73

Share Information		Dividend Information	
Shares Outstanding (millions)	45.20	Dividend Yield	6.02%
		Annual Dividend	$1.86
Market Capitalization (millions)	1,396.80	Payout Ratio	0.69
Short Ratio	4.13	Change in Payout Ratio	-0.05
Last Split Date	04/27/1993	Last Dividend Payout / Amount	03/27/2009 / $0.47

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.42	Current (1=Strong Buy, 5=Strong Sell)	3.40
Current Year EPS Consensus Estimate	2.55	30 Days Ago	3.40
Estimated Long-Term EPS Growth Rate	5.90	60 Days Ago	3.40
Next EPS Report Date	08/10/2009	90 Days Ago	3.40

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	12.12	vs. Previous Year	5.49%	vs. Previous Year	-30.39%
Trailing 12 Months:	11.53	vs. Previous Quarter	-8.57%	vs. Previous Quarter:	6.73%
PEG Ratio	2.05				

Price Ratios		ROE		ROA	
Price/Book	1.39	03/31/09	12.46	03/31/09	2.67

Price/Cash Flow	4.51	12/31/08	12.31	12/31/08	2.62
Price / Sales	0.42	09/30/08	13.19	09/30/08	2.87
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	0.78	03/31/09	0.77	03/31/09	3.70
12/31/08	0.80	12/31/08	0.68	12/31/08	3.16
09/30/08	0.76	09/30/08	0.56	09/30/08	3.48
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	5.21	03/31/09	5.21	03/31/09	22.16
12/31/08	4.34	12/31/08	4.34	12/31/08	21.53
09/30/08	4.80	09/30/08	4.80	09/30/08	21.15
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	15.05	03/31/09	0.45	03/31/09	30.91
12/31/08	18.16	12/31/08	0.46	12/31/08	31.52
09/30/08	23.38	09/30/08	0.47	09/30/08	31.92

Zacks.com Quotes and Research

NORTHWEST NAT GAS CO (NYSE)

Scottrade

NWN	39.90	-0.13	(-0.32%)	Vol. 173,466	16:03 ET

NW Natural is principally engaged in the distribution of natural gas.The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

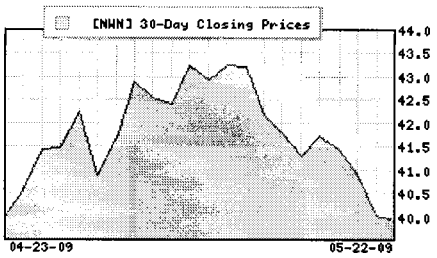
General Information

NORTHWEST NAT G
220 NW Second Avenue
Portland, OR 97209
Phone: 503 226-4211
Fax: 503 273-4824
Web: www.nwnatural.com
Email: Bob.Hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	07/17/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	40.03
52 Week High	55.44
52 Week Low	36.61
Beta	0.29
20 Day Moving Average	170,996.70
Target Price Consensus	51.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	-0.23	4 Week	-4.17
12 Week	-3.20	12 Week	-17.84
YTD	-9.79	YTD	-4.47

Share Information		Dividend Information	
Shares Outstanding (millions)	26.50	Dividend Yield	3.96%
		Annual Dividend	$1.58
Market Capitalization (millions)	1,057.39	Payout Ratio	0.57
Short Ratio	7.62	Change in Payout Ratio	-0.05
Last Split Date	09/09/1996	Last Dividend Payout / Amount	04/28/2009 / $0.40

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.17	Current (1=Strong Buy, 5=Strong Sell)	2.00
Current Year EPS Consensus Estimate	2.77	30 Days Ago	2.00
Estimated Long-Term EPS Growth Rate	6.80	60 Days Ago	2.00
Next EPS Report Date	07/17/2009	90 Days Ago	2.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.39	vs. Previous Year	9.82%	vs. Previous Year	12.81%
Trailing 12 Months:	14.35	vs. Previous Quarter	43.20%	vs. Previous Quarter:	25.24%
PEG Ratio	2.13				

Price Ratios	ROE	ROA

Price/Book	1.59	03/31/09	11.69	03/31/09	3.37
Price/Cash Flow	7.44	12/31/08	11.18	12/31/08	3.31
Price / Sales	0.97	09/30/08	10.77	09/30/08	3.29
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	1.03	03/31/09	0.80	03/31/09	6.78
12/31/08	0.87	12/31/08	0.70	12/31/08	6.70
09/30/08	0.69	09/30/08	0.44	09/30/08	6.47
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	10.81	03/31/09	10.81	03/31/09	25.05
12/31/08	10.62	12/31/08	10.62	12/31/08	23.77
09/30/08	10.30	09/30/08	10.30	09/30/08	22.88
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	10.10	03/31/09	0.88	03/31/09	46.93
12/31/08	11.16	12/31/08	0.81	12/31/08	44.90
09/30/08	10.09	09/30/08	0.85	09/30/08	45.84

Proven Ratings, Research & Recommendations

Zacks.com Quotes and Research

PIEDMONT NAT GAS INC (NYSE)

Scottrade

PNY	21.81	▼-0.28	(-1.27%)	Vol. 335,349	16:02 ET

Piedmont Natural Gas Co, Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

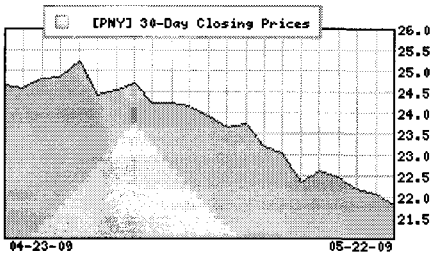
General Information

PIEDMONT NAT GA
4720 Piedmont Row Drive
Charlotte, NC 28210
Phone: 704 364-3120
Fax: 704-365-3849
Web: www.piedmontng.com
Email: investorrelations@piedmontng.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	October
Last Reported Quarter	04/30/09
Next EPS Date	06/08/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	22.09
52 Week High	35.29
52 Week Low	20.52
Beta	0.25
20 Day Moving Average	463,561.66
Target Price Consensus	28.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	-11.52	4 Week	-15.02
12 Week	-10.36	12 Week	-23.92
YTD	-31.13	YTD	-27.83

Share Information		Dividend Information	
Shares Outstanding (millions)	73.48	Dividend Yield	4.95%
		Annual Dividend	$1.08
Market Capitalization (millions)	1,602.69	Payout Ratio	0.00
Short Ratio	9.00	Change in Payout Ratio	0.00
Last Split Date	11/01/2004	Last Dividend Payout / Amount	03/23/2009 / $0.27

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.66	Current (1=Strong Buy, 5=Strong Sell)	2.67
Current Year EPS Consensus Estimate	1.53	30 Days Ago	2.67
Estimated Long-Term EPS Growth Rate	6.50	60 Days Ago	2.67
Next EPS Report Date	06/08/2009	90 Days Ago	2.67

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.22	vs. Previous Year	-1.79%	vs. Previous Year	-1.12%
Trailing 12 Months:	13.89	vs. Previous Quarter	-%	vs. Previous Quarter:	150.08%
PEG Ratio	2.19				

Price Ratios		ROE		ROA	
Price/Book	1.68	04/30/09	-	04/30/09	-
Price/Cash Flow	7.71	01/31/09	11.70	01/31/09	3.55
Price / Sales	-	10/31/08	11.95	10/31/08	3.67
Current Ratio		**Quick Ratio**		**Operating Margin**	
04/30/09	-	04/30/09	-	04/30/09	-
01/31/09	0.99	01/31/09	0.76	01/31/09	5.22
10/31/08	0.88	10/31/08	0.59	10/31/08	5.27
Net Margin		**Pre-Tax Margin**		**Book Value**	
04/30/09	-	04/30/09	-	04/30/09	-
01/31/09	8.66	01/31/09	8.66	01/31/09	12.98
10/31/08	8.78	10/31/08	8.78	10/31/08	12.11
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
04/30/09	-	04/30/09	-	04/30/09	-
01/31/09	10.50	01/31/09	0.83	01/31/09	45.46
10/31/08	11.18	10/31/08	0.90	10/31/08	47.24

Zacks.com Quotes and Research

SOUTH JERSEY INDS INC (NYSE)

Scottrade

SJI	33.20	-0.29	(-0.87%)	Vol. 177,091	16:03 ET

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

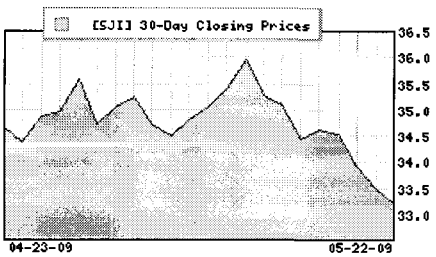
General Information

SOUTH JERSEY IN
1 South Jersey Plaza
Folsom, NJ 08037
Phone: 609 561-9000
Fax: 609 561-8225
Web: www.sjindustries.com
Email: investorrelations@sjindustries.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	08/06/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	33.49
52 Week High	40.78
52 Week Low	25.19
Beta	0.26
20 Day Moving Average	229,042.00
Target Price Consensus	41.4



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.16	4 Week	-7.95
12 Week	-6.14	12 Week	-20.33
YTD	-16.69	YTD	-11.56

Share Information		Dividend Information	
Shares Outstanding (millions)	29.74	Dividend Yield	3.58%
		Annual Dividend	$1.19
Market Capitalization (millions)	987.30	Payout Ratio	0.49
Short Ratio	5.48	Change in Payout Ratio	0.00
Last Split Date	07/01/2005	Last Dividend Payout / Amount	03/06/2009 / $0.30

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.27	Current (1=Strong Buy, 5=Strong Sell)	2.50
Current Year EPS Consensus Estimate	2.43	30 Days Ago	2.50
Estimated Long-Term EPS Growth Rate	8.40	60 Days Ago	2.67
Next EPS Report Date	08/06/2009	90 Days Ago	2.67

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.64	vs. Previous Year	10.61%	vs. Previous Year	4.06%
Trailing 12 Months:	13.66	vs. Previous Quarter	117.91%	vs. Previous Quarter:	35.30%
PEG Ratio	1.62				

Price Ratios	ROE	ROA

Price/Book	1.82	03/31/09	14.14	03/31/09	4.30
Price/Cash Flow	9.55	12/31/08	13.56	12/31/08	4.16
Price / Sales	1.01	09/30/08	13.53	09/30/08	4.25
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	0.93	03/31/09	0.74	03/31/09	7.43
12/31/08	0.87	12/31/08	0.52	12/31/08	7.07
09/30/08	0.94	09/30/08	0.45	09/30/08	6.99
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	14.51	03/31/09	14.51	03/31/09	18.20
12/31/08	13.40	12/31/08	13.40	12/31/08	17.33
09/30/08	12.52	09/30/08	12.52	09/30/08	17.32
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	5.73	03/31/09	0.61	03/31/09	38.07
12/31/08	6.46	12/31/08	0.65	12/31/08	39.33
09/30/08	6.67	09/30/08	0.69	09/30/08	41.08

Zacks.com Quotes and Research

SOUTHWEST GAS CORP (NYSE)

Scottrade

SWX	19.68	▲0.09	(0.46%)	Vol. 320,937	16:02 ET

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing,transporting, and distributing natural gas in portions of Arizona, Nevada,and California. The Company also engaged in financial services activities,through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

General Information

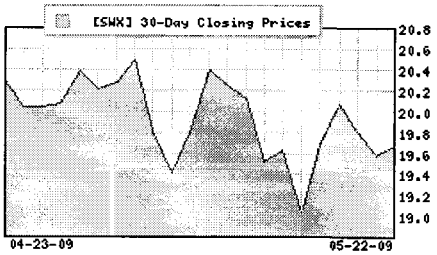
SOUTHWEST GAS
5241 Spring Mountain Road
P.O. Box 98510
Las Vegas, NV 89193-8510
Phone: 702 876-7237
Fax: 702-876-7037
Web: www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	03/31/09
Next EPS Date	08/05/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	19.59
52 Week High	33.29
52 Week Low	17.08
Beta	0.69
20 Day Moving Average	419,823.44
Target Price Consensus	28



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.01	4 Week	-6.84
12 Week	-5.88	12 Week	-20.12
YTD	-21.97	YTD	-22.80

Share Information		Dividend Information	
Shares Outstanding (millions)	44.58	Dividend Yield	4.83%
		Annual Dividend	$0.95
Market Capitalization (millions)	877.30	Payout Ratio	0.65
Short Ratio	2.23	Change in Payout Ratio	0.12
Last Split Date	N/A	Last Dividend Payout / Amount	05/13/2009 / $0.24

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	-0.05	Current (1=Strong Buy, 5=Strong Sell)	2.60
Current Year EPS Consensus Estimate	1.84	30 Days Ago	2.60
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	2.60
Next EPS Report Date	08/05/2009	90 Days Ago	2.60

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	10.71	vs. Previous Year	-1.75%	vs. Previous Year	-15.21%
Trailing 12 Months:	14.16	vs. Previous Quarter	57.75%	vs. Previous Quarter:	35.42%
PEG Ratio	1.79				

Price Ratios		ROE		ROA	
Price/Book	0.81	03/31/09	5.45	03/31/09	1.56

Price/Cash Flow	3.34	12/31/08	5.93	12/31/08	1.69
Price / Sales	0.43	09/30/08	7.18	09/30/08	2.04
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	0.82	03/31/09	0.82	03/31/09	2.81
12/31/08	0.86	12/31/08	0.86	12/31/08	2.84
09/30/08	0.75	09/30/08	0.75	09/30/08	3.32
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	5.09	03/31/09	5.09	03/31/09	24.40
12/31/08	4.75	12/31/08	4.75	12/31/08	23.63
09/30/08	5.37	09/30/08	5.37	09/30/08	23.22
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	-	03/31/09	1.05	03/31/09	51.33
12/31/08	-	12/31/08	1.24	12/31/08	55.33
09/30/08	-	09/30/08	1.20	09/30/08	52.20

Zacks.com Quotes and Research

WGL HLDGS INC (NYSE)

Scottrade

WGL	28.83	-0.25	(-0.86%)	Vol. 294,657	16:02 ET

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

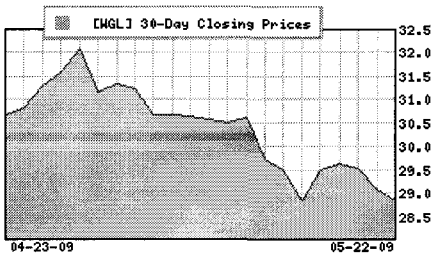
General Information

WGL HLDGS INC
101 Constitution Avenue NW
Washington, DC 20080
Phone: 703 750-2000
Fax: 703 750-4828
Web: www.wglholdings.com
Email: madams@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/09
Next EPS Date	08/10/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	29.08
52 Week High	37.08
52 Week Low	22.40
Beta	0.24
20 Day Moving Average	463,851.84
Target Price Consensus	34.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	-6.00	4 Week	-9.72
12 Week	-5.26	12 Week	-19.59
YTD	-11.81	YTD	-9.80

Share Information		Dividend Information	
Shares Outstanding (millions)	50.12	Dividend Yield	5.10%
		Annual Dividend	$1.47
Market Capitalization (millions)	1,445.07	Payout Ratio	0.56
Short Ratio	6.94	Change in Payout Ratio	-0.11
Last Split Date	05/02/1995	Last Dividend Payout / Amount	04/07/2009 / $0.37

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.03	Current (1=Strong Buy, 5=Strong Sell)	2.50
Current Year EPS Consensus Estimate	2.45	30 Days Ago	2.50
Estimated Long-Term EPS Growth Rate	6.70	60 Days Ago	2.50
Next EPS Report Date	08/10/2009	90 Days Ago	2.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	11.79	vs. Previous Year	-0.60%	vs. Previous Year	2.04%
Trailing 12 Months:	11.44	vs. Previous Quarter	60.19%	vs. Previous Quarter:	26.71%
PEG Ratio	1.77				

Price Ratios	ROE	ROA

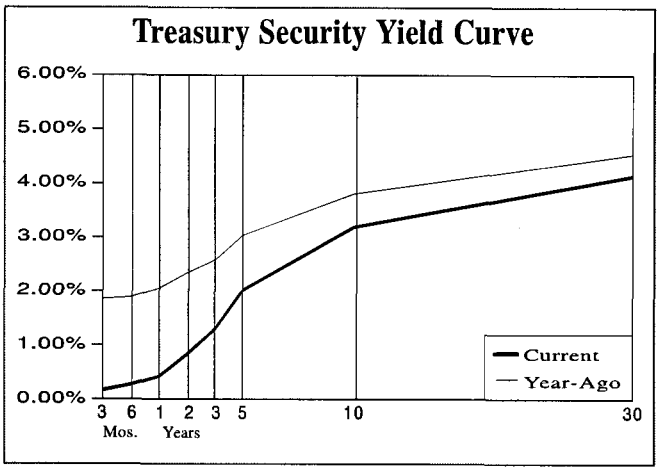
Price/Book	1.26	03/31/09	11.60	03/31/09	3.75
Price/Cash Flow	6.69	12/31/08	11.76	12/31/08	3.79
Price / Sales	0.58	09/30/08	11.60	09/30/08	3.72
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/09	1.20	03/31/09	1.04	03/31/09	5.08
12/31/08	1.06	12/31/08	0.70	12/31/08	5.11
09/30/08	0.99	09/30/08	0.42	09/30/08	5.09
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/09	7.58	03/31/09	7.58	03/31/09	22.89
12/31/08	8.04	12/31/08	8.04	12/31/08	21.79
09/30/08	7.08	09/30/08	7.08	09/30/08	20.99
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/09	8.22	03/31/09	0.57	03/31/09	35.81
12/31/08	7.91	12/31/08	0.60	12/31/08	37.05
09/30/08	8.11	09/30/08	0.58	09/30/08	35.95

ATTACHMENT D

Selected Yields

	Recent (5/20/09)	3 Months Ago (2/18/09)	Year Ago (5/21/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.25
Federal Funds	0.00-0.25	0.00-0.25	2.00
Prime Rate	3.25	3.25	5.00
30-day CP (A1/P1)	0.26	0.52	2.55
3-month LIBOR	0.72	1.25	2.64
Bank CDs			
6-month	0.72	0.87	1.77
1-year	0.97	1.20	2.05
5-year	1.92	2.14	3.17
U.S. Treasury Securities			
3-month	0.17	0.30	1.86
6-month	0.27	0.48	1.89
1-year	0.42	0.63	2.05
5-year	2.03	1.80	3.04
10-year	3.19	2.76	3.81
10-year (inflation-protected)	1.51	1.61	1.16
30-year	4.14	3.55	4.54
30-year Zero	4.26	3.43	4.64

	Recent (5/20/09)	3 Months Ago (2/18/09)	Year Ago (5/21/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.02	4.05	4.98
FHLMC 6.5% (Gold)	2.27	3.92	5.11
FNMA 6.5%	2.03	3.78	4.89
FNMA ARM	2.78	3.90	4.41
Corporate Bonds			
Financial (10-year) A	6.66	8.33	5.54
Industrial (25/30-year) A	6.21	6.14	6.03
Utility (25/30-year) A	6.01	5.74	6.04
Utility (25/30-year) Baa/BBB	7.59	7.07	6.36
Foreign Bonds (10-Year)			
Canada	3.14	2.86	3.58
Germany	3.43	2.99	4.27
Japan	1.43	1.26	1.62
United Kingdom	3.58	3.39	4.88
Preferred Stocks			
Utility A	6.09	6.03	6.31
Financial A	8.37	13.57	6.73
Financial Adjustable A	5.52	5.52	5.52
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.61	4.89	4.53
25-Bond Index (Revs)	5.53	5.67	4.98
General Obligation Bonds (GOs)			
1-year Aaa	0.43	0.55	1.80
1-year A	1.16	0.65	1.90
5-year Aaa	1.82	1.85	2.92
5-year A	3.25	2.15	3.02
10-year Aaa	2.81	2.90	3.56
10-year A	4.35	3.40	3.76
25/30-year Aaa	4.40	4.72	4.45
25/30-year A	5.92	5.72	4.65
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.97	5.80	4.75
Electric AA	6.02	5.90	4.80
Housing AA	6.32	6.15	5.00
Hospital AA	6.27	6.10	5.05
Toll Road Aaa	6.07	5.95	4.80



Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Seasonally Adjusted)

	Recent Levels 5/6/09	4/22/09	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	777464	862393	-84929	731759	706418	385094
Borrowed Reserves	507911	565360	-57449	579211	611473	433308
Net Free/Borrowed Reserves	269553	297033	-27480	152548	94946	-48213

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels 5/4/09	4/27/09	Change	Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1608.2	1576.7	31.5	10.0%	11.2%	16.6%
M2 (M1+savings+small time deposits)	8303.9	8285.0	18.9	4.2%	10.4%	9.1%

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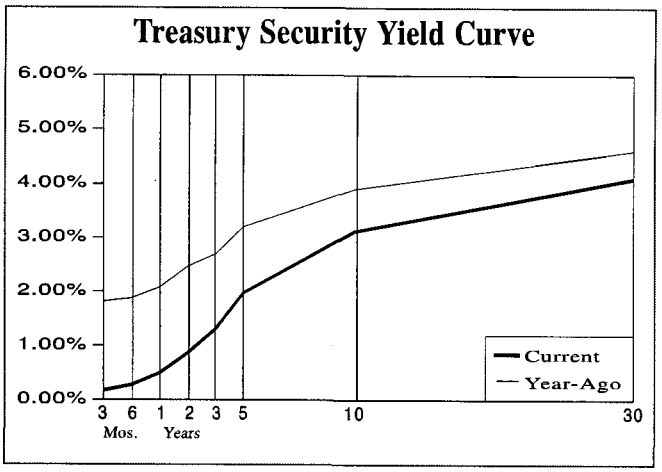
Selected Yields

	Recent (5/13/09)	3 Months Ago (2/11/09)	Year Ago (5/14/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.25
Federal Funds	0.00-0.25	0.00-0.25	2.00
Prime Rate	3.25	3.25	5.00
30-day CP (A1/P1)	0.32	0.48	2.70
3-month LIBOR	0.88	1.23	2.72
Bank CDs			
6-month	0.73	0.89	1.77
1-year	0.98	1.08	2.05
5-year	1.93	2.37	3.16
U.S. Treasury Securities			
3-month	0.17	0.30	1.82
6-month	0.28	0.45	1.88
1-year	0.50	0.60	2.08
5-year	1.98	1.75	3.20
10-year	3.12	2.75	3.91
10-year (inflation-protected)	1.64	1.60	1.35
30-year	4.10	3.44	4.61
30-year Zero	4.18	3.31	4.71



	Recent (5/13/09)	3 Months Ago (2/11/09)	Year Ago (5/14/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.09	4.02	5.04
FHLMC 6.5% (Gold)	2.38	3.62	5.16
FNMA 6.5%	2.20	3.63	4.90
FNMA ARM	2.78	3.89	4.41
Corporate Bonds			
Financial (10-year) A	6.94	8.09	5.68
Industrial (25/30-year) A	6.19	5.94	6.06
Utility (25/30-year) A	6.01	5.60	6.10
Utility (25/30-year) Baa/BBB	7.57	7.00	6.41
Foreign Bonds (10-Year)			
Canada	3.10	2.94	3.60
Germany	3.34	3.19	4.17
Japan	1.46	1.31	1.68
United Kingdom	3.52	3.61	4.82
Preferred Stocks			
Utility A	6.35	6.01	6.28
Financial A	8.65	11.01	6.75
Financial Adjustable A	5.51	5.51	5.51
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.63	4.96	4.62
25-Bond Index (Revs)	5.57	5.74	5.07
General Obligation Bonds (GOs)			
1-year Aaa	0.43	0.55	1.83
1-year A	1.16	0.65	1.93
5-year Aaa	1.82	1.76	2.97
5-year A	3.24	2.02	3.07
10-year Aaa	2.86	2.84	3.62
10-year A	4.41	3.34	3.83
25/30-year Aaa	4.43	4.71	4.55
25/30-year A	5.91	5.75	4.75
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.96	5.75	4.80
Electric AA	6.06	5.80	4.85
Housing AA	6.36	6.10	5.00
Hospital AA	6.31	6.15	5.05
Toll Road Aaa	6.11	5.85	4.85

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	5/6/09	4/22/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	777464	862387	-84923	731758	706418	385094
Borrowed Reserves	507911	565360	-57449	579211	611473	433308
Net Free/Borrowed Reserves	269553	297027	-27474	152547	94945	-48214

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	4/27/09	4/20/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1576.9	1559.4	17.5	7.3%	12.8%	14.2%
M2 (M1+savings+small time deposits)	8285.2	8243.6	41.6	1.9%	9.5%	8.8%

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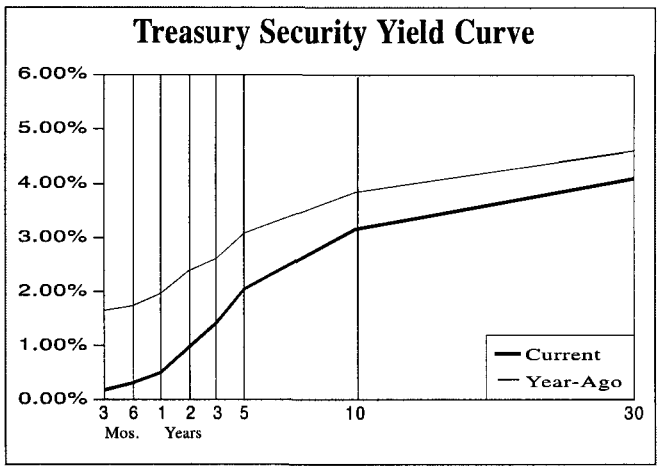
Selected Yields

	Recent (5/06/09)	3 Months Ago (2/04/09)	Year Ago (5/07/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.25
Federal Funds	0.00-0.25	0.00-0.25	2.00
Prime Rate	3.25	3.25	5.00
30-day CP (A1/P1)	0.40	0.55	2.56
3-month LIBOR	0.97	1.24	2.73
Bank CDs			
6-month	0.79	0.87	1.72
1-year	0.98	1.29	1.99
5-year	1.93	2.41	3.05
U.S. Treasury Securities			
3-month	0.18	0.29	1.66
6-month	0.31	0.40	1.74
1-year	0.50	0.49	1.96
5-year	2.05	1.94	3.08
10-year	3.16	2.94	3.85
10-year (inflation-protected)	1.69	1.78	1.37
30-year	4.10	3.68	4.61
30-year Zero	4.14	3.55	4.68

	Recent (5/06/09)	3 Months Ago (2/04/09)	Year Ago (5/07/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.37	4.28	4.86
FHLMC 6.5% (Gold)	2.91	4.17	5.10
FNMA 6.5%	2.71	4.14	4.84
FNMA ARM	2.78	3.89	4.40
Corporate Bonds			
Financial (10-year) A	7.19	8.03	5.74
Industrial (25/30-year) A	6.31	6.15	6.03
Utility (25/30-year) A	6.10	6.00	6.11
Utility (25/30-year) Baa/BBB	7.54	7.27	6.39
Foreign Bonds (10-Year)			
Canada	3.07	3.12	3.67
Germany	3.24	3.36	4.18
Japan	1.41	1.36	1.67
United Kingdom	3.61	3.77	4.71
Preferred Stocks			
Utility A	6.00	6.02	6.24
Financial A	8.19	10.79	6.73
Financial Adjustable A	5.51	5.51	5.51



	Recent (5/06/09)	3 Months Ago (2/04/09)	Year Ago (5/07/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.70	5.16	4.63
25-Bond Index (Revs)	5.57	5.89	5.07
General Obligation Bonds (GOs)			
1-year Aaa	0.43	0.55	1.83
1-year A	1.16	0.65	1.93
5-year Aaa	1.84	1.79	3.03
5-year A	3.25	2.09	3.13
10-year Aaa	2.91	2.90	3.70
10-year A	4.45	3.40	3.90
25/30-year Aaa	4.53	4.82	4.62
25/30-year A	6.05	5.82	4.82
Revenue Bonds (Revs) (25/30-Year)			
Education AA	6.10	5.90	4.90
Electric AA	6.15	6.00	4.95
Housing AA	6.45	6.25	5.05
Hospital AA	6.40	6.20	5.10
Toll Road Aaa	6.20	6.05	4.95

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/22/09	4/8/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	862387	804790	57597	733984	671007	356363
Borrowed Reserves	565360	595938	-30578	587381	624561	419423
Net Free/Borrowed Reserves	297027	208852	88175	146604	46446	-63060

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	4/20/09	4/13/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1559.4	1576.3	-16.9	2.3%	13.7%	13.1%
M2 (M1+savings+small time deposits)	8244.9	8249.3	-4.4	1.0%	7.9%	8.1%

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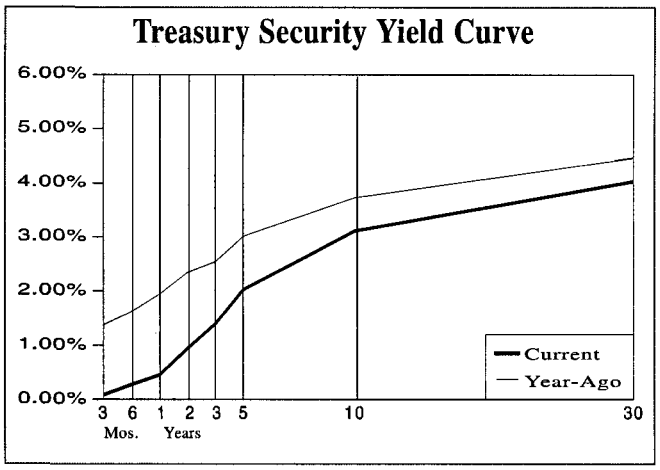
Selected Yields

	Recent (4/29/09)	3 Months Ago (1/28/09)	Year Ago (4/30/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.25
Federal Funds	0.00-0.25	0.00-0.25	2.00
Prime Rate	3.25	3.25	5.00
30-day CP (A1/P1)	0.40	0.45	2.60
3-month LIBOR	1.03	1.17	2.85
Bank CDs			
6-month	0.79	0.88	1.75
1-year	0.98	1.25	1.77
5-year	1.93	2.39	2.96
U.S. Treasury Securities			
3-month	0.09	0.18	1.38
6-month	0.28	0.33	1.62
1-year	0.46	0.47	1.94
5-year	2.03	1.69	3.01
10-year	3.11	2.67	3.73
10-year (inflation-protected)	1.57	1.78	1.35
30-year	4.03	3.42	4.47
30-year Zero	4.05	3.29	4.54

	Recent (4/29/09)	3 Months Ago (1/28/09)	Year Ago (4/30/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.30	3.90	5.02
FHLMC 6.5% (Gold)	2.61	3.50	5.21
FNMA 6.5%	2.45	3.50	4.93
FNMA ARM	3.15	4.27	4.40
Corporate Bonds			
Financial (10-year) A	7.84	7.96	5.91
Industrial (25/30-year) A	6.41	6.18	6.00
Utility (25/30-year) A	6.33	6.10	6.12
Utility (25/30-year) Baa/BBB	7.58	7.04	6.31
Foreign Bonds (10-Year)			
Canada	3.08	2.96	3.59
Germany	3.13	3.23	4.12
Japan	1.42	1.27	1.59
United Kingdom	3.46	3.64	4.67
Preferred Stocks			
Utility A	7.53	5.98	6.19
Financial A	8.96	8.89	6.65
Financial Adjustable A	5.50	5.50	5.50



	Recent (4/29/09)	3 Months Ago (1/28/09)	Year Ago (4/30/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.57	5.13	4.68
25-Bond Index (Revs)	5.49	5.82	5.01
General Obligation Bonds (GOs)			
1-year Aaa	0.54	0.55	1.80
1-year A	1.04	0.65	1.90
5-year Aaa	1.80	1.84	3.00
5-year A	2.23	2.14	3.10
10-year Aaa	3.19	3.00	3.69
10-year A	3.55	3.50	3.90
25/30-year Aaa	4.67	5.05	4.61
25/30-year A	5.11	6.05	4.81
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.80	6.05	4.90
Electric AA	5.90	6.10	4.95
Housing AA	6.20	6.40	5.05
Hospital AA	6.15	6.45	5.10
Toll Road Aaa	5.95	6.15	4.95

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/22/09	4/8/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	862392	804794	57598	733986	671008	356363
Borrowed Reserves	565360	595938	-30578	587381	624561	419423
Net Free/Borrowed Reserves	297032	208856	88176	146606	46447	-63060

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	4/13/09	4/6/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1576.3	1644.4	-68.1	-6.3%	15.4%	14.8%
M2 (M1+savings+small time deposits)	8249.3	8247.7	1.6	3.0%	9.3%	8.3%

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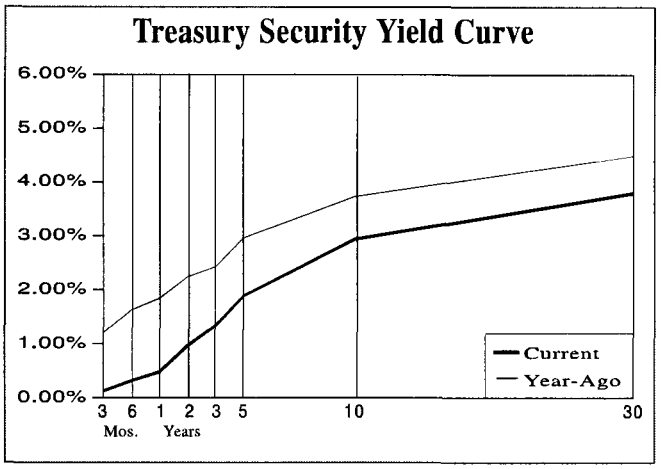
Selected Yields

	Recent (4/22/09)	3 Months Ago (1/21/09)	Year Ago (4/23/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.50
Federal Funds	0.00-0.25	0.00-0.25	2.25
Prime Rate	3.25	3.25	5.25
30-day CP (A1/P1)	0.37	0.55	2.78
3-month LIBOR	1.10	1.13	2.92
Bank CDs			
6-month	0.80	1.03	1.75
1-year	0.99	1.34	1.78
5-year	1.93	2.38	2.95
U.S. Treasury Securities			
3-month	0.13	0.11	1.21
6-month	0.32	0.29	1.63
1-year	0.48	0.43	1.84
5-year	1.89	1.61	2.96
10-year	2.94	2.54	3.73
10-year (inflation-protected)	1.59	1.95	1.29
30-year	3.80	3.16	4.49
30-year Zero	3.79	2.94	4.60

	Recent (4/22/09)	3 Months Ago (1/21/09)	Year Ago (4/23/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.32	3.78	5.11
FHLMC 6.5% (Gold)	2.72	3.53	5.12
FNMA 6.5%	2.58	3.47	4.94
FNMA ARM	3.15	4.25	4.67
Corporate Bonds			
Financial (10-year) A	7.71	7.97	6.03
Industrial (25/30-year) A	6.31	6.05	6.10
Utility (25/30-year) A	6.19	6.03	6.15
Utility (25/30-year) Baa/BBB	7.41	6.66	6.27
Foreign Bonds (10-Year)			
Canada	2.94	2.73	3.67
Germany	3.21	3.00	4.15
Japan	1.44	1.23	1.46
United Kingdom	3.45	3.44	4.67
Preferred Stocks			
Utility A	6.31	6.05	6.03
Financial A	8.98	8.58	6.79
Financial Adjustable A	5.50	5.49	5.50



	Recent (4/22/09)	3 Months Ago (1/21/09)	Year Ago (4/23/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.78	4.80	4.61
25-Bond Index (Revs)	5.63	5.72	5.04
General Obligation Bonds (GOs)			
1-year Aaa	0.43	0.48	1.55
1-year A	1.16	0.58	1.65
5-year Aaa	1.73	1.71	2.85
5-year A	3.15	2.00	2.95
10-year Aaa	2.88	2.82	3.54
10-year A	4.43	3.32	3.75
25/30-year Aaa	4.44	4.76	4.53
25/30-year A	5.95	5.76	4.73
Revenue Bonds (Revs) (25/30-Year)			
Education AA	6.00	5.80	4.80
Electric AA	6.10	5.90	4.85
Housing AA	6.40	6.15	4.95
Hospital AA	6.35	6.10	5.00
Toll Road Aaa	6.15	5.95	4.85

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/8/09	3/25/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	804800	771271	33529	731287	619127	324505
Borrowed Reserves	595938	604849	-8911	586952	622967	403815
Net Free/Borrowed Reserves	208862	166422	42440	144335	-3841	-79310

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	4/6/09	3/30/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1641.2	1551.3	89.9	1.0%	26.6%	20.5%
M2 (M1+savings+small time deposits)	8244.7	8308.2	-63.5	3.3%	10.4%	8.2%

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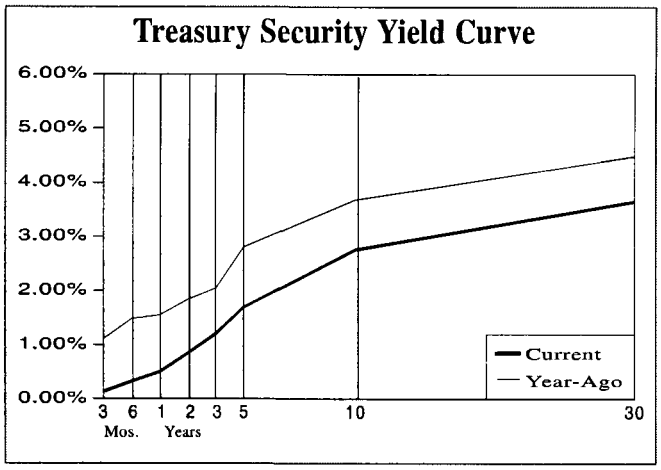
Selected Yields

	Recent (4/15/09)	3 Months Ago (1/14/09)	Year Ago (4/16/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.50
Federal Funds	0.00-0.25	0.00-0.25	2.25
Prime Rate	3.25	3.25	5.25
30-day CP (A1/P1)	0.38	0.49	2.56
3-month LIBOR	1.11	1.08	2.73
Bank CDs			
6-month	0.81	1.03	1.76
1-year	1.02	1.34	1.79
5-year	2.01	2.38	2.87
U.S. Treasury Securities			
3-month	0.14	0.09	1.12
6-month	0.33	0.27	1.49
1-year	0.51	0.41	1.56
5-year	1.70	1.35	2.81
10-year	2.76	2.20	3.69
10-year (inflation-protected)	1.43	1.73	1.21
30-year	3.66	2.89	4.49
30-year Zero	3.66	2.75	4.62

	Recent (4/15/09)	3 Months Ago (1/14/09)	Year Ago (4/16/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.39	3.93	4.90
FHLMC 6.5% (Gold)	2.67	3.25	5.14
FNMA 6.5%	2.62	3.30	4.81
FNMA ARM	3.15	4.26	4.66
Corporate Bonds			
Financial (10-year) A	7.61	7.15	6.11
Industrial (25/30-year) A	6.25	5.84	6.12
Utility (25/30-year) A	6.17	5.88	6.28
Utility (25/30-year) Baa/BBB	7.59	6.60	6.40
Foreign Bonds (10-Year)			
Canada	2.94	2.56	3.68
Germany	3.14	2.93	4.04
Japan	1.44	1.27	1.35
United Kingdom	3.26	3.12	4.53
Preferred Stocks			
Utility A	6.36	6.05	6.06
Financial A	7.55	7.76	6.71
Financial Adjustable A	5.49	5.49	5.49



	Recent (4/15/09)	3 Months Ago (1/14/09)	Year Ago (4/16/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.92	5.02	4.61
25-Bond Index (Revs)	5.74	5.90	5.04
General Obligation Bonds (GOs)			
1-year Aaa	0.43	0.48	1.55
1-year A	0.53	0.58	1.65
5-year Aaa	1.91	1.76	2.85
5-year A	2.13	2.06	2.95
10-year Aaa	3.09	2.82	3.54
10-year A	3.62	3.32	3.75
25/30-year Aaa	4.71	4.75	4.53
25/30-year A	5.75	5.75	4.73
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.70	5.75	4.80
Electric AA	5.80	5.80	4.85
Housing AA	6.10	6.10	4.95
Hospital AA	6.15	6.15	5.00
Toll Road Aaa	5.85	5.85	4.85

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/8/09	3/25/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	804805	771269	33536	731288	619127	324505
Borrowed Reserves	595938	604849	-8911	586952	622967	403815
Net Free/Borrowed Reserves	208867	166420	42447	144336	-3840	-79310

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	3/30/09	3/23/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1551.1	1549.4	1.7	-10.7%	8.2%	13.1%
M2 (M1+savings+small time deposits)	8308.0	8336.5	-28.5	7.3%	10.8%	9.1%

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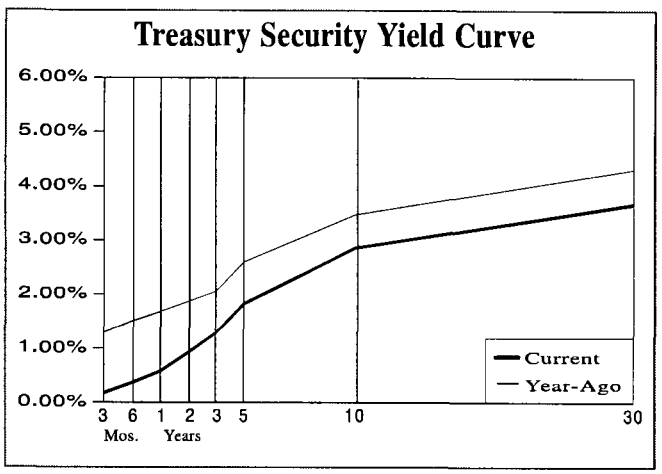
Selected Yields

	Recent (4/08/09)	3 Months Ago (1/07/09)	Year Ago (4/09/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.50
Federal Funds	0.00-0.25	0.00-0.25	2.25
Prime Rate	3.25	3.25	5.25
30-day CP (A1/P1)	0.33	0.65	2.63
3-month LIBOR	1.14	1.40	2.72
Bank CDs			
6-month	0.83	1.10	1.76
1-year	1.04	1.41	1.79
5-year	2.05	2.38	2.87
U.S. Treasury Securities			
3-month	0.18	0.09	1.30
6-month	0.37	0.28	1.50
1-year	0.58	0.41	1.68
5-year	1.83	1.66	2.60
10-year	2.86	2.49	3.48
10-year (inflation-protected)	1.53	2.44	1.07
30-year	3.67	3.04	4.32
30-year Zero	3.67	2.87	4.43

	Recent (4/08/09)	3 Months Ago (1/07/09)	Year Ago (4/09/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.40	4.30	4.52
FHLMC 6.5% (Gold)	2.79	3.95	4.89
FNMA 6.5%	2.79	3.75	4.58
FNMA ARM	3.15	4.26	4.67
Corporate Bonds			
Financial (10-year) A	7.85	7.56	6.06
Industrial (25/30-year) A	6.27	6.26	5.93
Utility (25/30-year) A	6.20	6.07	6.14
Utility (25/30-year) Baa/BBB	7.63	6.72	6.28
Foreign Bonds (10-Year)			
Canada	2.90	2.93	3.56
Germany	3.21	3.20	4.01
Japan	1.46	1.26	1.35
United Kingdom	3.35	3.29	4.51
Preferred Stocks			
Utility A	6.35	6.11	6.06
Financial A	7.80	7.28	6.60
Financial Adjustable A	5.48	5.48	5.48



	Recent (4/08/09)	3 Months Ago (1/07/09)	Year Ago (4/09/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.95	5.24	4.90
25-Bond Index (Revs)	5.75	6.00	5.18
General Obligation Bonds (GOs)			
1-year Aaa	0.47	0.85	1.55
1-year A	1.20	0.95	1.70
5-year Aaa	2.03	2.48	2.94
5-year A	3.45	2.77	3.05
10-year Aaa	3.20	3.53	3.70
10-year A	4.75	4.03	3.90
25/30-year Aaa	4.77	5.04	4.78
25/30-year A	6.25	6.04	4.98
Revenue Bonds (Revs) (25/30-Year)			
Education AA	6.30	6.10	5.05
Electric AA	6.40	6.25	5.05
Housing AA	6.70	6.55	5.35
Hospital AA	6.65	6.50	5.30
Toll Road Aaa	6.45	6.25	5.10

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/25/09	3/11/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	771276	621568	149708	730382	566553	294869
Borrowed Reserves	604849	630177	-25328	591508	599533	385679
Net Free/Borrowed Reserves	166427	-8609	175036	138874	-32980	-90810

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	3/23/09	3/16/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1551.1	1564.0	-12.9	-11.2%	10.8%	13.3%
M2 (M1+savings+small time deposits)	8372.3	8375.2	-2.9	10.1%	12.8%	9.9%

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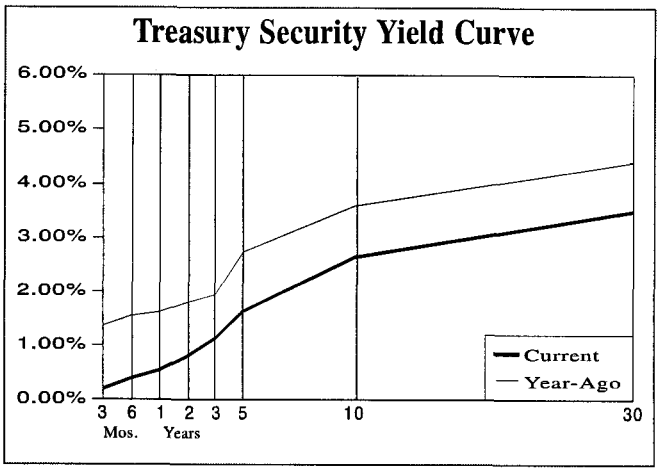
Selected Yields

	Recent (4/01/09)	3 Months Ago (12/30/08)	Year Ago (4/02/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.50
Federal Funds	0.00-0.25	0.00-0.25	2.25
Prime Rate	3.25	3.25	5.25
30-day CP (A1/P1)	0.44	0.06	2.67
3-month LIBOR	1.18	1.44	2.70
Bank CDs			
6-month	0.83	1.16	1.78
1-year	1.04	1.43	1.76
5-year	2.06	2.51	2.87
U.S. Treasury Securities			
3-month	0.20	0.09	1.37
6-month	0.39	0.24	1.55
1-year	0.54	0.31	1.62
5-year	1.64	1.44	2.74
10-year	2.65	2.05	3.60
10-year (inflation-protected)	1.32	2.33	1.12
30-year	3.50	2.56	4.41
30-year Zero	3.52	2.42	4.48

	Recent (4/01/09)	3 Months Ago (12/30/08)	Year Ago (4/02/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.53	4.11	4.81
FHLMC 6.5% (Gold)	3.12	4.03	5.05
FNMA 6.5%	3.04	3.89	4.79
FNMA ARM	3.15	4.22	4.67
Corporate Bonds			
Financial (10-year) A	7.49	7.08	6.30
Industrial (25/30-year) A	6.17	5.90	6.07
Utility (25/30-year) A	5.99	5.85	6.16
Utility (25/30-year) Baa/BBB	7.41	6.58	6.25
Foreign Bonds (10-Year)			
Canada	2.78	2.66	3.63
Germany	2.99	2.95	3.99
Japan	1.35	1.17	1.37
United Kingdom	3.13	3.09	4.43
Preferred Stocks			
Utility A	6.74	6.00	6.16
Financial A	9.90	7.89	6.74
Financial Adjustable A	5.48	5.48	5.48



	Recent (4/01/09)	3 Months Ago (12/30/08)	Year Ago (4/02/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.00	5.46	4.96
25-Bond Index (Revs)	5.78	6.22	5.24
General Obligation Bonds (GOs)			
1-year Aaa	0.50	0.85	1.60
1-year A	0.60	0.95	1.70
5-year Aaa	2.08	2.57	3.00
5-year A	2.33	2.87	3.10
10-year Aaa	3.20	3.70	3.79
10-year A	3.73	4.20	4.00
25/30-year Aaa	4.79	5.17	4.91
25/30-year A	5.83	6.15	5.11
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.80	6.15	5.20
Electric AA	5.85	6.20	5.25
Housing AA	6.15	6.50	5.35
Hospital AA	6.20	6.55	5.40
Toll Road Aaa	5.90	6.25	5.25

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/25/09	3/11/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	771194	621518	149676	730364	566544	294864
Borrowed Reserves	604849	630177	-25328	591508	599533	385679
Net Free/Borrowed Reserves	166345	-8659	175004	138856	-32990	-90815

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	3/16/09	3/9/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1565.6	1577.1	-11.5	-8.4%	19.8%	14.4%
M2 (M1+savings+small time deposits)	8376.2	8342.9	33.3	12.1%	18.2%	10.2%

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ARIZONA WATER COMPANY
DOCKET NO. W-01445A-08-0440
TABLE OF CONTENTS TO SCHEDULES WAR

SCHEDULE #	
WAR - 1	COST OF CAPITAL SUMMARY
WAR - 2	DCF COST OF EQUITY CAPITAL
WAR - 3	DIVIDEND YIELD CALCULATION
WAR - 4	DIVIDEND GROWTH RATE CALCULATION
WAR - 5	DIVIDEND GROWTH COMPONENTS
WAR - 6	GROWTH RATE COMPARISON
WAR - 7	CAPM COST OF EQUITY CAPITAL
WAR - 8	ECONOMIC INDICATORS - 1990 TO PRESENT
WAR - 9	CAPITAL STRUCTURES OF SAMPLE COMPANIES

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
COST OF CAPITAL SUMMARY

WEIGHTED AVERAGE COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	50.76%	7.31%	3.71%
2	Common Equity	72,744,646	49.24%	8.33%	4.10%
3	Total Capitalization	$ 147,744,646	100.00%		
4	**WEIGHTED AVERAGE COST OF CAPITAL**				**7.81%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): TESTIMONY, WAR - SCHEDULE WAR-1, PAGE 2
COLUMN (C): COLUMN (A) x COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
COST OF CAPITAL SUMMARY

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 1, PAGE 2 OF 3

COST OF LONG-TERM DEBT

LINE NO.	LONG-TERM DEBT ISSUANCES	(A) AMOUNT OUTSTANDING	(B) ANNUAL COST	(C) INTEREST RATE
1	SERIES K BONDS, DUE APRIL 1, 2031	$ 15,000,000	$ 1,208,265	8.06%
2	SERIES L BONDS, DUE AUGUST 1, 2036	25,000,000	1,576,450	6.31%
3	SERIES M BONDS, DUE AUGUST 1, 2038	35,000,000	2,695,000	7.70%
4	TOTALS	$ 75,000,000	$ 5,479,715	7.31%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2, PAGE 2
COLUMN (B): COMPANY SCHEDULE D-2, PAGE 2
COLUMN (C): COLUMN (B) / COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
COST OF CAPITAL SUMMARY

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 1, PAGE 3 OF 3

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.32%	SCHEDULE WAR-2, COLUMN (C), LINE 4
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	11.42%	SCHEDULE WAR-2, COLUMN (C), LINE 15
4	**AVERAGE OF DCF ESTIMATES**	**10.37%**	(LINE 2 + LINE 3) / 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	6.04%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 4
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	5.26%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 15
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	7.43%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 4
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	6.39%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 15
10	**AVERAGE OF CAPM ESTIMATES**	**6.28%**	(SUM OF LINES 6 THRU 9) / 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	**8.33%**	(LINE 4 + LINE 10) / 2

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	3.00%	+	7.81%	=	10.81%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.21%	+	6.63%	=	9.85%
3	WTR	AQUA AMERICA, INC.	3.02%	+	4.30%	=	7.31%
4	**WATER COMPANY AVERAGE**						**9.32%**
5	AGL	AGL RESOURCES, INC.	6.00%	+	5.59%	=	11.59%
6	ATO	ATMOS ENERGY CORP.	5.52%	+	11.03%	=	16.55%
7	LG	LACLEDE GROUP, INC.	4.54%	+	5.21%	=	9.75%
8	NJR	NEW JERSEY RESOURCES CORPORATION	3.83%	+	5.70%	=	9.53%
9	GAS	NICOR, INC.	5.76%	+	5.02%	=	10.79%
10	NWN	NORTHWEST NATURAL GAS CO.	3.79%	+	4.94%	=	8.73%
11	PNY	PIEDMONT NATURAL GAS COMPANY	4.32%	+	5.50%	=	9.82%
12	SJI	SOUTH JERSEY INDUSTIES, INC.	6.56%	+	7.89%	=	14.45%
13	SWX	SOUTHWEST GAS CORPORATION	4.71%	+	9.03%	=	13.75%
14	WGL	WGL HOLDINGS, INC.	4.72%	+	4.52%	=	9.24%
15	**NATURAL GAS LDC AVERAGE**						**11.42%**

REFERENCES:
COLUMN (A): SCHEDULE WAR - 3, COLUMN C
COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND YIELD CALCULATION

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	/	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	$1.00	/	$33.28	=	3.00%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.18	/	36.74	=	3.21%
3	WTR	AQUA AMERICA, INC.	0.54	/	17.91	=	3.02%
4	**WATER COMPANY AVERAGE**						**3.08%**
5	AGL	AGL RESOURCES, INC.	$1.72	/	$28.65	=	6.00%
6	ATO	ATMOS ENERGY CORP.	1.32	/	23.93	=	5.52%
7	LG	LACLEDE GROUP, INC.	1.54	/	33.88	=	4.54%
8	NJR	NEW JERSEY RESOURCES CORPORATION	1.24	/	32.39	=	3.83%
9	GAS	NICOR, INC.	1.86	/	32.27	=	5.76%
10	NWN	NORTHWEST NATURAL GAS CO.	1.58	/	41.65	=	3.79%
11	PNY	PIEDMONT NATURAL GAS COMPANY	1.04	/	24.10	=	4.32%
12	SJI	SOUTH JERSEY INDUSTIES, INC.	2.27	/	34.64	=	6.56%
13	SWX	SOUTHWEST GAS CORPORATION	0.95	/	20.19	=	4.71%
14	WGL	WGL HOLDINGS, INC.	1.44	/	30.53	=	4.72%
15	**NATURAL GAS LDC AVERAGE**						**4.98%**

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/24/2009 (WATER COMPANIES) AND 03/13/2009 (NATURAL GAS LDC's).
COLUMN (B): EIGHT WEEK AVERAGE OF CLOSING PRICES FROM 04/06/2009 TO 05/29/2009 STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE - HISTORICAL QUOTES (www.bigcharts.com).
COLUMN (C): COLUMN (A) / COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWR	AMERICAN STATES WATER CO.	6.00%	+	1.81%	=	7.81%
2	CWT	CALIFORNIA WATER SERVICE GROUP	6.00%	+	0.63%	=	6.63%
3	WTR	AQUA AMERICA, INC.	4.00%	+	0.30%	=	4.30%
4	**WATER COMPANY AVERAGE**						**6.25%**
5	AGL	AGL RESOURCES, INC.	5.30%	+	0.29%	=	5.59%
6	ATO	ATMOS ENERGY CORP.	4.05%	+	6.98%	=	11.03%
7	LG	LACLEDE GROUP, INC.	4.50%	+	0.71%	=	5.21%
8	NJR	NEW JERSEY RESOURCES CORPORATION	5.25%	+	0.45%	=	5.70%
9	GAS	NICOR, INC.	5.00%	+	0.02%	=	5.02%
10	NWN	NORTHWEST NATURAL GAS CO.	4.60%	+	0.34%	=	4.94%
11	PNY	PIEDMONT NATURAL GAS COMPANY	5.50%	+	0.00%	=	5.50%
12	SJI	SOUTH JERSEY INDUSTIES, INC.	7.00%	+	0.89%	=	7.89%
13	SWX	SOUTHWEST GAS CORPORATION	4.25%	+	4.78%	=	9.03%
14	WGL	WGL HOLDINGS, INC.	4.50%	+	0.02%	=	4.52%
15	**NATURAL GAS LDC AVERAGE**						**6.44%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	x	{ [((M ÷ B) + 1) / 2] - 1 }	=	(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	4.75%	x	{ [((1.76) + 1) / 2] - 1 }	=	1.81%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.50%	x	{ [((1.85) + 1) / 2] - 1 }	=	0.63%
3	WTR	AQUA AMERICA, INC.	0.50%	x	{ [((2.20) + 1) / 2] - 1 }	=	0.30%
4	**WATER COMPANY AVERAGE**						**0.91%**
5	AGL	AGL RESOURCES, INC.	1.75%	x	{ [((1.33) + 1) / 2] - 1 }	=	0.29%
6	ATO	ATMOS ENERGY CORP.	3.50%	x	{ [((0.99) + 1) / 2] + 1 }	=	6.98%
7	LG	LACLEDE GROUP, INC.	3.25%	x	{ [((1.44) + 1) / 2] - 1 }	=	0.71%
8	NJR	NEW JERSEY RESOURCES CORPORATION	1.25%	x	{ [((1.72) + 1) / 2] - 1 }	=	0.45%
9	GAS	NICOR, INC.	0.10%	x	{ [((1.45) + 1) / 2] - 1 }	=	0.02%
10	NWN	NORTHWEST NATURAL GAS CO.	1.00%	x	{ [((1.67) + 1) / 2] - 1 }	=	0.34%
11	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	x	{ [((1.91) + 1) / 2] - 1 }	=	0.00%
12	SJI	SOUTH JERSEY INDUSTIES, INC.	2.00%	x	{ [((1.89) + 1) / 2] - 1 }	=	0.89%
13	SWX	SOUTHWEST GAS CORPORATION	2.50%	x	{ [((0.83) + 1) / 2] + 1 }	=	4.78%
14	WGL	WGL HOLDINGS, INC.	0.10%	x	{ [((1.38) + 1) / 2] - 1 }	=	0.02%
15	**NATURAL GAS LDC AVERAGE**						**1.45%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/24/2009 (WATER COMPANIES) AND 03/13/2009 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	2004	0.1524		6.60%		1.01%	15.01	16.75	
2			2005	0.3182		8.50%		2.70%	15.72	16.80	
3			2006	0.3158		8.10%		2.56%	16.64	17.05	
4			2007	0.4074		9.30%		3.79%	17.53	17.23	
5			2008	0.3548		8.60%		3.05%	17.95	17.30	
6			GROWTH 2004 - 2008					2.62%	5.00%		0.81%
7			2009	0.4111		9.50%		3.91%		18.25	5.49%
8			2010	0.4462		10.00%		4.46%		18.75	4.11%
9			2012-14	0.5077		12.50%		6.35%	3.00%	20.25	3.20%
10											
11	CWT	CALIFORNIA WATER SERVICE GROUP	2004	0.2260		9.00%		2.03%	15.66	18.37	
12			2005	0.2245		9.30%		2.09%	15.79	18.39	
13			2006	0.1418		6.80%		0.96%	18.15	20.66	
14			2007	0.2267		8.10%		1.84%	18.50	20.67	
15			2008	0.3842		9.90%		3.80%	19.44	20.72	
16			GROWTH 2004 - 2008					2.15%	6.50%		3.06%
17			2009	0.4244		10.50%		4.46%		21.00	1.35%
18			2010	0.4465		10.50%		4.69%		21.25	1.27%
19			2012-14	0.4943		12.00%		5.93%	3.00%	22.50	1.66%
20											
21	WTR	AQUA AMERICA, INC.	2004	0.4219		10.70%		4.51%	5.89	127.18	
22			2005	0.4366		11.20%		4.89%	6.30	128.97	
23			2006	0.3714		10.00%		3.71%	6.96	132.33	
24			2007	0.3239		9.70%		3.14%	7.32	133.40	
25			2008	0.3014		9.30%		2.80%	7.82	135.37	
26			GROWTH 2004 - 2008					3.81%	10.00%		1.57%
27			2009	0.3250		10.00%		3.25%		136.00	0.47%
28			2010	0.3778		10.50%		3.97%		136.50	0.42%
29			2012-14	0.5040		11.50%		5.80%	6.50%	138.00	0.39%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/24/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 5, PAGE 2 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AGL	AGL RESOURCES, INC.	2004	0.4956		11.00%		5.45%	18.06	76.70	
2			2005	0.4758		12.90%		6.14%	19.29	77.70	
3			2006	0.4559		13.20%		6.02%	20.71	77.70	
4			2007	0.3971		12.70%		5.04%	21.74	76.40	
5			2008	0.3801		12.60%		4.79%	21.48	76.90	
6			GROWTH 2004 - 2008					5.49%	11.50%		0.07%
7			2009	0.3630		12.50%		4.54%		78.00	1.43%
8			2010	0.3825		13.00%		4.97%		79.00	1.36%
9			2012-14	0.4125		14.50%		5.98%	0.50%	85.00	2.02%
10											
11	ATO	ATMOS ENERGY CORP.	2004	0.2278		7.60%		1.73%	18.05	62.80	
12			2005	0.2791		8.50%		2.37%	19.90	80.54	
13			2006	0.3700		9.80%		3.63%	20.16	81.74	
14			2007	0.3402		8.70%		2.96%	22.01	89.33	
15			2008	0.3500		8.80%		3.08%	22.60	90.81	
16			GROWTH 2004 - 2008					2.75%	7.50%		9.66%
17			2009	0.3714		9.00%		3.34%		92.00	1.31%
18			2010	0.3767		8.50%		3.20%		93.00	1.20%
19			2012-14	0.4400		9.50%		4.18%	4.00%	110.00	3.91%
20											
21	LG	LACLEDE GROUP, INC.	2004	0.2582		10.10%		2.61%	16.96	20.98	
22			2005	0.2789		10.90%		3.04%	17.31	21.17	
23			2006	0.4093		12.50%		5.12%	18.85	21.36	
24			2007	0.3723		11.60%		4.32%	19.79	21.65	
25			2008	0.4356		11.80%		5.14%	22.12	21.99	
26			GROWTH 2004 - 2008					4.04%	5.50%		1.18%
27			2009	0.4632		12.50%		5.79%		22.50	2.32%
28			2010	0.3962		10.50%		4.16%		23.00	2.27%
29			2012-14	0.4333		11.00%		4.77%	5.50%	26.00	3.41%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2004	0.4882		15.30%		7.47%	11.25	41.61	
32			2005	0.4859		17.00%		8.26%	10.60	41.32	
33			2006	0.4866		12.60%		6.13%	15.00	41.44	
34			2007	0.3484		10.10%		3.52%	15.50	41.61	
35			2008	0.5889		15.70%		9.25%	17.28	42.06	
36			GROWTH 2004 - 2008					6.93%	11.50%		0.27%
37			2009	0.5040		13.50%		6.80%		42.50	1.05%
38			2010	0.5259		13.00%		6.84%		43.00	1.11%
39			2012-14	0.5088		11.00%		5.60%	8.50%	45.00	1.36%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/13/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 5, PAGE 3 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	GAS	NICOR, INC.	2004	0.1622		13.10%		2.12%	16.99	44.10	
2			2005	0.1806		12.50%		2.26%	18.36	44.18	
3			2006	0.3519		14.70%		5.17%	19.43	44.90	
4			2007	0.3779		14.30%		5.40%	20.58	45.90	
5			2008	0.2928		12.30%		3.60%	21.55	45.13	
6			GROWTH 2004 - 2008					3.71%	4.00%		0.58%
7			2009	0.2560		11.00%		2.82%		45.00	-0.29%
8			2010	0.3586		12.50%		4.48%		45.00	-0.14%
9			2012-14	0.4364		12.00%		5.24%	4.50%	45.00	-0.06%
10											
11	NWN	NORTHWEST NATURAL GAS CO.	2004	0.3011		8.90%		2.68%	20.64	27.55	
12			2005	0.3744		9.90%		3.71%	21.28	27.58	
13			2006	0.4085		10.90%		4.45%	22.01	27.24	
14			2007	0.4783		12.50%		5.98%	22.52	26.41	
15			2008	0.4109		11.20%		4.60%	23.70	26.50	
16			GROWTH 2004 - 2008					4.28%	3.50%		-0.97%
17			2009	0.4255		11.00%		4.68%		26.50	0.00%
18			2010	0.4175		11.00%		4.59%		26.50	0.00%
19			2012-14	0.4203		11.00%		4.62%	3.50%	28.00	1.11%
20											
21	PNY	PIEDMONT NATURAL GAS COMPANY	2004	0.3307		11.10%		3.67%	11.15	76.67	
22			2005	0.3106		11.50%		3.57%	11.53	76.70	
23			2006	0.2578		11.00%		2.84%	11.83	74.61	
24			2007	0.2929		11.90%		3.49%	11.99	73.23	
25			2008	0.3087		12.40%		3.83%	12.11	73.26	
26			GROWTH 2004 - 2008					3.48%	6.00%		-1.13%
27			2009	0.3438		12.50%		4.30%		73.50	0.33%
28			2010	0.3889		13.50%		5.25%		73.50	0.16%
29			2012-14	0.4186		13.50%		5.65%	5.00%	73.00	-0.07%
30											
31	SJI	SOUTH JERSEY INDUSTIES, INC.	2004	0.4810		12.50%		6.01%	12.41	27.76	
32			2005	0.4971		12.40%		6.16%	13.50	28.98	
33			2006	0.6260		16.30%		10.20%	15.11	29.33	
34			2007	0.5167		12.80%		6.61%	16.25	29.61	
35			2008	0.5110		13.20%		6.75%	17.33	29.73	
36			GROWTH 2004 - 2008					6.01%	1241.00%		1.73%
37			2009	0.5102		13.50%		6.89%		30.50	2.59%
38			2010	0.5170		13.50%		6.98%		31.00	2.11%
39			2012-14	0.5161		14.50%		7.48%	4.50%	33.00	2.11%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/13/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	SWX	SOUTHWEST GAS CORPORATION	2004	0.5060		8.30%		4.20%	19.18	36.79	
2			2005	0.3440		6.40%		2.20%	19.10	39.33	
3			2006	0.5859		8.90%		5.21%	21.58	41.77	
4			2007	0.5590		8.50%		4.75%	22.98	42.81	
5			2008	0.3525		5.90%		2.08%	23.48	44.19	
6			GROWTH 2004 - 2008					3.69%	4.00%		4.69%
7			2009	0.3667		6.00%		2.20%		45.00	1.83%
8			2010	0.4595		7.50%		3.45%		46.00	2.03%
9			2012-14	0.5000		9.00%		4.50%	2.50%	50.00	2.50%
10											
11	WGL	WGL HOLDINGS, INC.	2004	0.3434		11.70%		4.02%	16.95	48.67	
12			2005	0.3803		11.70%		4.45%	17.80	48.65	
13			2006	0.3041		10.30%		3.13%	18.86	48.89	
14			2007	0.3476		10.40%		3.62%	19.83	49.45	
15			2008	0.4221		11.60%		4.90%	20.99	49.92	
16			GROWTH 2004 - 2008					4.02%	4.50%		0.64%
17			2009	0.4200		12.00%		5.04%		50.00	0.16%
18			2010	0.4118		11.50%		4.74%		50.00	0.08%
19			2012-14	0.4182		11.00%		4.60%	5.00%	50.00	0.03%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/13/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6 & 16, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6 & 16, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
GROWTH RATE COMPARISON

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 6

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	AWR	7.81%	8.70%	9.50%	5.00%	3.00%	5.50%	2.00%	5.00%	5.53%	10.23%	2.96%	4.57%
2	CWT	6.63%	8.00%	4.75%	2.50%	3.50%	7.00%	0.50%	6.50%	4.68%	6.81%	0.87%	5.55%
3	WTR	4.30%	8.30%	10.00%	3.50%	6.50%	5.50%	8.00%	10.00%	7.40%	3.34%	8.35%	7.34%
4				8.08%	3.67%	4.33%	6.00%	3.50%	7.17%		6.79%	4.06%	5.82%
5	AVERAGES	6.25%	8.33%		5.36%			5.56%		5.87%		5.56%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	AGL	5.59%	5.30%	3.00%	2.50%	0.50%	11.50%	6.50%	11.50%	5.83%	4.41%	9.94%	4.43%
2	ATO	11.03%	5.80%	4.00%	1.50%	4.00%	5.00%	1.50%	7.50%	4.19%	6.07%	1.60%	5.78%
3	LG	5.21%	6.50%	3.50%	2.50%	5.50%	9.50%	1.50%	5.50%	4.93%	9.74%	2.50%	6.87%
4	NJR	5.70%	8.00%	5.50%	5.50%	8.50%	7.50%	5.00%	11.50%	7.36%	12.26%	6.28%	11.33%
5	GAS	5.02%	5.90%	2.50%	-	4.50%	1.00%	0.50%	4.00%	3.07%	4.33%	0.00%	6.12%
6	NWN	4.94%	6.80%	7.00%	5.50%	3.50%	6.50%	2.00%	3.50%	4.97%	8.52%	3.99%	3.52%
7	PNY	5.50%	6.50%	7.50%	3.50%	5.00%	6.50%	4.50%	6.00%	5.64%	4.07%	4.92%	2.09%
8	SJI	7.89%	8.40%	5.50%	7.00%	4.50%	12.50%	4.50%	12.50%	7.84%	9.48%	7.86%	8.71%
9	SWX	9.03%	6.00%	4.50%	5.00%	2.50%	8.00%	0.50%	4.00%	4.36%	-4.34%	2.35%	5.19%
10	WGL	4.52%	6.70%	4.00%	2.50%	5.00%	4.00%	1.50%	4.50%	4.03%	5.36%	2.05%	5.49%
11				4.70%	3.94%	4.35%	7.20%	2.80%	7.05%		5.99%	4.15%	5.95%
12	AVERAGES	6.44%	6.59%		4.33%			5.68%		5.22%		5.36%	

REFERENCES:
COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/24/2009 (WATER COMPANIES) AND 03/13/2009 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/24/2009 (WATER COMPANIES) AND 03/13/2009 (NATURAL GAS LDC's)
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 10 (NATURAL GAS)
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/24/2009 (WATER COMPANIES) AND 03/13/2009 (NATURAL GAS LDC's)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
CAPM COST OF EQUITY CAPITAL

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 7, PAGE 1 OF 2

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	1.87%	+ [	0.85	x	(	10.40%	-	5.30%	)]	=	6.21%
2	CWT	k	=	1.87%	+ [	0.85	x	(	10.40%	-	5.30%	)]	=	6.21%
3	WTR	k	=	1.87%	+ [	0.75	x	(	10.40%	-	5.30%	)]	=	5.70%
4	WATER COMPANY AVERAGE					0.82								6.04%
5	AGL	k	=	1.87%	+ [	0.75	x	(	10.40%	-	5.30%	)]	=	5.70%
6	ATO	k	=	1.87%	+ [	0.60	x	(	10.40%	-	5.30%	)]	=	4.93%
7	LG	k	=	1.87%	+ [	0.65	x	(	10.40%	-	5.30%	)]	=	5.19%
8	NJR	k	=	1.87%	+ [	0.65	x	(	10.40%	-	5.30%	)]	=	5.19%
9	GAS	k	=	1.87%	+ [	0.75	x	(	10.40%	-	5.30%	)]	=	5.70%
10	NWN	k	=	1.87%	+ [	0.60	x	(	10.40%	-	5.30%	)]	=	4.93%
11	PNY	k	=	1.87%	+ [	0.65	x	(	10.40%	-	5.30%	)]	=	5.19%
12	SJI	k	=	1.87%	+ [	0.65	x	(	10.40%	-	5.30%	)]	=	5.19%
13	SWX	k	=	1.87%	+ [	0.70	x	(	10.40%	-	5.30%	)]	=	5.44%
14	WGL	k	=	1.87%	+ [	0.65	x	(	10.40%	-	5.30%	)]	=	5.19%
15	NATURAL GAS LDC AVERAGE					0.67								5.26%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [ß (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)
r_f = PROXY FOR THE RISK FREE RATE ON INTERMEDIATE TREASURIES (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEYS "SELECTION & OPINIONS" PUBLICATION FROM 04/10/2009 THROUGH 05/29/2009 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2007 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PEI THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2008 YEARBOOK.

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
CAPM COST OF EQUITY CAPITAL

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 7, PAGE 2 OF 2

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	1.87%	+ [	0.85	x	(	12.30%	-	5.50%	)]	=	7.65%
2	CWT	k	=	1.87%	+ [	0.85	x	(	12.30%	-	5.50%	)]	=	7.65%
3	WTR	k	=	1.87%	+ [	0.75	x	(	12.30%	-	5.50%	)]	=	6.97%
4	WATER COMPANY AVERAGE					0.82								7.43%
5	AGL	k	=	1.87%	+ [	0.75	x	(	12.30%	-	5.50%	)]	=	6.97%
6	ATO	k	=	1.87%	+ [	0.60	x	(	12.30%	-	5.50%	)]	=	5.95%
7	LG	k	=	1.87%	+ [	0.65	x	(	12.30%	-	5.50%	)]	=	6.29%
8	NJR	k	=	1.87%	+ [	0.65	x	(	12.30%	-	5.50%	)]	=	6.29%
9	GAS	k	=	1.87%	+ [	0.75	x	(	12.30%	-	5.50%	)]	=	6.97%
10	NWN	k	=	1.87%	+ [	0.60	x	(	12.30%	-	5.50%	)]	=	5.95%
11	PNY	k	=	1.87%	+ [	0.65	x	(	12.30%	-	5.50%	)]	=	6.29%
12	SJI	k	=	1.87%	+ [	0.65	x	(	12.30%	-	5.50%	)]	=	6.29%
13	SWX	k	=	1.87%	+ [	0.70	x	(	12.30%	-	5.50%	)]	=	6.63%
14	WGL	k	=	1.87%	+ [	0.65	x	(	12.30%	-	5.50%	)]	=	6.29%
15	NATURAL GAS LDC AVERAGE					0.67								6.39%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [ß (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)
r_f = PROXY FOR THE RISK FREE RATE ON INTERMEDIATE TREASURIES (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEYS "SELECTION & OPINIONS" PUBLICATION FROM 04/10/2009 THROUGH 05/29/2009 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE ARITHMETIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2007 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2008 YEARBOOK

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 $)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.00%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.58%	1.30%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	CURRENT	0.10%	-6.10%	3.25%	0.50%	0.00% - 0.25%	0.17%	4.14%	6.01%	7.59%

REFERENCES:
COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE
COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 05/29/2009
COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 05/29/2009
COLUMN (H) THROUGH (I): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS
COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2007
CAPITAL STRUCTURES OF SAMPLE COMPANIES

DOCKET NO. W-01445A-08-0440
SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES

LINE NO.		AWR	PCT.	CWT	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
1	DEBT	$ 266.5	46.2%	$ 287.5	41.6%	$ 1,248.1	54.1%	$ 450.5	50.4%
2									
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
4									
5	COMMON EQUITY	310.5	53.8%	402.9	58.4%	1,058.4	45.9%	443.0	49.6%
6									
7	TOTALS	$ 577.0	100%	$ 690.4	100%	$ 2,306.5	100%	$ 893.5	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	GAS	PCT.
1											
2											
3	DEBT	$ 1,675.0	50.3%	$ 2,119.8	50.8%	$ 389.2	44.4%	$ 455.1	38.5%	$ 448.0	31.5%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.5	0.1%	0.0	0.0%	0.6	0.0%
6											
7	COMMON EQUITY	1,652.0	49.7%	2,052.5	49.2%	486.5	55.5%	727.0	61.5%	973.1	68.4%
8											
9	TOTALS	$ 3,327.0	100%	$ 4,172.3	100%	$ 876.2	100%	$ 1,182.1	100%	$ 1,421.7	100%
10											
11											
12		NWN	PCT.	PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.
13											
14	DEBT	$ 512.0	44.9%	$ 794.3	47.2%	$ 332.8	39.2%	$ 1,185.5	51.0%	$ 603.7	38.5%
15											
16	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	100.0	4.3%	28.2	1.8%
17											
18	COMMON EQUITY	628.4	55.1%	887.2	52.8%	515.3	60.8%	1,037.8	44.7%	935.1	59.7%
19											
20	TOTALS	$ 1,140.4	100%	$ 1,681.5	100%	$ 848.1	100%	$ 2,323.3	100%	$1,567.0	100%
21											
22											
23		NATURAL GAS LDC				WATER & LDC					
24		AVERAGE	PCT.			AVERAGE	PCT.				
25											
26	DEBT	$ 851.5	45.9%			$ 651.0	47.4%				
27											
28	PREFERRED STOCK	12.9	0.7%			6.5	0.5%				
29											
30	COMMON EQUITY	989.5	53.4%			716.2	52.1%				
31											
32	TOTALS	$ 1,854.0	100%			$ 1,373.7	100%				

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS