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BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET CONTROL

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

**STAFF'S NOTICE OF FILING
ERRATA TO REVISED DIRECT
TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files an errata to the Revised Direct Testimony of Staff Witness Katrin Stukov, in the above-referenced matter. Ms. Stukov's engineering report was inadvertently left out of the June 23, 2009, filing.

RESPECTFULLY SUBMITTED this 24th day of June, 2009.

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Legal Division
Arizona Corporation Commission
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Original and thirteen (13) copies of the foregoing were filed this 24th day of June, 2009 with:

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

Arizona Corporation Commission
DOCKETED

DOCKETED BY

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA WATER COMPANY, AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF)
THE CURRENT FAIR VALUE OF ITS UTILITY)
PLANT AND PROPERTY AND FOR INCREASE)
IN ITS WATER RATES AND CHARGES FOR)
UTILITY SERVICES)

DOCKET NO. W-01445A-08-0440

DIRECT
TESTIMONY
OF
KATRIN STUKOV
UTILITIES ENGINEER
ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

JUNE 12, 2009

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1 **INTRODUCTION**

2 **Q. Please state your name, place of employment and job title.**

3 A. My name is Katrin Stukov. My place of employment is the Arizona Corporation
4 Commission (“Commission”), Utilities Division, 1200 West Washington Street, Phoenix,
5 Arizona 85007. My job title is Utilities Engineer.

6
7 **Q. How long have you been employed by the Commission?**

8 A. I have been employed by the Commission since June 2006.

9
10 **Q. Please list your duties and responsibilities.**

11 A. As a Utilities Engineer, specializing in water and wastewater engineering, I inspect and
12 evaluate water and wastewater systems; obtain data, prepare reports; suggest corrective
13 action, provide technical recommendations on water and wastewater system deficiencies;
14 and provide written and oral testimony on rate and other cases before the Commission.

15
16 **Q. How many cases have you analyzed for the Utilities Division?**

17 A. I have analyzed approximately 40 cases covering various responsibilities for the Utilities
18 Division.

19
20 **Q. What is your educational background?**

21 A. I graduated from the Moscow University of Civil Engineering with a Bachelor of Science
22 degree in Civil Engineering with a concentration in water and wastewater systems.

23
24 **Q. Briefly describe your pertinent work experience.**

25 A. Prior to my employment with the Commission, I was a design review environmental
26 engineer with the Arizona Department of Environmental Quality (“ADEQ”) for twenty

1 years. My responsibilities with ADEQ included review of projects for the construction of
2 water and wastewater facilities. Prior to that, I worked as a civil engineer in several
3 engineering and consulting firms, including Bechtel, Inc. and Brown & Root, Inc., in
4 Houston, Texas.

5
6 **PURPOSE OF TESTIMONY**

7 **Q. Were you assigned to provide the Utilities Division Staff's ("Staff") engineering**
8 **analysis and recommendations for this Arizona Water Company ("AWC" or**
9 **"Company") rate case proceeding?**

10 **A.** Yes. I reviewed the Company's application and responses to data requests, and I visited
11 AWC water systems. This testimony and its attachment present Staff's engineering
12 evaluation.

13
14 **ENGINEERING REPORT**

15 **Q. Please describe the attached Engineering Report, Exhibit KS.**

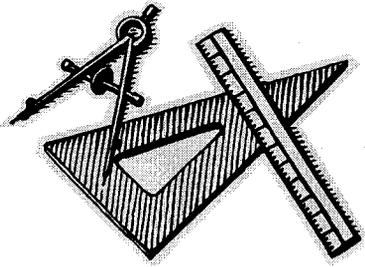
16 **A.** Exhibit KS presents AWC water systems' details and Staff's analysis and findings, and is
17 attached to this direct testimony. Exhibit KS contains the following major topics: (1) a
18 description and analysis of each water system, (2) water use, (3) growth, (4) compliance
19 with the rules of the ADEQ and Arizona Department of Water Resources, (5) depreciation
20 rates and (6) Staff's conclusions and recommendations.

21
22 **Q. Please summarize Staff's engineering conclusions and recommendations.**

23 **A.** Such a summary is provided at the front of Exhibit KS.

24
25 **Q. Does this conclude your direct testimony?**

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



Engineering Report For
Arizona Water Company
Docket No. W-01445A-08-0440 (RATES)
By: Katrin Stukov
Utilities Engineer
March 19, 2008

SUMMARY

CONCLUSIONS

1. The Arizona Department of Environmental Quality (“ADEQ”) or its formally delegated agent, the Maricopa County Environmental Services Department (“MCESD”), has reported that all Arizona Water Company community water systems have no deficiencies and these systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.
2. The Forest Towne water system is not a community system and is not subject to ADEQ or Arizona Department of Water Resources (“ADWR”) Compliance monitoring.
3. Eight of the Company’s systems have a water loss above the recommended threshold amount of 10 percent. By system, the water loss is as follows: Pinetop Lakes, 15.4 percent; Pinewood, 26 percent; Rimrock, 11 percent; Superior, 18.4 percent; Winkelman, 12 percent; San Manuel, 10.7 percent; Bisbee, 16 percent; and Tierra Grande, 12.6 percent.
4. All Arizona Water Company (“AWC” or “Company”) water systems have adequate storage capacities to serve their respective present customer base and a reasonable level of growth.
5. Except for the Valley Vista system, all other AWC water systems have adequate production capacities to serve their respective present customer base and a reasonable level of growth.
6. ADWR has determined that, except for Superior and Oracle, the Company’s other water systems are in compliance with ADWR requirements governing community water systems.
7. ADWR has determined that Management Plans filed for Superior and Oracle systems are not in compliance with ADWR requirements with regard to potential Lost and Unaccounted for Water (“L&U”) violations.
8. The Company has approved curtailment plan and a backflow prevention tariffs.

RECOMMENDATIONS

1. Eight of the Company's systems (Pinetop Lakes, Pinewood, Rimrock, Superior, Winkelman, San Manuel, Bisbee and Tierra Grande) have a water loss above the recommended threshold amount of 10 percent. Staff recommends that the Company evaluate these water systems and prepare a report for corrective measures demonstrating how the Company will reduce water losses to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. In no case shall water loss be allowed to remain above 15 percent. The Company shall file the corrective measures or cost effectiveness report with Docket Control, as a compliance item in this docket, by June 30, 2011.
2. Staff recommends that the Company file as a compliance item in this docket, no later than December 31, 2010, the documentation issued by ADWR indicating that the Company's Superior and Oracle systems Management Plans have met ADWR requirements.
3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction issued by ADEQ for the proposed Arsenic Treatment Plant for the Valley Vista water system's well #55-212110 by May 31, 2010.
4. Staff recommends that the Company's reported annual water testing expense of \$65,459 (which excludes the MAP expense of \$66,992) be accepted for this proceeding.
5. Staff recommends the adoption of the previously approved depreciation rates developed by the Company in this company-wide rate case, as presented in Table A.
6. Staff recommends the acceptance of the Company's requested service line and meter installation charges, as delineated in Table B.
7. Staff recommends that in case any of the Company's water systems should be consolidated for purpose of rate making and accounting, AWC be required to continue reporting the information, including, but not limited to Water Use and Plant Description Data, separately for each of its individual systems by PWS, as defined by ADEQ, in future Annual Reports and rate filings.

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I. GENERAL INTRODUCTION AND LOCATION OF COMPANY

On August 22, 2008, Arizona Water Company (“AWC” or “Company”) filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) for a rate increase for its three operating groups (Northern, Eastern and Western) comprising 17 “systems” (by billing tariff). AWC supplies water to approximately 84,000 connections in eight Arizona counties¹ under 22 independent water systems (by PWS), each having its own water production, storage and distribution facilities. A listing of these systems is tabulated below:

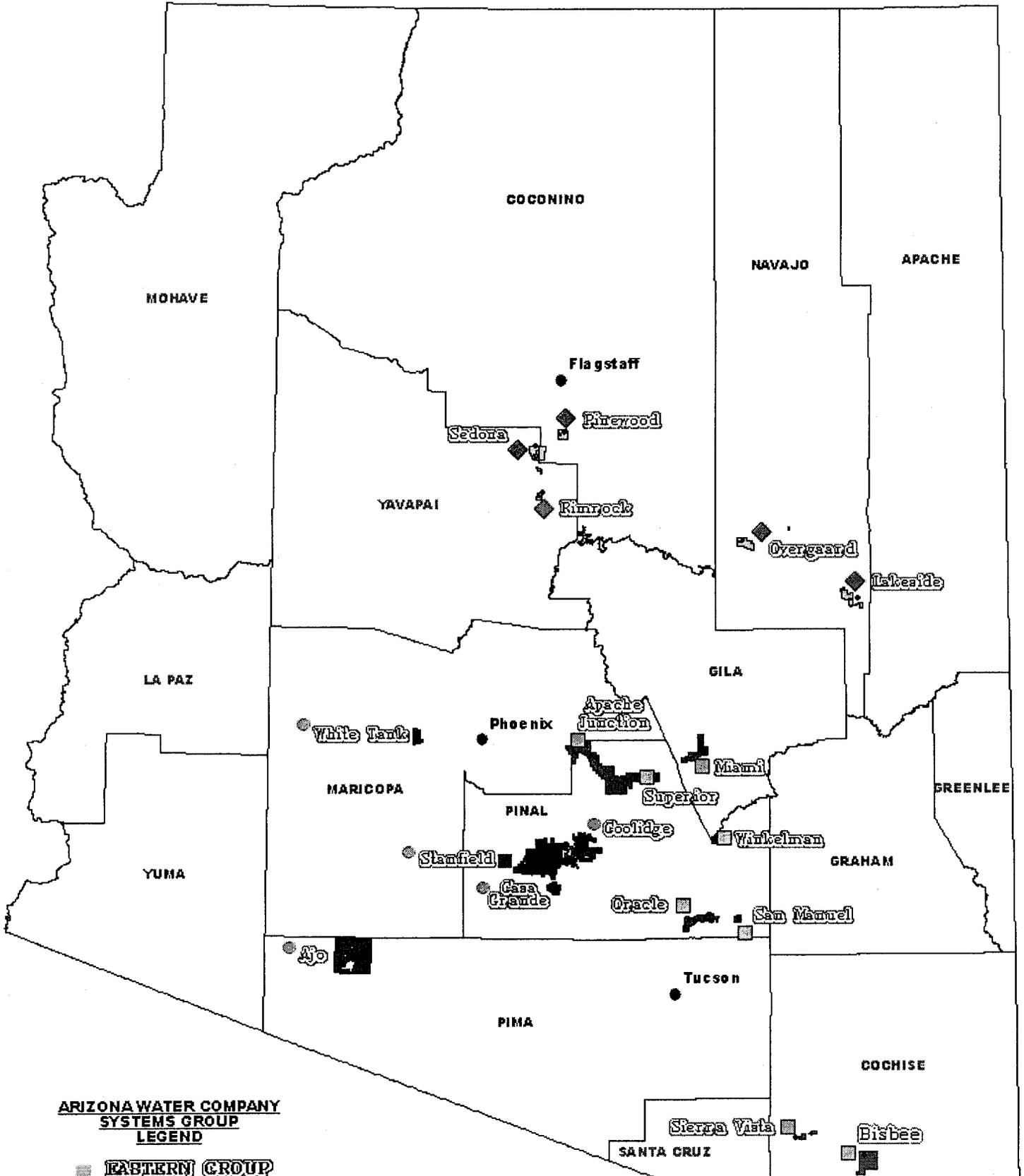
Northern Group	Eastern Group	Western Group
Lakeside	Apache Junction	Tierra Grande
Pinetop Lakes	Superior	Casa Grande
Overgaard	Miami	Coolidge
Forest Towne	Winkelman	Stanfield
Sedona	San Manuel	Ajo
Valley Vista	Oracle	White Tank
Pinewood	Sierra Vista	
Rimrock	Bisbee	

Each respective water system was visited by Katrin Stukov, Staff Utilities Engineer, accompanied by Company representatives Fred Schneider, Joseph Harris, Joel Rieker, and system operation managers.

Map I shows the location of each of the Company’s 17 water systems within Arizona and delineates the approximately 440,479 acres of AWC existing certificated area. Each system is named after the community where the system is located.

¹ Navajo, Yavapai, Coconino, Gila, Pinal, Cochise, Pima, and Maricopa

Map I



**ARIZONA WATER COMPANY
SYSTEMS GROUP
LEGEND**

- **EASTERN GROUP**
- **WESTERN GROUP**
- ◆ **NORTHERN GROUP**

II. NORTHERN GROUP

SUMMARY

The Northern Group consists of eight independent water systems. These systems are not physically interconnected. Statistical information for these systems is tabulated below:

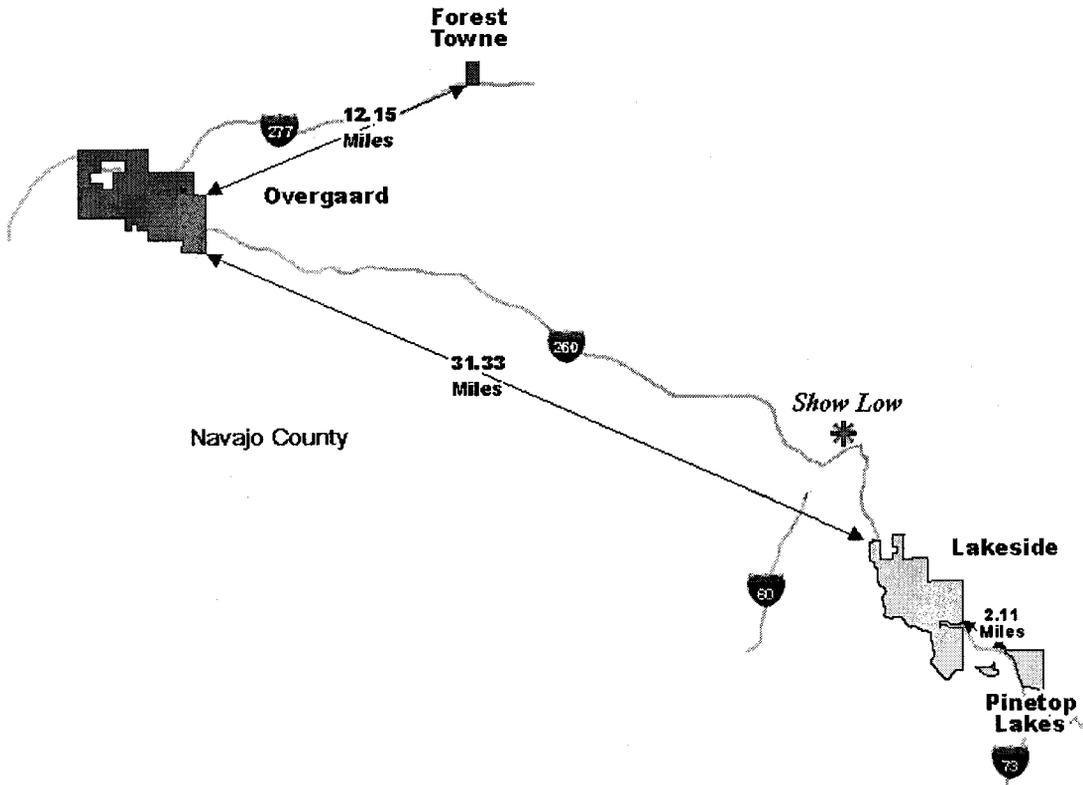
System Name	(AWC proposed consolidation) ²				(AWC proposed consolidation) ³			
	Lakeside (partially consolidated)		Overgaard (partially consolidated)		Sedona (partially consolidated)		Pinewood	Rimrock
	Lakeside	Pinetop Lakes	Overgaard	Forest Towne ⁴	Sedona	Valley Vista		
PWS ID#	09-003	09-018	09-004	09-002	03-003	13-114	03-002	13-046
ADEQ compliant	no	yes	yes	n/a	yes	yes	yes	yes
ADWR Compliant?	yes	yes	yes	n/a	yes	yes	yes	yes
AMA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of Connections at the end of the test year	4,015	976	4,212	6	5,702	735	2,895	1,261
Is a production capacity adequate?	yes	yes	yes	yes	yes	no	yes	yes
Is a storage capacity adequate?	yes	yes	yes	yes	yes	yes	yes	yes
Water Loss	5.8 %	15.4%	6.9 %	5.7 %	7.6 %	4.5 %	26%	11%
MAP fee	no	yes	yes	no	no	yes	yes	yes
Number of Arsenic Treatment Plants	none	none	none	none	2	4	none	6
Date of site visit	10/22/08	10/22/08	10/21 & 10/23/08	10/21/08	11/5 & 11/6/08	11/5/08	11/4/08	11/4/08

² For location information see Map II-a.

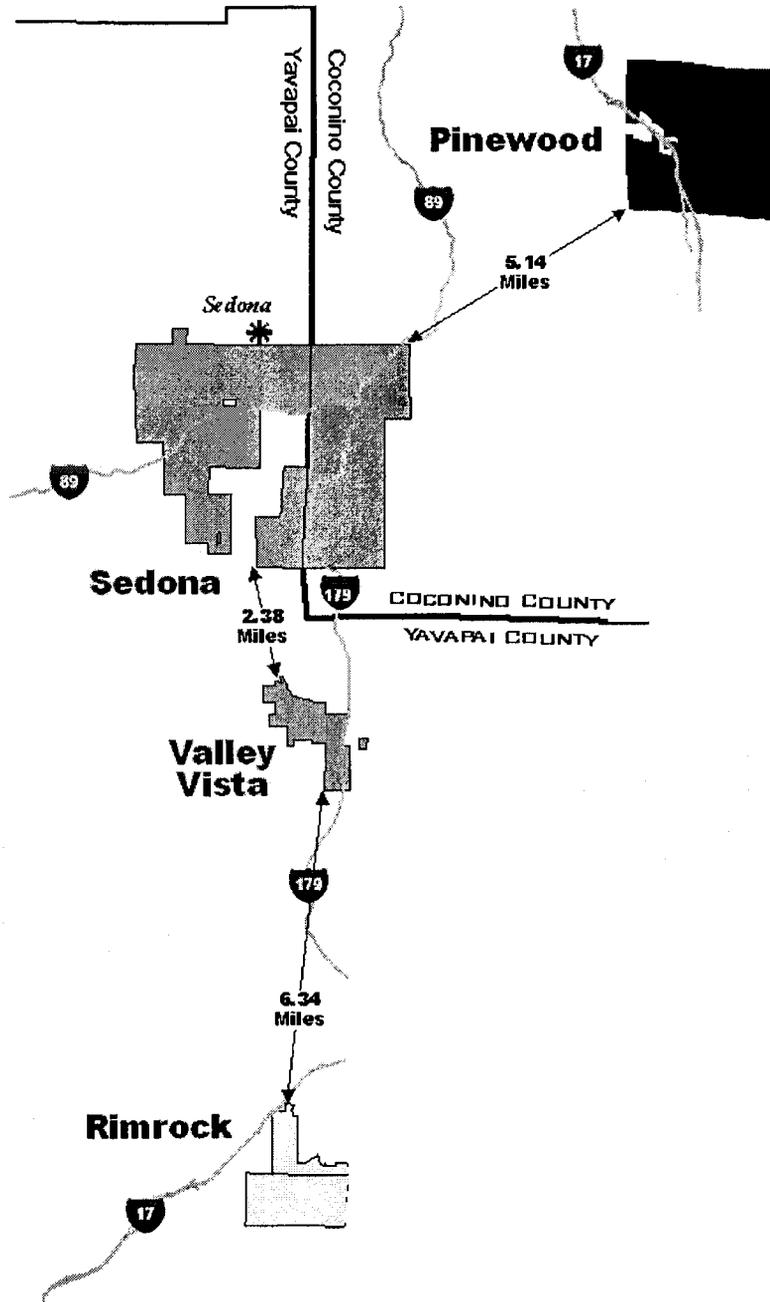
³ For location information see Map II-b.

⁴ This water system serves less than 15 connections and is not regulated by ADEQ or ADWR.

Map II-a



Map II-b



1. Lakeside PWS # 09-003

A. LOCATION AND DESCRIPTION OF THE SYSTEM

The Lakeside system is located in the Pinetop-Lakeside area approximately 8 miles south of Show Low in Navajo County. Major plant in service includes 5 active wells, 7 storage tanks, pumping facilities and a distribution system serving approximately 4,015 connections. A breakdown of the plant facilities is tabulated below⁵:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Sandy 40 Well # 2	55-616612	15	65	301	12	2	1970	Chlorination System
Nate Well #7	55-579779	200	490	1,020	18	4	2000	Chlorination System
Moonridge Well # 5	55-504286	150	360	1,115	20	4	1983	Chlorination System
Lower Woodland Well # 6	55-560979	175	490	1,000	18	8	1997	Chlorination System
Larson Well # 4	55-616614	50	145	750	8	4	1982	Chlorination System
Well # 1 (not in service)	55-616581	50	-	1,045	10	-	1981	n/a
Total 1,550								

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
12,000	1	2,000	1	5	3
40,000	1	5,000	1	10	4
100,000	1			15	1
350,000	2			20	1
500,000	2				
Total 1,852,000					

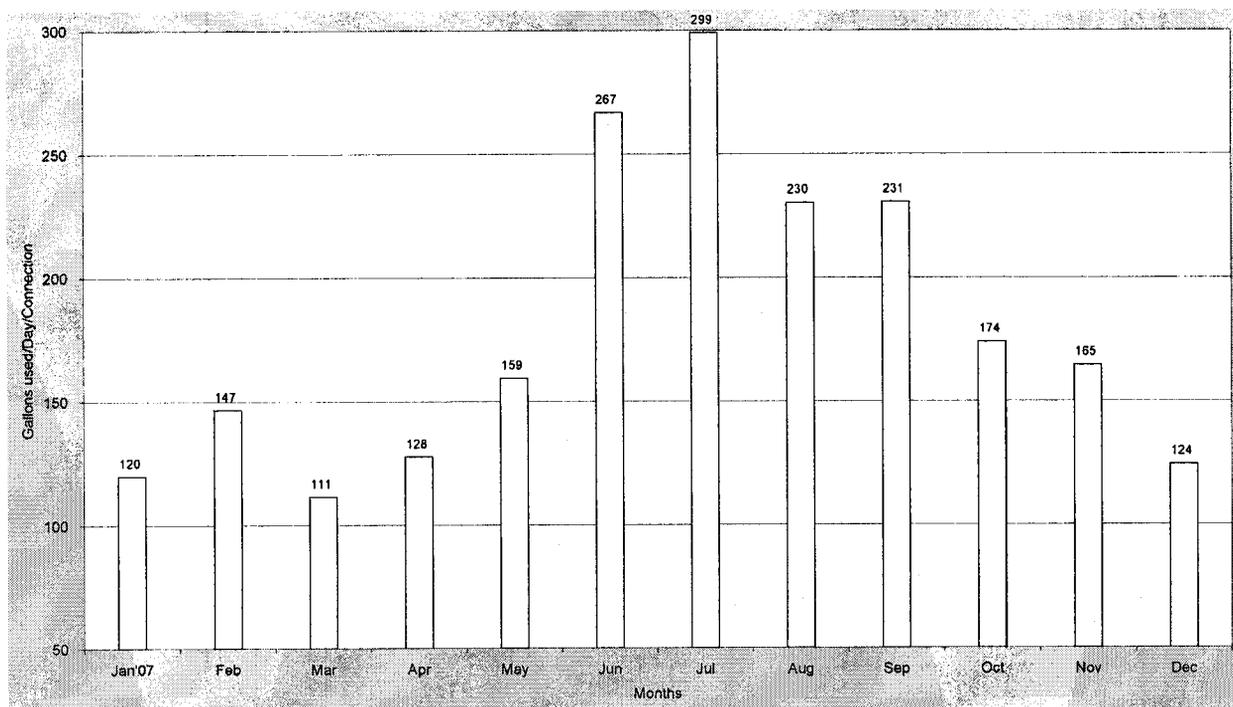
⁵ Per Company's responses number KS 2-3, KS 2-4, KS 5-1, KS 5-2 and Staff's site visits (this footnote applies to all remaining water systems in this report)

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	41,683	5/8x3/4	3,842	221
4	112,904	1	82	
6	225,462	2	35	
8	69,236	Comp.3	1	
10	350	Comp.4	1	
12	7,885			
16	80			
20	80	Total	3,960	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet⁶. Customer consumption included a high monthly water use of 299 gallons per day (“GPD”) per connection in July, and the low water use was 111 GPD per connection in March. The average annual use was 180 GPD per connection.



⁶ Per Company’s response number KS 5-4 (this footnote applies to all remaining water systems in this report).

Non-account Water

Non-account water should be 10 percent or less. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing.

The Company reported 292,851,000 gallons pumped, 262,576,700 gallons sold and 13,284,000 gallons of authorized non-revenue uses⁷ for the test year, resulting in a water loss of 5.8 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

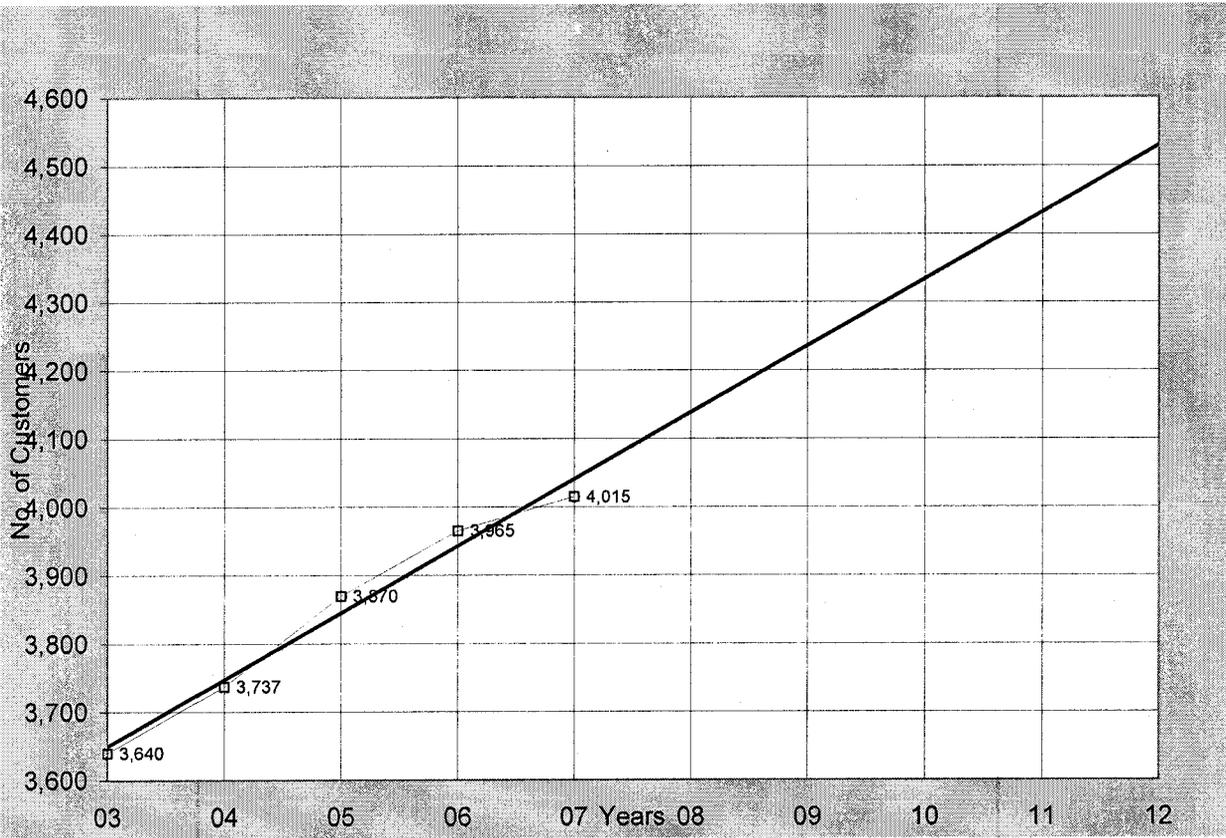
Based on the data provided by the Company for the Test Year, Staff concludes that the Lakeside system's source capacity of 1,550 gallons per minute ("GPM") and storage capacity of 1,852,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company⁸ it is projected that this system could have over 4,500 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.

⁷Per Company's response number KS 5-4b, non-revenue water use includes flushing of water lines, hydrants; tank draining & cleaning, overflow; fire department use (this footnote applies to all remaining water systems in this report).

⁸ Response number KS 2-6 (this footnote applies to all remaining water systems in this report).



2. Pinetop Lakes PWS # 09-018

A. LOCATION AND DESCRIPTION OF THE SYSTEM

The Pinetop Lakes system is located in Pinetop-Lakeside in Navajo County. The Company's Pinetop Lakes and Lakeside distribution systems are approximately 3 miles apart (straight-line distance) and there are Certificate of Convenience and Necessity ("CC&N") voids between the two systems. At this time these systems are not physically interconnected.

The Pinetop Lakes system's major plant in service includes 2 wells, 2 storage tanks, pumping facilities and a distribution system serving approximately 976 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well #1	55-616643	25	170	210	8	3	1970	Chlorination System
Well #2	55-506761	125	395	1,230	20	4	1984	Chlorination System
Total 565								

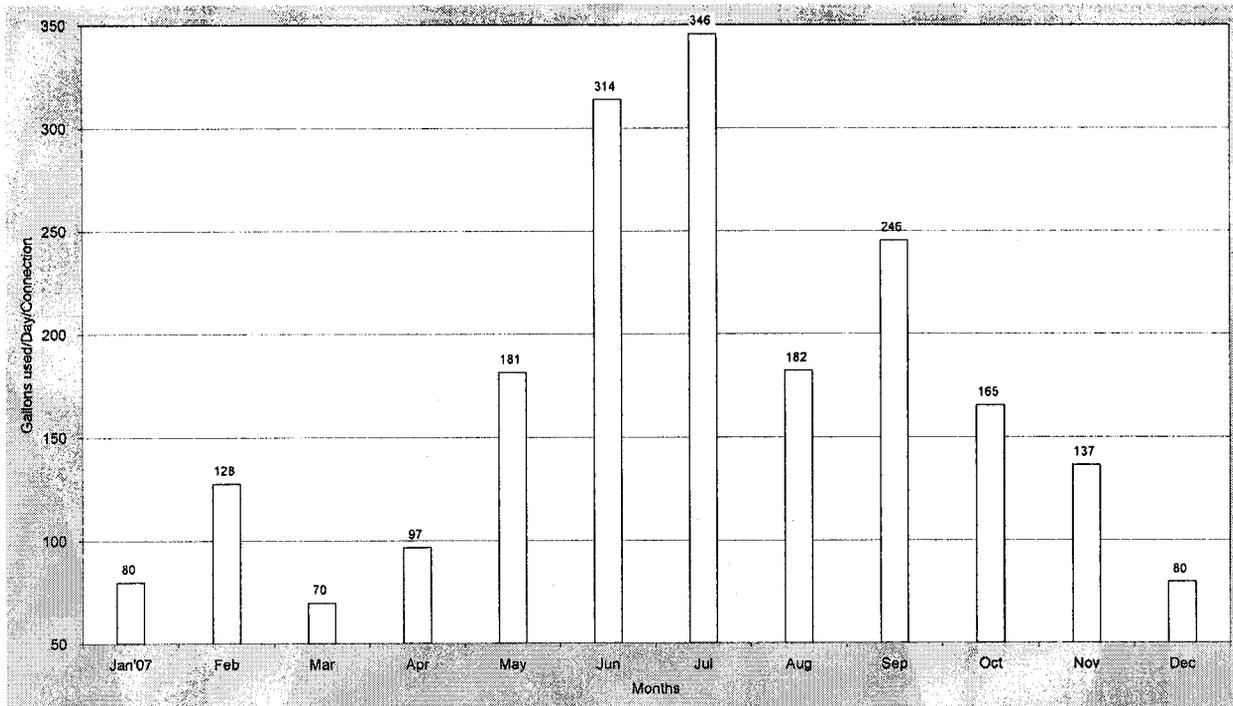
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
310,000	1	5,000	1	10	2
1,000,000	1	7,500	1	15	1
				20	1
				25	2
Total 1,310,000				75	1

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
3	28,800	5/8x3/4	1,015	141
6	33,600	1	1	
8	4,800	2	9	
12	8,800	Comp.3	1	
		Comp.4	1	
		Total	1,027	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 346 GPD per connection in July, and the low water use was 70 GPD per connection in March. The average annual use was 169 GPD per connection.



Non-account Water

The Company reported 74,291,000 gallons pumped, 59,972,500 gallons sold and 2,904,900 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 15.4 percent, which exceeds the recommended threshold amount of 10 percent.

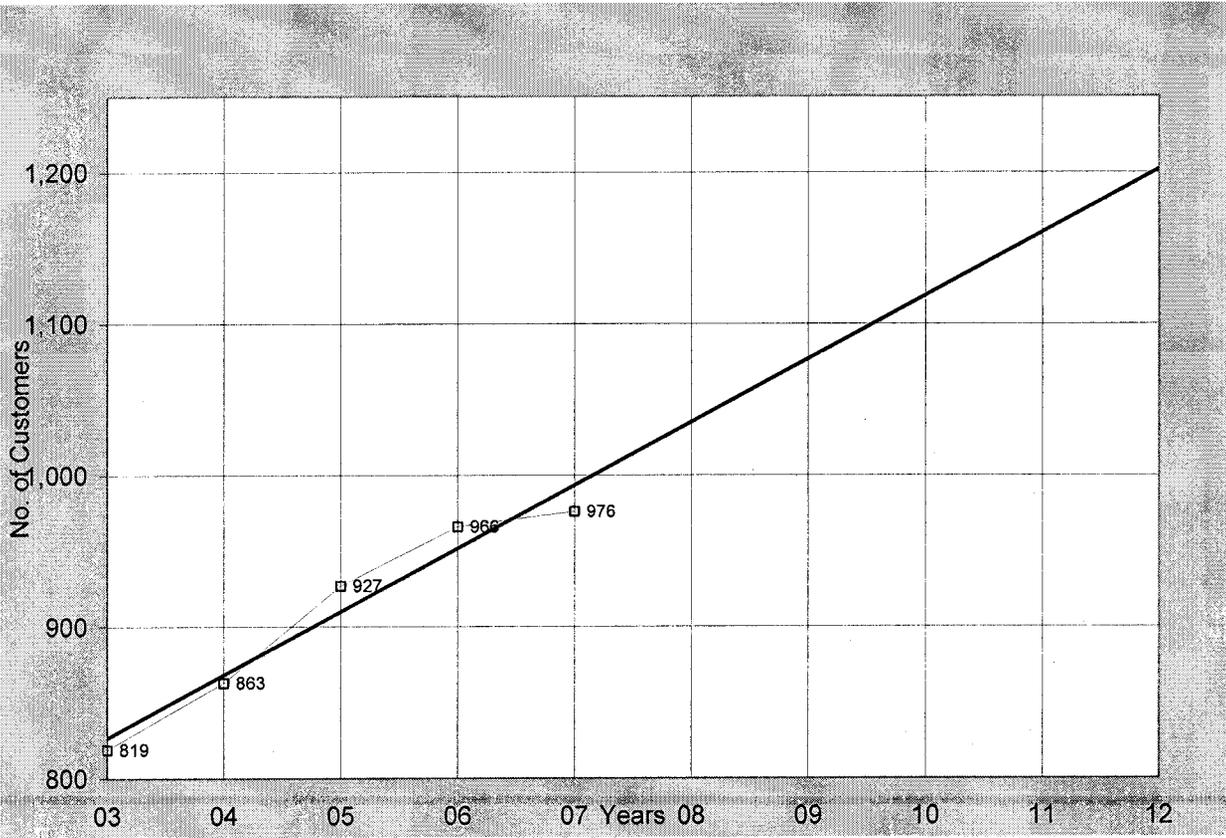
Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain above 15 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Pinetop Lakes system's source capacity of 565 GPM and storage capacity of 1,310,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 1,200 connections by 2012. Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



3. Overgaard PWS # 09-004

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Overgaard area, which is approximately 30 miles west of Show Low in Navajo County.

Major plant in service includes 5 wells, 6 storage tanks, pumping facilities and a distribution system serving approximately 4,212 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well # 1 Townsite	55- 616639	25	60	600	6	2	1960	Chlorination System
Well # 3 Zane Grey	55- 616641	40	120	700	12	3	1960	Chlorination System
Well # 2 Pine Meadows	55- 616640	75	290	600	16	3	1966	Chlorination System
Well # 4 Holiday Forest	55- 616642	60	230	609	10	4	1971	Chlorination System
Well # 5 Mogolon	55- 579785	100	410	810	16	4	2000	Chlorination System
Total 1,110								

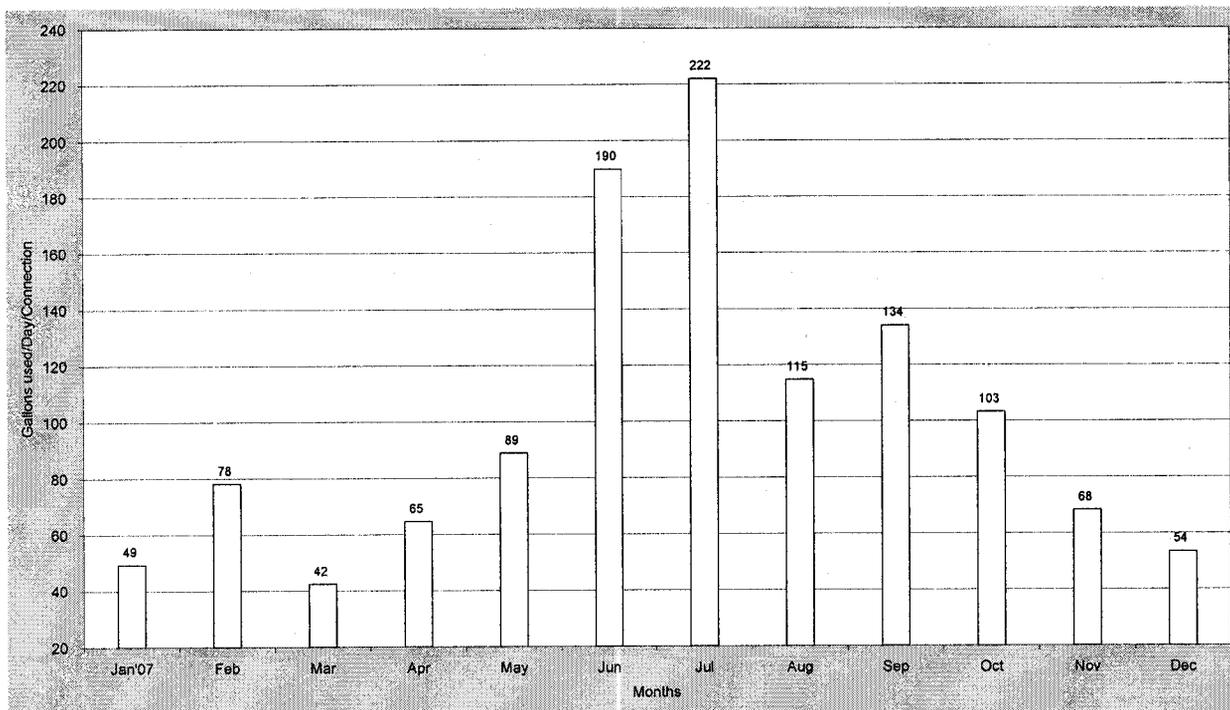
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
25,000	1	120	2	3	1
100,000	2	220	2	5	1
250,000	1	250	1	10	2
315,000	1				
1,000,000	1				
Total 1,790,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	10,565	5/8x3/4	4,132	344
4	119,686	1	14	
6	246,049	2	18	
8	116,302	Comp.6	1	
14	260			
		Total	4,165	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 222 GPD per connection in July, and the low water use was 42 GPD per connection in March. The average annual use was 101 GPD per connection.



Non-account Water

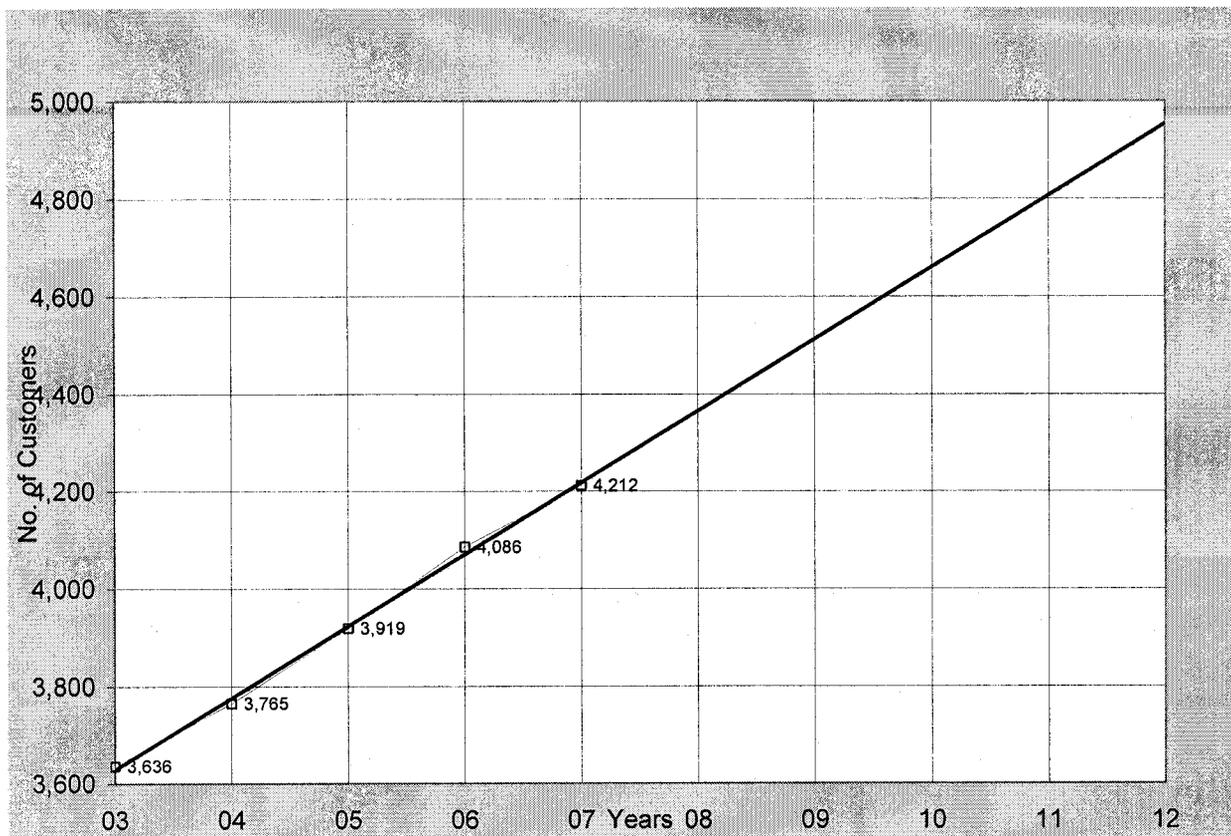
The Company reported 175,868,000 gallons pumped, 152,540,700 gallons sold and 11,225,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 6.9 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Overgaard system's source capacity of 1,110 GPM and storage capacity of 1,790,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 4,900 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



4. Forest Towne PWS # 09-002

A. LOCATION AND DESCRIPTION OF THE SYSTEM

The Forest Towne water system serves the Forest Towne area, approximately 15 miles west of Snowflake in Navajo County. The Company's Forest Towne and Overgaard distribution systems are approximately 12 miles apart (straight-line distance) and are not physically interconnected.

Major plant in service includes 1 well, 1 storage tank, pumping facilities and a distribution system. This system serves less than 15 connections and is not a community system.

A breakdown of the plant facilities is tabulated below:

Well

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well # 1 Forest Towne	55-616610	1.5	7	460	10	1	unknown	Chlorination System

Storage Tank		Pressure Tank		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
2,500	1	119	2	-	-

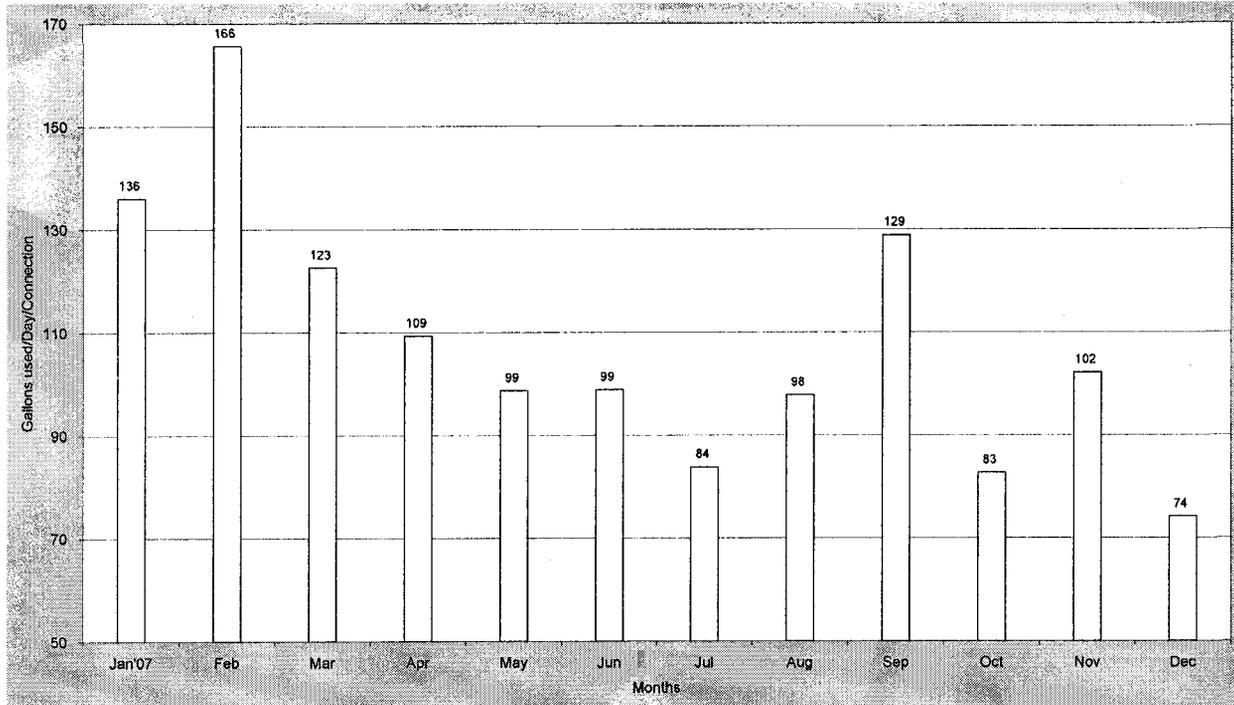
Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
6	4,043	5/8x3/4	6	-

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 166 GPD per connection in February, and the

low water use was 74 GPD per connection in December. The average annual use was 108 GPD per connection.



Non-account Water

The Company reported 236,000 gallons pumped and 222,600 gallons sold for the test year, resulting in a water loss of 5.7 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Forest Towne system's source capacity of 7 GPM and storage capacity of 2,500 gallons is adequate to serve the present customer base and reasonable growth.

5. Sedona PWS# 03-003

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Sedona area in Yavapai and Coconino Counties. Major plant in service includes 9 active wells, 2 arsenic treatment plants, 7 storage tanks, pumping facilities and a distribution system serving approximately 5,702 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
#10	55-566709	100	380	1010	16	4	1998	Arsenic Treatment (Broken Arrow) Chlorination System
#7	55-616661	125	480	700	10	4	-	Arsenic Treatment (Williams) Chlorination System
#6	55-616662	60	235	-	8	3	1949	Future Arsenic Treatment ⁹ Chlorination System
#2	55-616656	100	510	320	6	4	1960	Chlorination System
#4	55-616658	25	60	750	8	2	1955	Chlorination System
#8	55-616663	250	800	791	16	6	1975	Chlorination System
#9	55-506794	150	560	505	16	6	1983	Filtration System Chlorination System
#5	55-616659	60	155	684	6	1.5	1962	Chlorination System
#12	55-204279	250	500	897	16	6	2004	Chlorination System
#11 Inactive	55-590241	-	-	1485	16	-	2002	-
Inactive	55-516201	-	-	613	8	-	1989	-
Inactive	55-616660	-	-	-	-	-	1959	-
Total 3,680								

⁹ Plant not yet constructed during Staff's site visit

Arsenic Treatment Plants

Well ID	Name	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Site Preparation Completed	Plant Placed in Operation
Well#10	Broken Arrow	500	Basin	Lease	March, 2006	November, 2006
Well#7	Williams	850	Layne	AWC Owned	March, 2008	April, 2008

Storage Tanks

Capacity (gallons)	Quantity
100,000	2
102,800	1
300,000	1
700,000	1
1,000,000	2
Total 3,302,800	

Booster Pumps

Capacity (HP)	Quantity
5	5
7.5	3
10	4
20	3
25	3
75	3

Filters Tanks

Capacity (gallons)	Quantity
2,200	1
6,000	1

Pressure Tanks

Capacity (gallons)	Quantity
1,000	2
1,500	1
2,000	2
5,000	2

Customer Meters

Size (inches)	Quantity
5/8x3/4	4,959
1	571
2	138
Comp.3	4
Comp.4	6
Comp.6	1
Turbo 6	1
Total	5,680

Mains

Size (inches)	Length (feet)
2	80,888
3	21,312
4	162,439
6	253,623
8	94,140
12	16,657
16	1,845

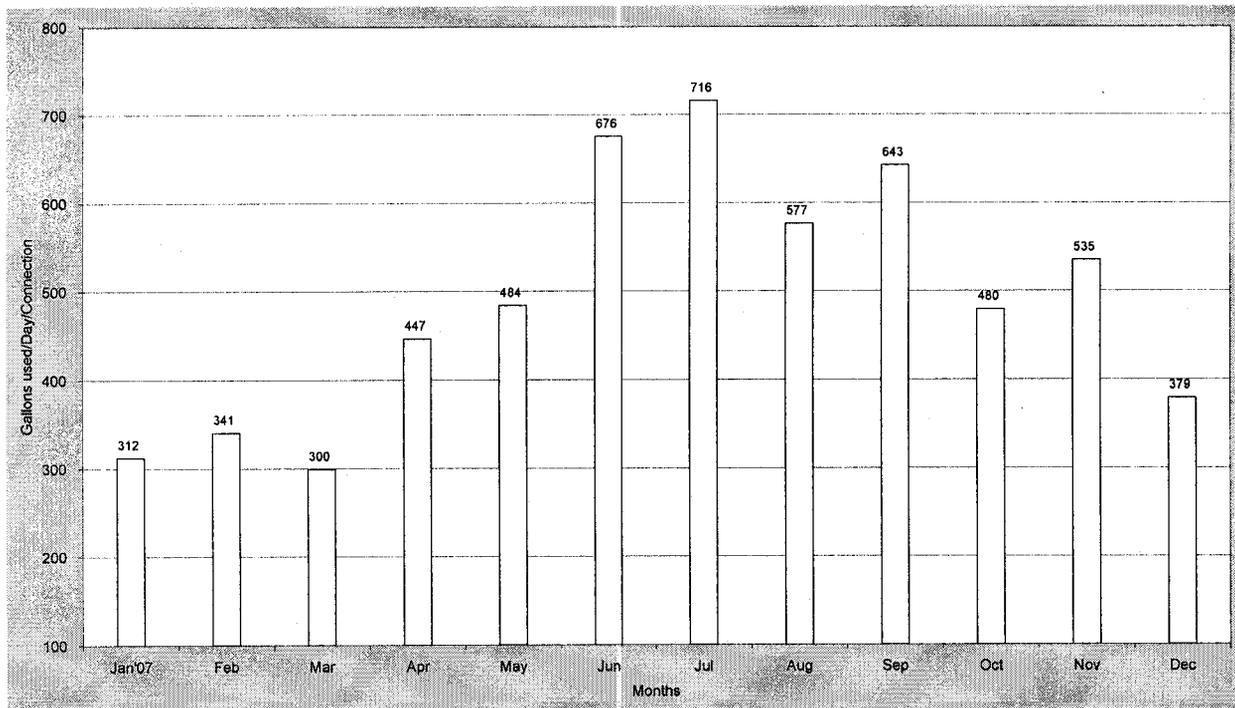
Fire Hydrants

Quantity	150
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B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 716 GPD per connection in July, and the low water use was 300 GPD per connection in March. The average annual use was 491 GPD per connection.



Non-account Water

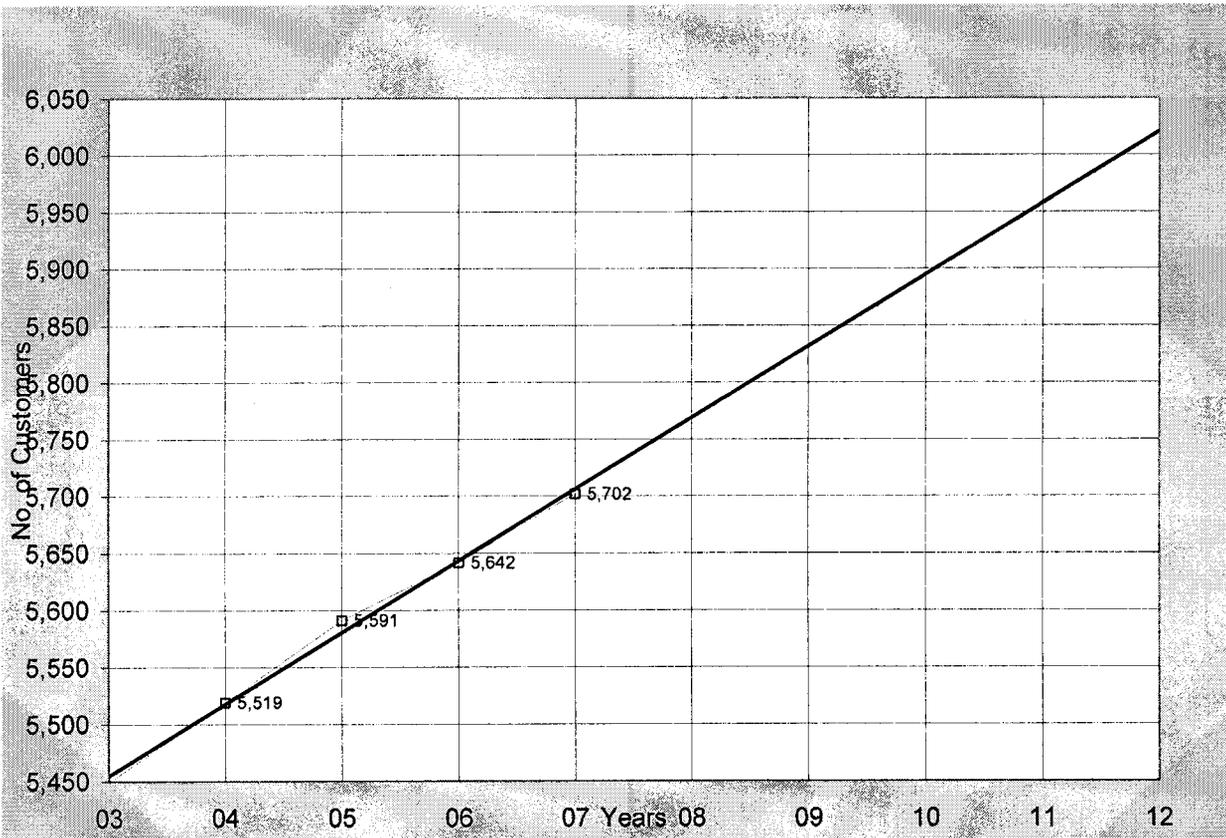
The Company reported 1,106,497,000 gallons pumped, 1,020,285,000 gallons sold and 1,872,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 7.6 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Sedona system's source capacity of 3,680 GPM and storage capacity of 3,302,800 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 6,000 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



6. Valley Vista PWS# 13-114¹⁰

A. LOCATION AND DESCRIPTION OF SYSTEM

The Valley Vista system serves the Village of Oak Creek area in Yavapai County. The Company's Valley Vista and Sedona distribution systems are approximately 2-1/2 miles apart (straight-line distance) and are not physically interconnected. Major plant in service includes 4 active wells, 4 arsenic treatment plants, 3 storage tanks, pumping facilities and a distribution system serving 735 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
RR	55-616671	30	155	400	8	2	1963	Arsenic Treatment Chlorination System
WHM	55-616670	5	23	15	8	1	1961	Arsenic Treatment Chlorination System
SGR	55-518969	60	265	613	8	3	1989	Arsenic Treatment Chlorination System
VV well #13 ¹¹	55-212110	75	50	1005	16	6	2007	Arsenic Treatment ¹² Chlorination System
VV well #1 (not in service)	55-616672	10	-	578	6	2	1973	-
SU (inactive)	55-632272	-	-	16	8	-	1952	-
Total 493								

¹⁰ Also known as "Rancho Rojo" or "Village of Oak Creek"

¹¹ This new well (VV well#13) was placed in service in November 2008. It replaced VV well #1.

¹² Arsenic Treatment for VV well #13 (DWR# 55-212110) is temporary provided by an EPA plant, that was used previously for VV well #1. See Section 'C' (System Analysis) for more details.

Arsenic Treatment Plants

Well ID	Plant Name	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
RR	Rancho Rojo	120	Basin	Lease	January, 2006	June, 2006
WHM	Wild Horse Mesa	25	Basin	Lease	January, 2006	June, 2006
SGR	Sedona Golf Resort	300	Basin	Lease	August, 2006	February, 2007
VV Well #13	EPA	50-60	Kinetico	AWC Owned	June, 2004	June, 2004

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
150,000	1	1,000	1	7.5	1
175,000	1	5,000	2	10	1
250,000	1			20	1
Total 575,000				30	1

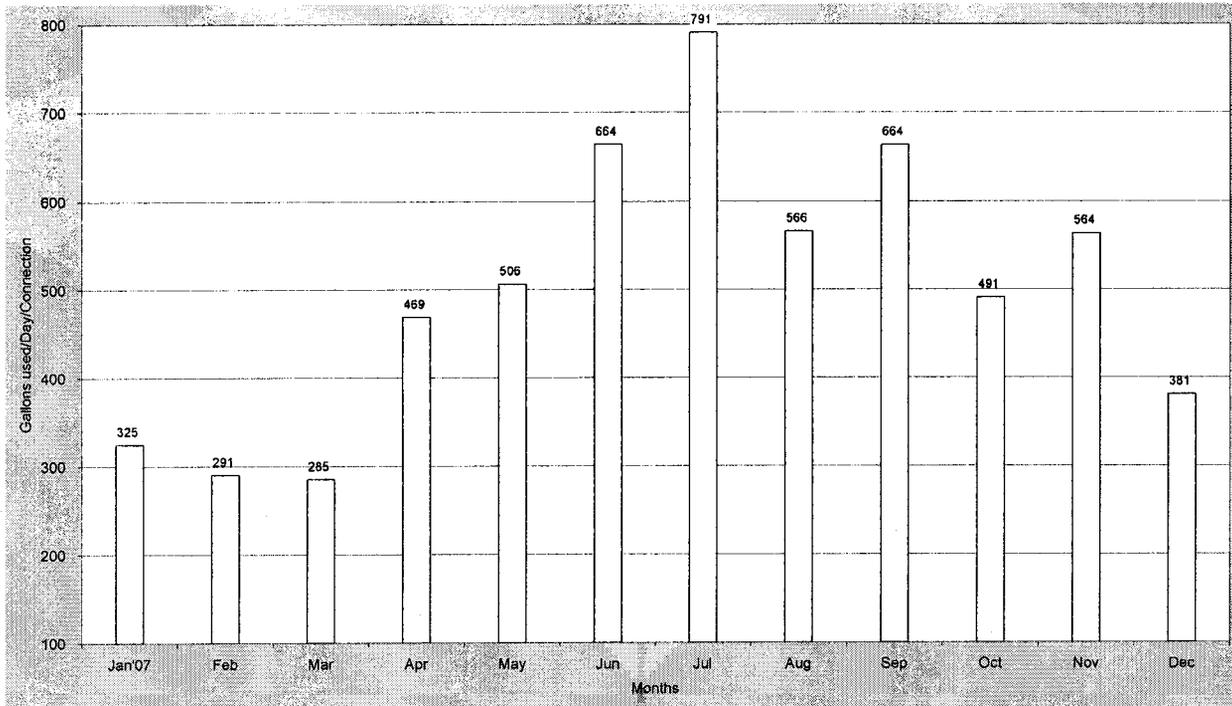
Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
4	8,400	5/8x3/4	605	424
6	39,104	1	117	
8	35,520	2	28	
12	900	Comp.3	1	
		Comp.4	2	
		Comp.8	1	
		Total	750	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 791 GPD per connection in July, and the low

water use was 285 GPD per connection in March. The average annual use was 500 GPD per connection.



Non-account Water

The Company reported 141,039,000 gallons pumped, 134,431,300 gallons sold and 244,600 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 4.5 percent. This percentage is within the acceptable limit of 10 percent.

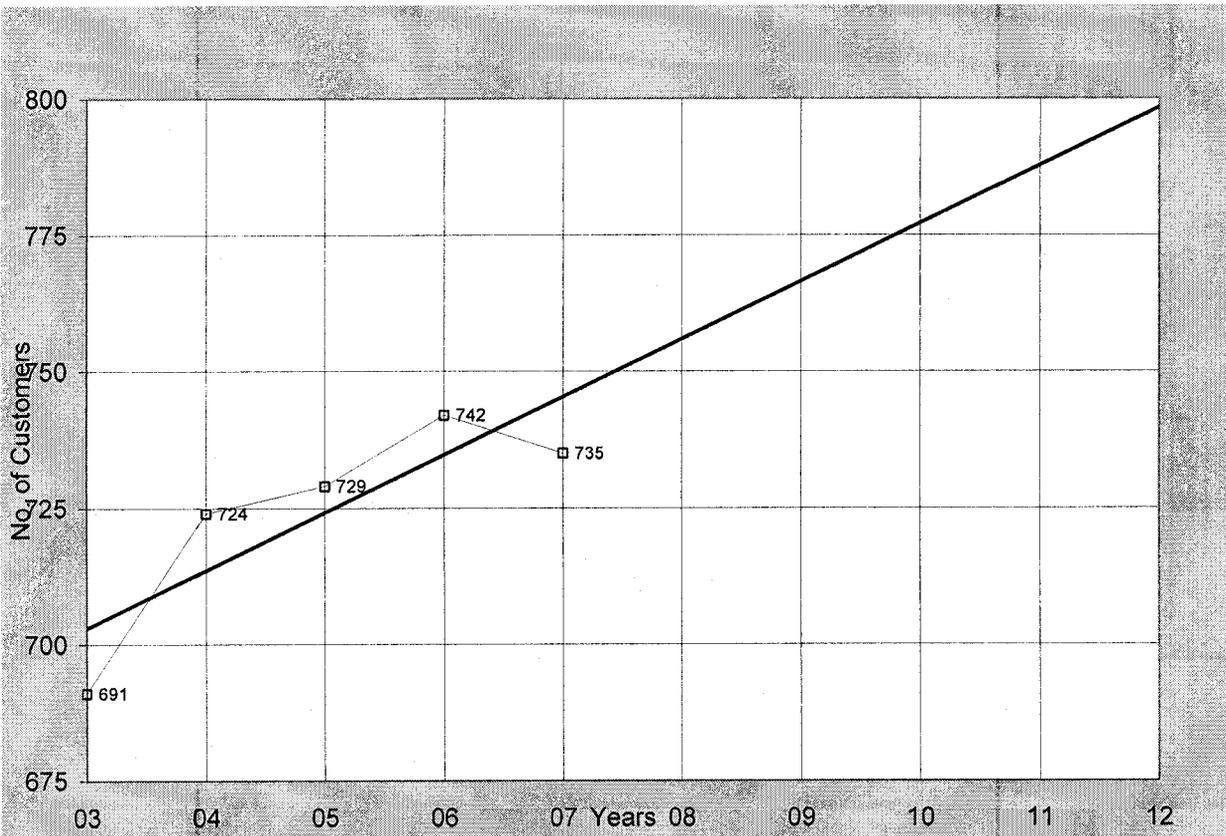
C. SYSTEM ANALYSIS

Based on the present production of 493 GPM, storage capacity of 575,000 gallons and water use data, Staff concludes that the Valley Vista system has adequate storage, but inadequate production capacity to serve its customer base.

The Company has indicated that the new well VV#13 pumping capacity is 300 GPM, but a valve on the discharge piping is throttled to allow only 50-60 GPM to run through the existing EPA Arsenic Plant. The Company stated that design of a new arsenic treatment plant began on June 19, 2008. The Company anticipates that upon completion of the new arsenic treatment plant for this well, the well production could be increased to 300 GPM. When these improvements are installed, the Company's modified system will have adequate production and storage capacities to serve its customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 800 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



7. Pinewood PWS # 03-002

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system is located in the Munds Park area, approximately 17 miles south of Flagstaff in Coconino County. Major plant in service includes 3 active wells, 5 storage tanks, pumping facilities and a distribution system serving approximately 2,895 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
#5	55-616647	50	153	1252	6	3	1977	Chlorination System
#10	55-616651	125	305	1330	12	4	1977	Chlorination System
#11	55-568934	125	300	1360	12	4	1999	Chlorination System
Inactive	55-616650	15	-	320	6	-	1976	-
Total 758								

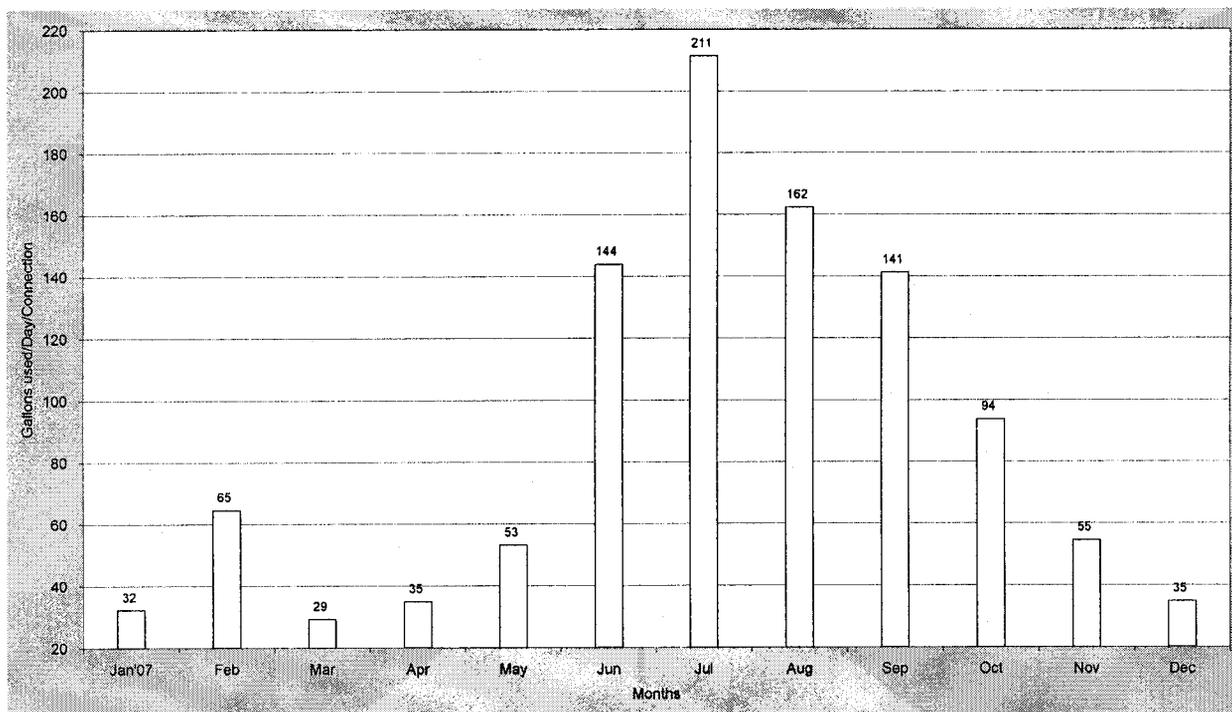
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
40,000	1	1,000	1	1.5	1
100,000	2			15	6
500,000	2			30	1
Total 1,240,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	5,555	5/8x3/4	2,873	106
3	1,153	1	8	
4	71,040	2	6	
6	87,487			
8	5,064			
10	560			
		Total	2,887	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 211 GPD per connection in July, and the low water use was 29 GPD per connection in March. The average annual use was 88 GPD per connection.



Non-account Water

The Company reported 126,878,000 gallons pumped, 93,128,400 gallons sold and 722,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 26 percent, which exceeds the recommended threshold amount of 10 percent.

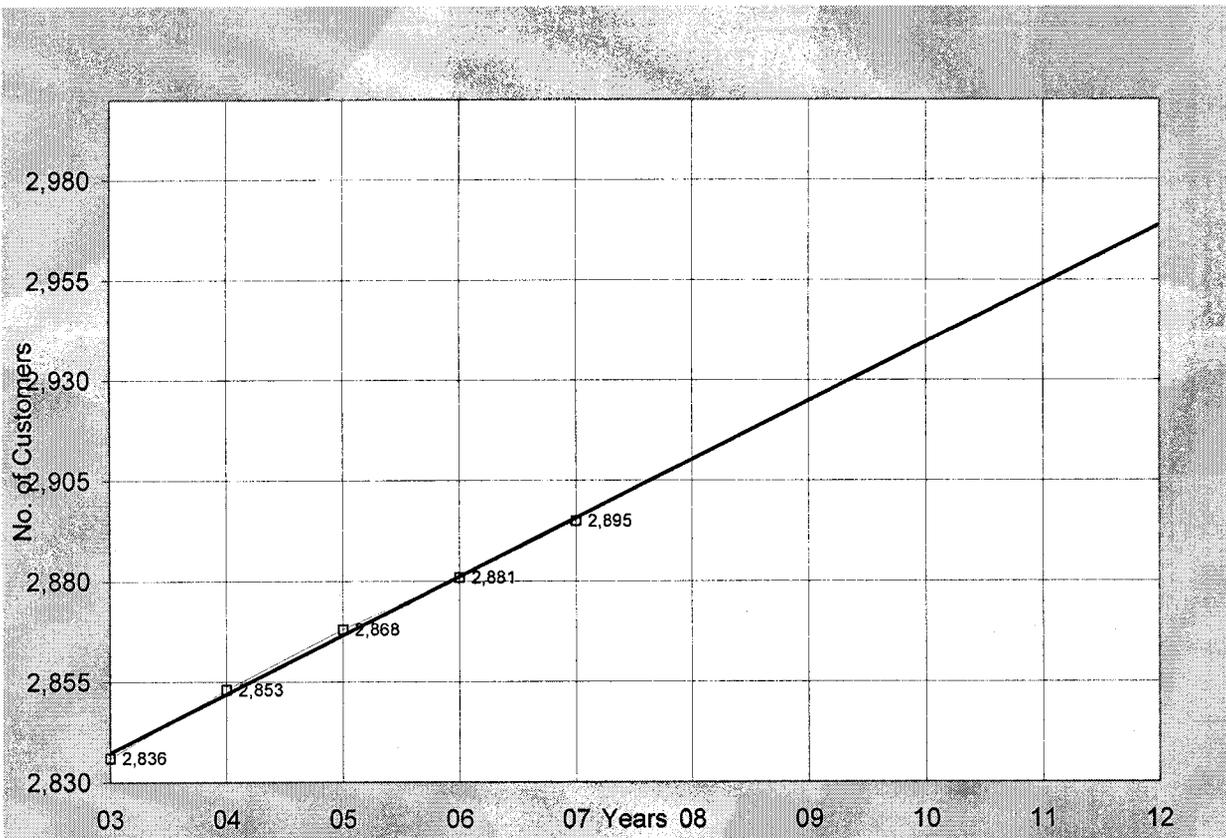
Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain greater than 15 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Pinewood system's source capacity of 758 GPM and storage capacity of 1,240,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 2,960 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



8. Rimrock PWS # 13-046**A. LOCATION AND DESCRIPTION OF THE SYSTEM**

This system is located in Rimrock, approximately 10 miles northeast of Camp Verde in Yavapai County. Major plant in service includes 6 active wells, 6 arsenic treatment plants, 3 storage tanks, pumping facilities and a distribution system serving approximately 1,261 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
#1	55-616652	15	90	116	10	3	1970	Arsenic Treatment Chlorination System
#2	55-616653	30	173	210	10	4	1968	Arsenic Treatment Chlorination System
#3	55-616654	7.5	45	300	6	2	1966	Arsenic Treatment Chlorination System
#4	55-616655	7.5	55	70	6	2	1964	Arsenic Treatment Chlorination System
MH 3	55-591459	75	334	1,020	16	4	2003	Arsenic Treatment Chlorination System
MH2	55-803288	5	30	80	6	2	1969	Arsenic Treatment Chlorination System
MH 1 (not in service)	55-803289	-	-	80	6	-	-	-
Total 727								

Arsenic Treatment Plants

Well ID	Plant Name	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
#1	Rimrock Well#1 Plant	100	Basin	Lease	January 2006	June 2006
#2	Rimrock Well#2 Plant	300	Basin	Lease	December 2005	February 2007
#3	Rimrock Well#3 Plant	45	Basin	Lease	January 2006	June 2006
#4	Rimrock Well#4 Plant	120	Basin	Lease	February 2006	June 2006
MH 3	Montezuma Haven Plant	300	Basin	Lease	March 2006	April 2007
MH2	EPA Plant	30	Adedge	AWC Owned	May 2004	February 2005

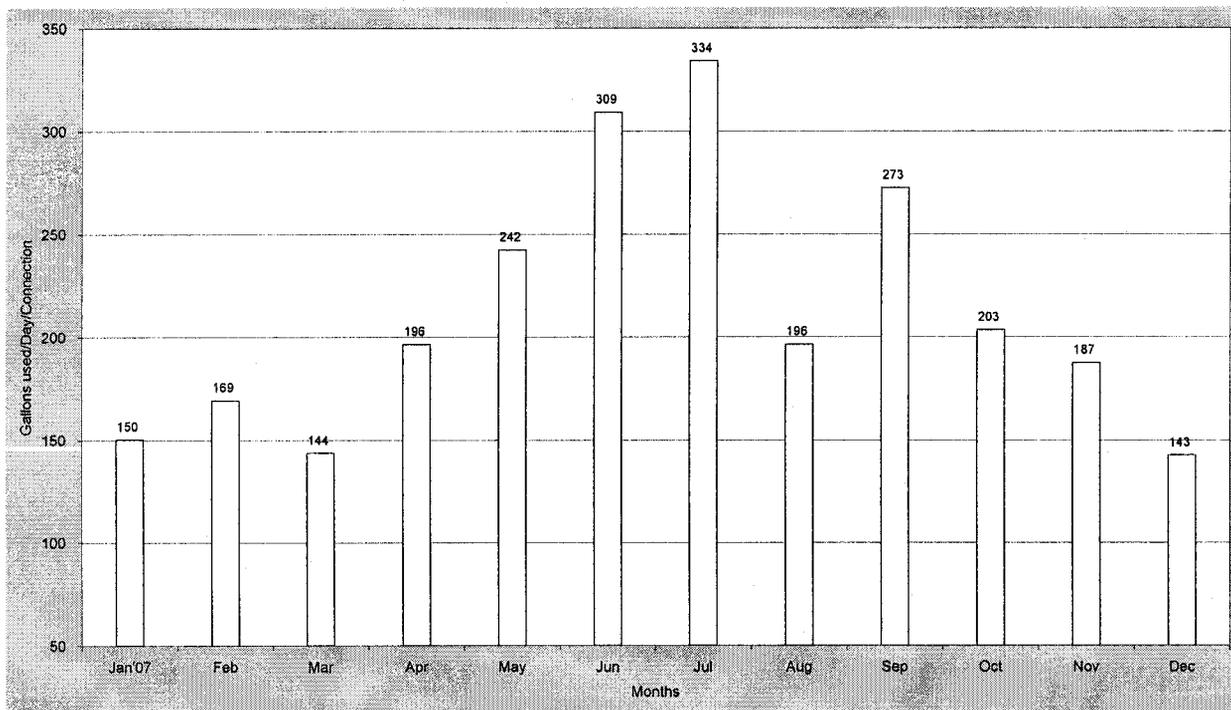
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
100,000	1	350	1	5	2
160,000	1	1,350	1	10	2
200,000	1	3,000	1	15	3
		5,000	1		
Total	460,000				

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	24,763	5/8x3/4	1,233	63
3	1,350	1	9	
4	67,393	2	4	
6	54,688			
8	3,638			
		Total	1,246	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 334 GPD per connection in July, and the low water use was 143 GPD per connection in December. The average annual use was 212 GPD per connection.



Non-account Water

The Company reported 109,930,000 gallons pumped, 97,698,200 gallons sold and 249,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 11 percent, which exceeds the recommended threshold amount of 10 percent.

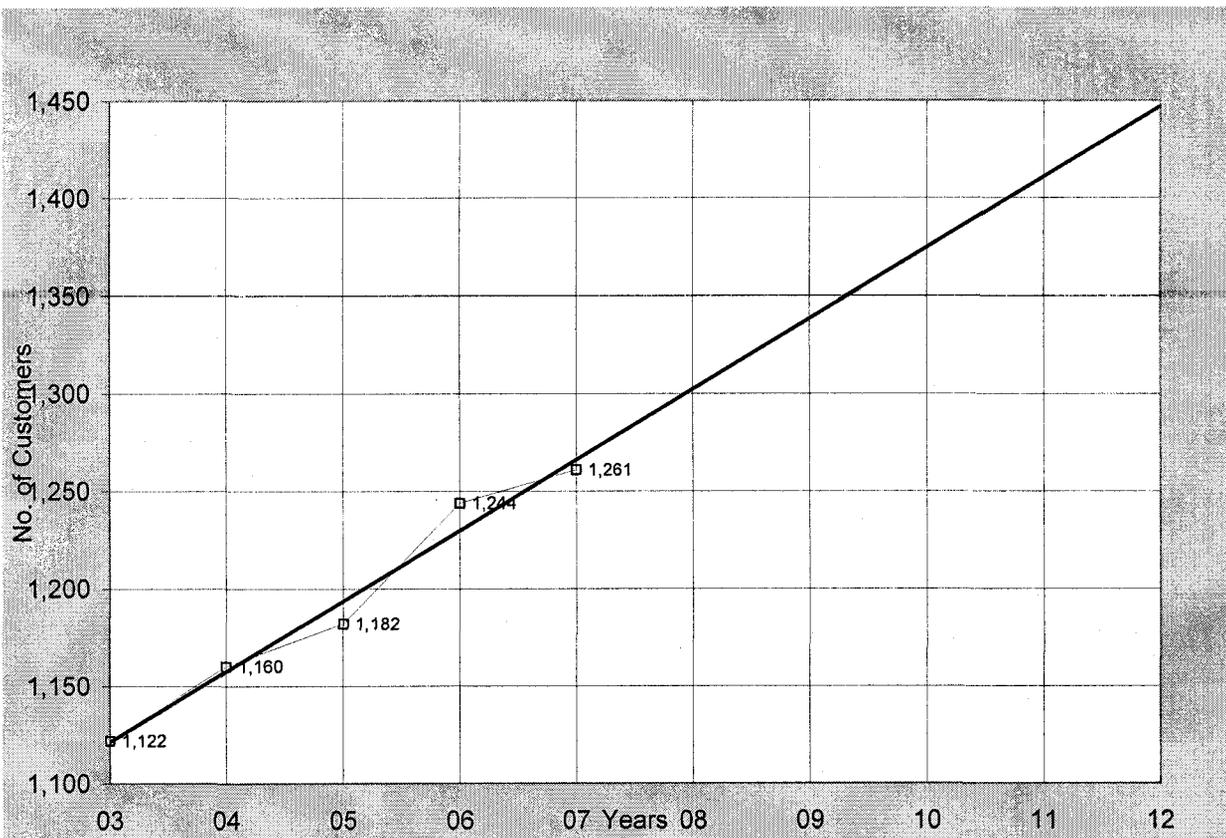
Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Rimrock system's source capacity of 727 GPM and storage capacity of 460,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 1,450 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



III. EASTERN GROUP

SUMMARY

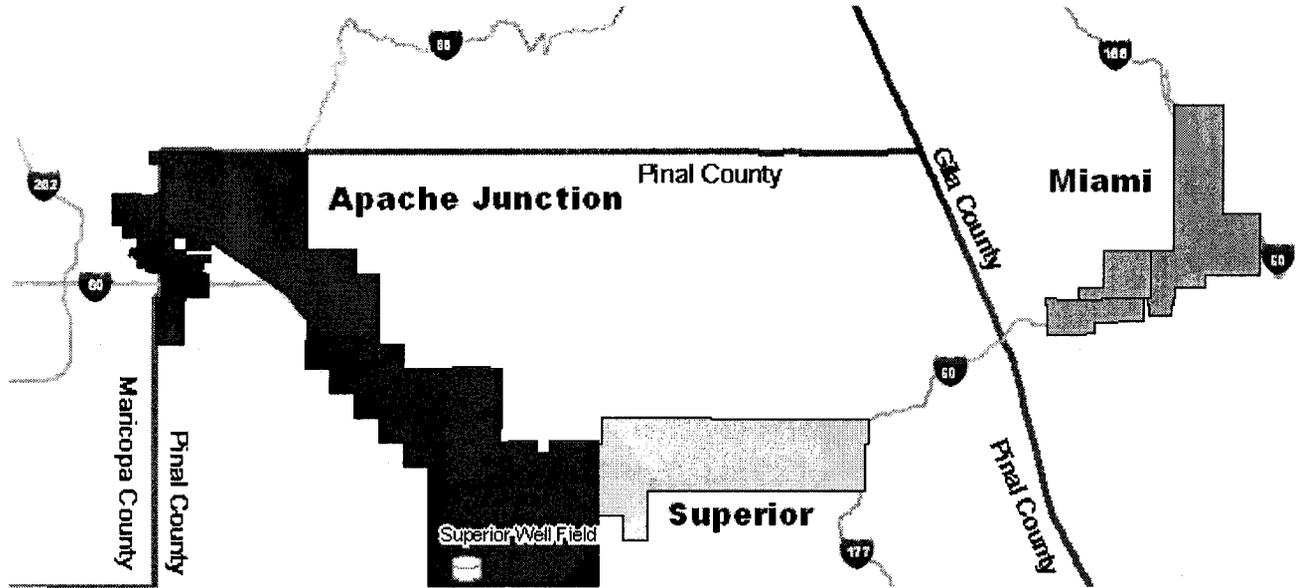
The Eastern Group consists of eight independent water systems. These systems are not physically interconnected. Statistical information for these systems is tabulated below:

System Name	(AWC proposed consolidation) ¹³			(AWC proposed consolidation) ¹⁴				
	Superstition (partially consolidated)		Miami	Winkelman	San Manuel (consecutive to PWS# 11-347)	Oracle	Sierra Vista	Bisbee
	Apache Junction	Superior						
PWS ID#	11-004	11-021	04-002	04-003	11-020	11-019	02-004	02-001
ADEQ compliant	yes	yes	yes	yes	yes	yes	yes	yes
ADWR Compliant?	yes	no	yes	yes	yes	no	yes	yes
AMA	Phoenix	Phoenix	n/a	n/a	n/a	Tucson	n/a	n/a
Number of Connections at the end of the test year	19,667	1,346	3,104	169	1,563	1,552	2,920	3,457
Is a production capacity adequate?	yes	yes	yes	yes	n/a	yes	yes	yes
Is a storage capacity adequate?	yes	yes	yes	yes	yes	yes	yes	yes
Water Loss	7.4%	18.4%	7.8%	12%	10.7%	9.3%	5.4%	16%
MAP fee	no	yes	yes	yes	no	yes	yes	yes
Number of Arsenic treatment plans	2	1	none	none	1	none	none	none
Purchased Potable Water	yes	no	no	no	yes	no	no	no
Date of site visit	1/21 & 1/22/09	1/22/09	1/15/09	1/6/09	1/6/09	1/7/09	11/20/08	11/19/08

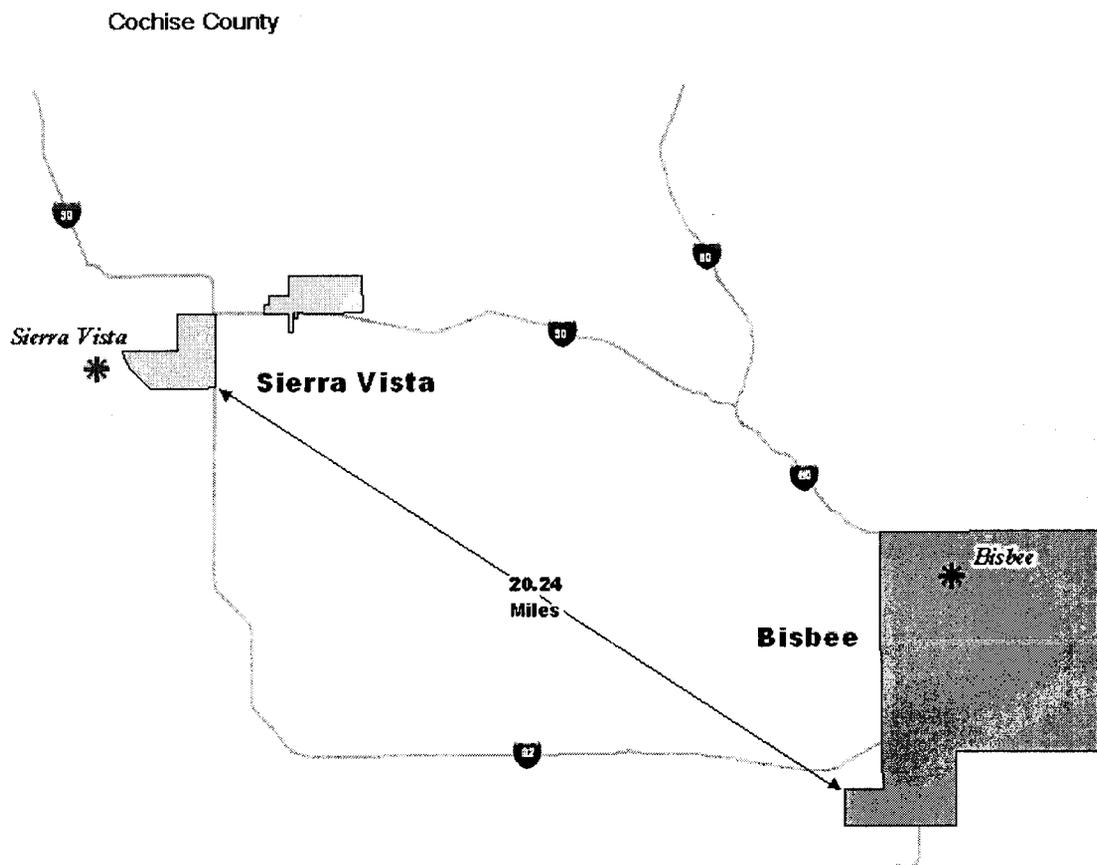
¹³ For location information see Map III-a.

¹⁴ For location information see Map III-b.

Map III-a



Map III-b



1. Apache Junction PWS # 11-004

A. LOCATION AND DESCRIPTION OF THE SYSTEM

Apache Junction system (“AJ”) serves the Apache Junction area in Pinal and Maricopa Counties. In order to reduce reliance on groundwater, the Company obtained water allocations from Central Arizona Project (“CAP”). AJ supplements its groundwater supply with the Company’s allocated CAP water, which has been treated by the City of Mesa CAP water treatment plant (“Mesa”)¹⁵. AJ also wheels water from Mesa to the Apache Junction Water Company (“AJWC”)¹⁶.

Major plant in service includes 8 active wells, 2 arsenic treatment plants, 14 storage tanks, pumping facilities and a distribution system serving approximately 19,667 connections. A breakdown of the plant facilities is tabulated below:

Wells								
AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
Well # 12	55-616591	300	500	852	16	8	1970	(Baseline) Arsenic Treatment Chlorination System
Well # 14	55-616589	200	422	1000	20	8	1979	
Well # 15	55-565551	400	1270	1467	16	8	1998	
Well # 16	55-572660	600	2500	1510	18	12	2000	
Well # 18	55-210431	300	960	1450	18	8	2007	
Well # 11	55-616592	250	800	744	10	6	1960	(Oasis) Arsenic Treatment Chlorination System
Well # 13	55-616590	600	2500	900	20	12	1976	
Well # 19	55-212858	600	2500	1300	18	12	2007	
Ranch 160 W1 (not in service)	55-583450	n/a	n/a	1150	12	n/a	2000	n/a
Ranch 160 W2 (not in service)	55-588620	n/a	n/a	1250	16	n/a	2002	n/a
Total			11,452					

¹⁵ Per Agreement for treatment and delivery of the Company’s CAP allocation between Mesa and AWC

¹⁶ Per Agreement for treatment and delivery of CAP water between Mesa, AJWC and AWC

Other Water Source

Description	Meter Size (in inches)	Capacity of point of delivery (GPM)	Gallons Obtained	Water Treatment
City of Mesa CAP Treatment Plant (AWC CAP allocation of 6,000 acre-ft/yr)	8	3,600	927,863,000 (2,848 acre-ft/yr)	none

Arsenic Treatment Plants

Well ID	Plant Name	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
Wells #12,#14, #15, #16 & #18	Baseline ATP	4,500	Layne	AWC Owned	October 2006	May 2007
Wells #11, #13 & #19	Oasis ATP	2,500	Layne	AWC Owned	January 2007	April 2007

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
150,000	1	1,500	1	5	2
300,000	1	2,500	1	10	5
500,000	2	5,000	3	20	5
550,000	1	7,700	1	25	1
1,000,000	4	20,000	1	30	1
1,400,000	1			40	11
2,000,000	2			50	2
4,000,000	2			75	4
				100	3
				150	2
				200	1
Total	19,290,360				

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	36,373	5/8x3/4	17,323	1,609
3	2,580	1	1,951	
4	133,771	2	217	
6	883,333	Comp.3	22	
8	448,484	Turbo3	3	
12	236,361	Comp.4	13	
14	107,760	Turbo4	9	
16	23,871	Comp.6	2	
20	11,875	Turbo6	20	
24	5,883	Turbo8	2	
36	26,397			
		Total	19,562	

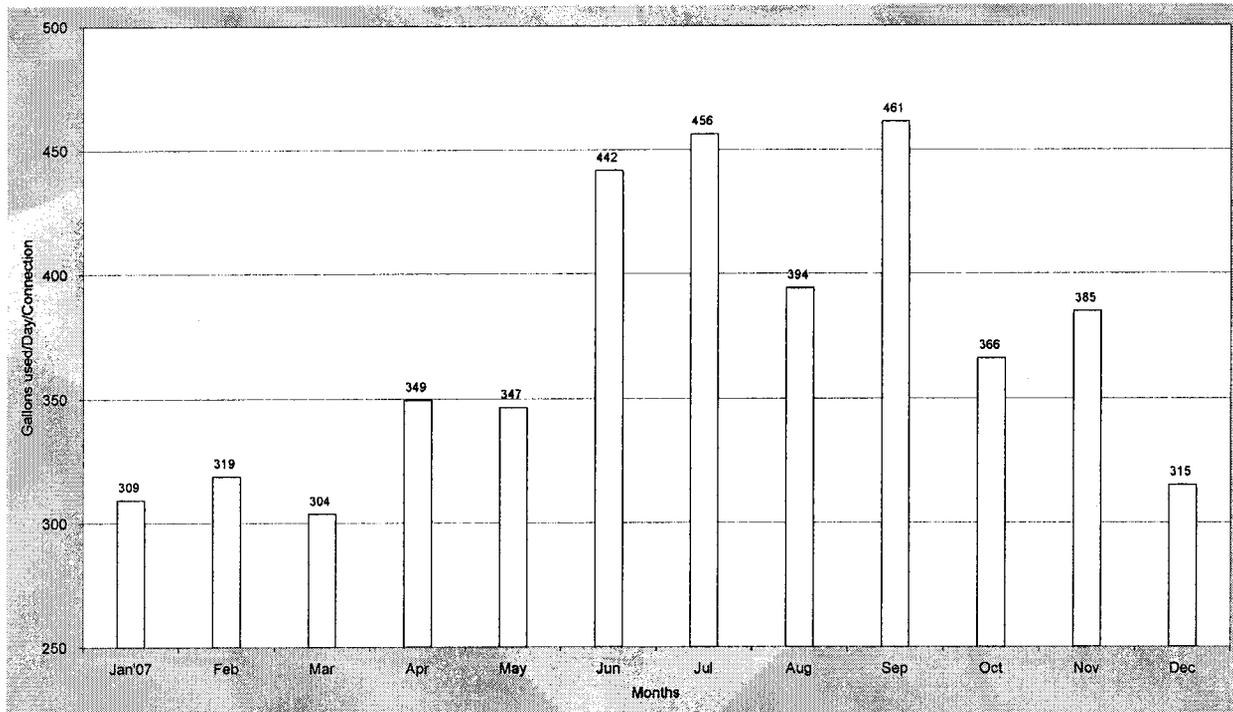
B. WATER USE

Water Sold

The Company reported 20,004,000 gallons of inter-company sales from the Well #3 to its Superior water system. At this time there is no interconnection between the AJ and Superior systems. Well #3 is located in the Superior system's Desert Station well field (near Florence Junction), and is part of the Superior System PWS# 11-021, as defined by ADEQ¹⁷. Therefore, Staff recommends that water obtained from Well # 3 be recorded and accounted for in the Water Use Data for the Superior System.

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 461 GPD per connection in September, and the low water use was 304 GPD per connection in March. The average annual use was 371 GPD per connection.

¹⁷ For more information see Superior System Location and Description.



Non-account Water

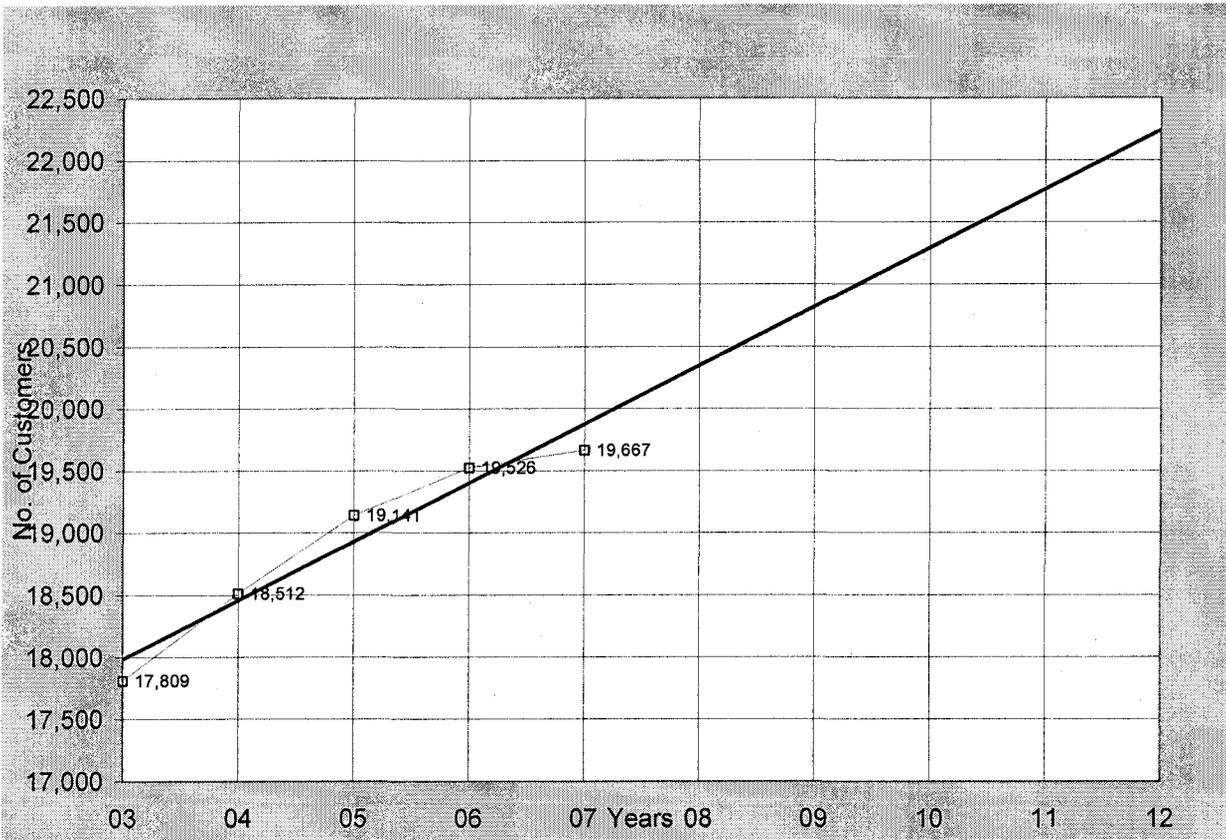
The Company reported 3,019,980,000 gallons obtained from all sources, 128,948,100 gallons wheeled to AJWC, resulting in net production of 2,891,031,900 gallons. The Company also reported 2,658,972,300 gallons sold and 9,820,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 7.4 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the AJ system has adequate production and storage capacities to serve its customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 22,000 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



2. Superior PWS # 11-021

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Town of Superior in Pinal County through a transmission line from the Company's Desert Station site near Florence Junction. At the Desert Station site, water from three wells is treated at the arsenic treatment plant. Booster pumps deliver treated water approximately 26 miles to the Town of Superior through aging above-ground steel transmission line. There is a cooling tower at the Superior system's Town Tank site, which operates during the summer to reduce the water temperature.

Major plant in service includes 3 wells, 1 arsenic treatment plant, 3 storage tanks, pumping facilities and a distribution system serving approximately 1,346 connections. A breakdown of the plant facilities is tabulated below:

Desert Station Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
Well #1	55-624606	100	270	780	16	4	1963	Arsenic Treatment Chlorination Systems (2)
Well # 2	55-624607	200	520	765	16	4	1960	
Well # 3	55-579701	250	620	1,100	16	6	2001	
Total		1,410						

Arsenic Treatment Plant

Plant Name	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
Desert Station	1,600	Layne	AWC Owned	January 2007	March 2007

Storage Tank			Pressure Tank		Booster Pumps	
Capacity (gallons)	Quantity		Capacity (gallons)	Quantity	Capacity (HP)	Quantity
Desert Station Tank	376,000*	1	220	1	7.5	1
Town Tank	500,000	1			400	1*
Queen Creek Tank	2,200,000	1			500	2*
Total	3,076,000					

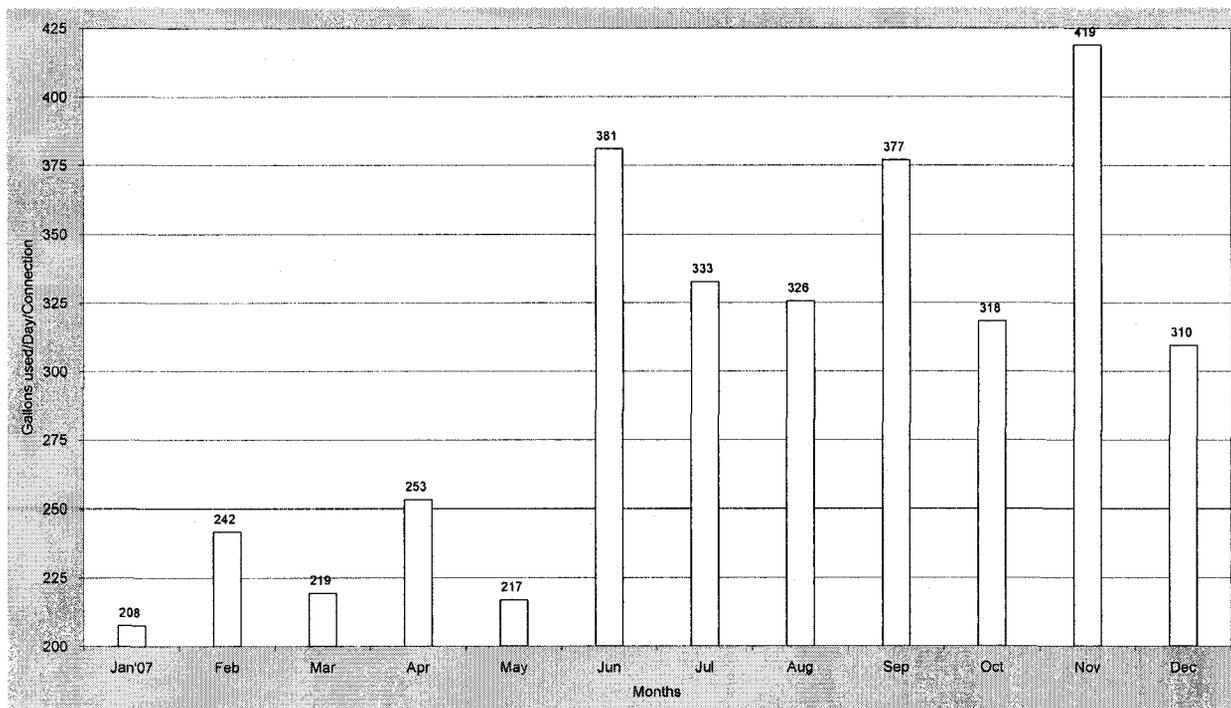
Note: (*) Desert Station site

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	31,106	5/8x3/4	1,305	81
3	5,110	1	12	
4	39,148	2	15	
6	36,190	Comp. 3	2	
8	25,412			
10	890			
12	121,440	Total	1,334	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 419 GPD per connection in November, and the low water use was 208 GPD per connection in January. The average annual use was 300 GPD per connection.



Non-account Water

The Company reported 183,719,000 gallons obtained from all sources, 146,766,800 gallons sold and 3,112,700 gallons¹⁸ of authorized non-revenue uses for the test year, resulting in a water loss of 18.4 percent.

Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain greater than 15 percent.

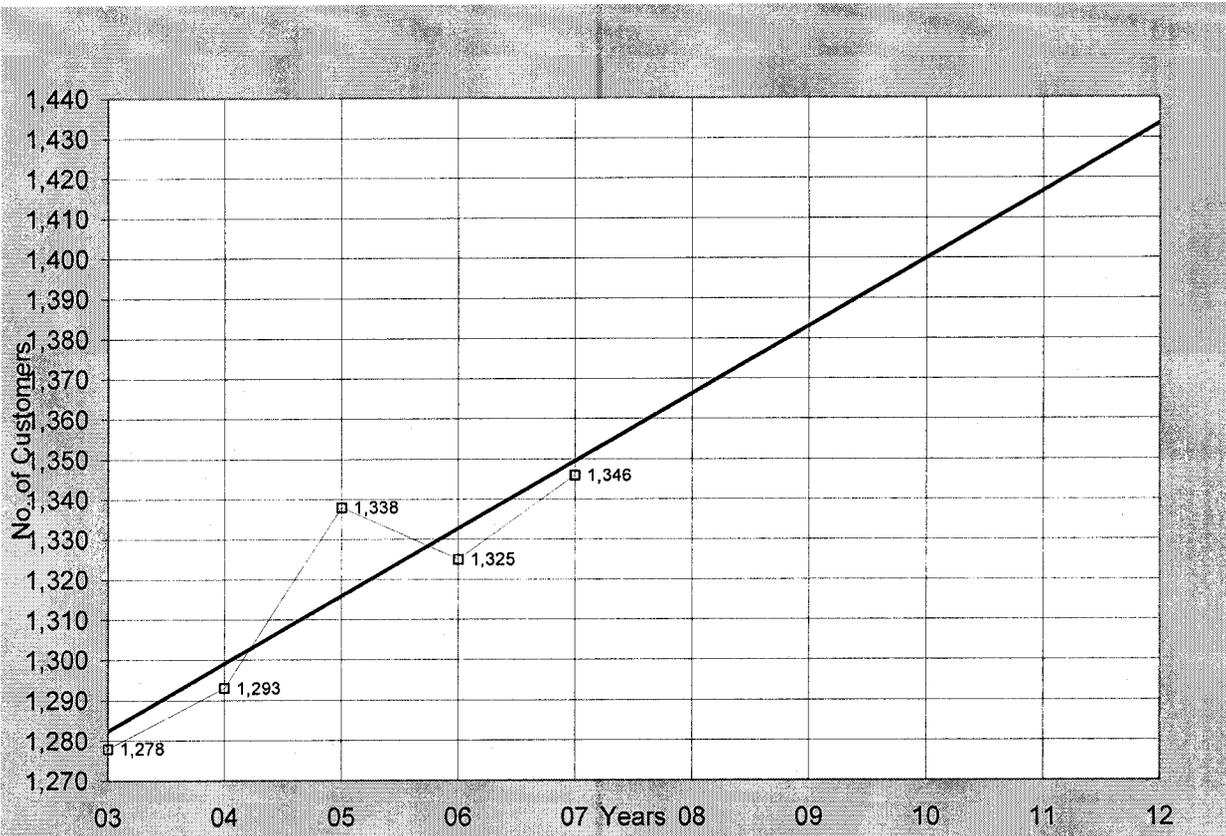
C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Superior system's source capacity of 1,410 GPM and storage capacity of 3,076,000 gallons is adequate to serve its customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 1,430 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.

¹⁸ This amount includes approximately 580,000 gallons of water used for the cooling process in the cooling tower.



3. Miami PWS #04-002**A. LOCATION AND DESCRIPTION OF THE SYSTEM**

This system serves the Miami area in Pinal County. The system has an emergency interconnect with the City of Globe water system. Major plant in service includes 17 active wells, 12 storage tanks, pumping facilities and a distribution system serving approximately 3,104 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
Well # 6	55-616621	40	126	1088	16	2	1970	Chlorination System
Well # 7	55-616622	15	58	573	16	2	1963	Chlorination System
Well # 8	55-616623	20	24	1000	12	2	1951	-
Well # 9	55-616624	15	35	777	-	2	1963	-
Well # 11	55-616626	25	72	760	12	2	1969	Chlorination System
Well # 12	55-616627	50	90	840	16	3	1972	Chlorination System
Well # 17	55-616631	25	38	800	8	2	1976	-
Well # 18	55-616632	60	116	972	16	3	1979	Chlorination System
Well # 19	55-616633	25	60	800	12	2	1979	-
Well # 20	55-616634	30	75	1000	14	2	1981	Chlorination System
Well # 21	55-526519	15	60	1006	18	1	1990	-
Well # 22	55-527760	5	18	650	8	1	1990	Chlorination System
Well # 24	55-534905	10	14	910	6	1	1992	-
Well # 25	55-548894	30	60	900	8	2	1995	Chlorination System
Well # 26	55-561712	30	90	1050	8	2	1998	Chlorination System
PCG Well # 27 ¹⁹	55-584245	60	275	980	12	6	2000	Chlorination System
PCG Well # 28	55-585052	150	265	800	12	6	2001	Chlorination System
Well # 23 (inactive)	55-528263	10	14	600	10	2	1990	n/a
Well # 3 (inactive)	55-616619	-	-	-	-	-	-	n/a
Well # 10 (inactive)	55-616625	-	-	-	-	-	-	n/a
Total		1,476						

¹⁹ The Company indicated that PCG Well 27 was the only well with elevated arsenic concentrations. The Company was able to meet the arsenic standards by blending the flow from 3 wells: Well 12, PCG Well 27 and PCG Well 28.

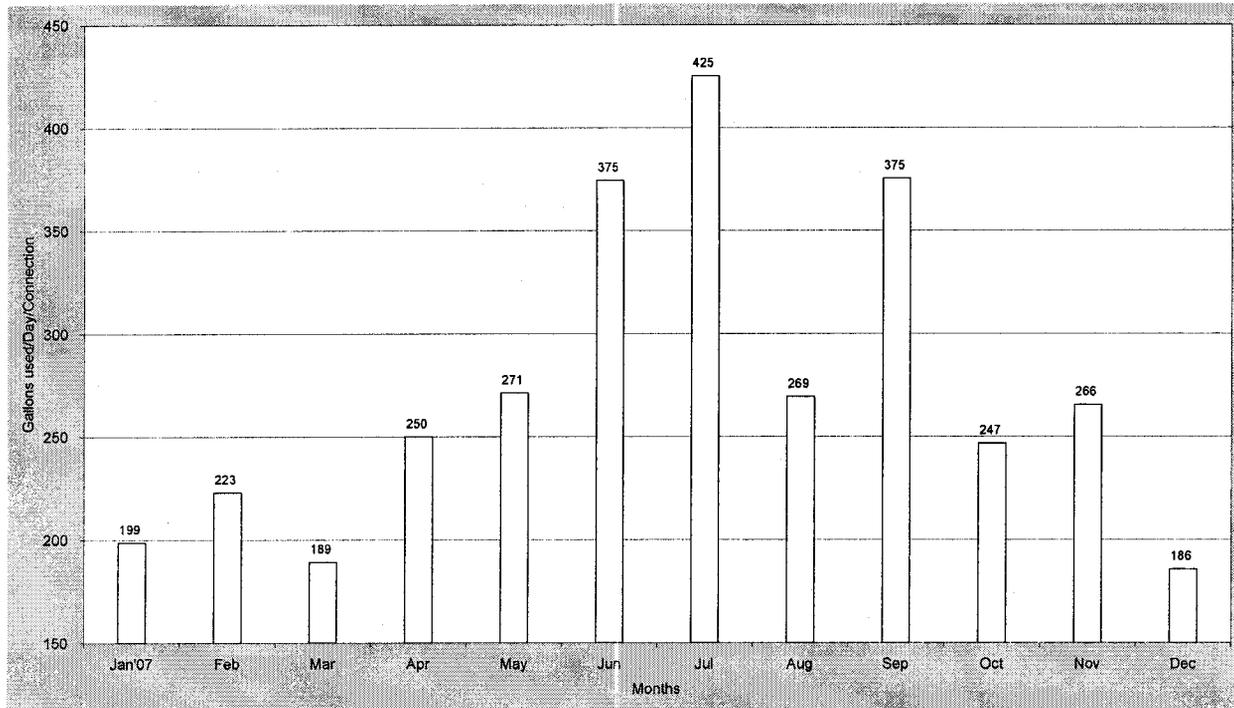
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
15,000	1	110	2	1.5	1
20,000	1	500	1	2	2
40,000	1	5,000	1	3	1
44,000	1			7.5	1
86,000	1			10	4
100,000	1			40	1
120,000	1			75	2
200,000	1			100	2
250,000	1				
500,000	2				
1,000,000	1				
Total	2,375,000				

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	97,918	5/8x3/4	2,969	132
3	17,603	1	67	
4	76,146	2	44	
6	117,936	Comp.3	4	
8	52,533	Comp.4	1	
10	990	Comp.6	2	
12	710			
14	110			
		Total	3,087	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 425 GPD per connection in July, and the low water use was 186 GPD per connection in December. The average annual use was 273 GPD per connection.



Non-account Water

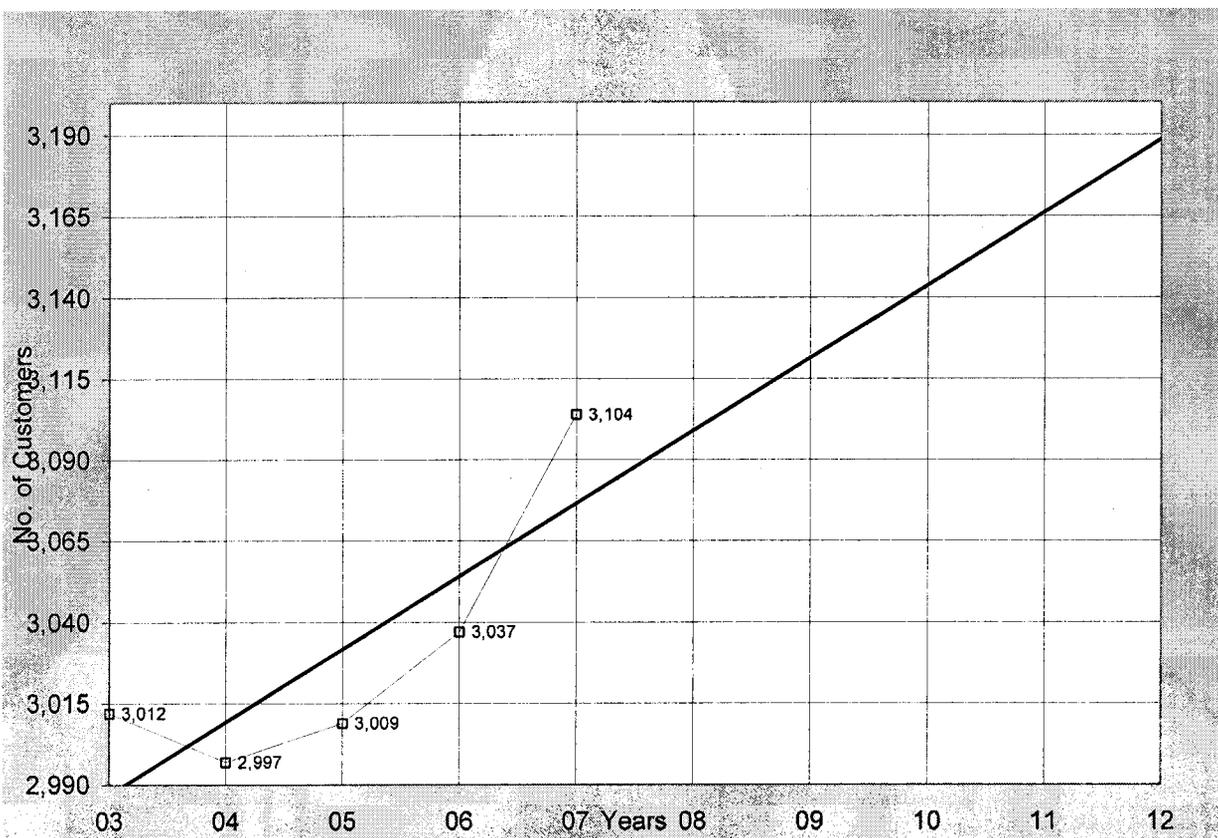
The Company reported 333,765,000 gallons pumped, 306,175,700 gallons sold and 1,460,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 7.8 percent. This percentage is within acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Miami system's source capacity of 1,476 GPM and storage capacity of 2,375,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 3,190 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



4. Winkelman PWS #04-003

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system is located in Winkelman in Pinal County. Major plant in service includes 2 active wells, 2 storage tanks, pumping facilities and a distribution system serving approximately 169 connections. A breakdown of the plant facilities is tabulated below:

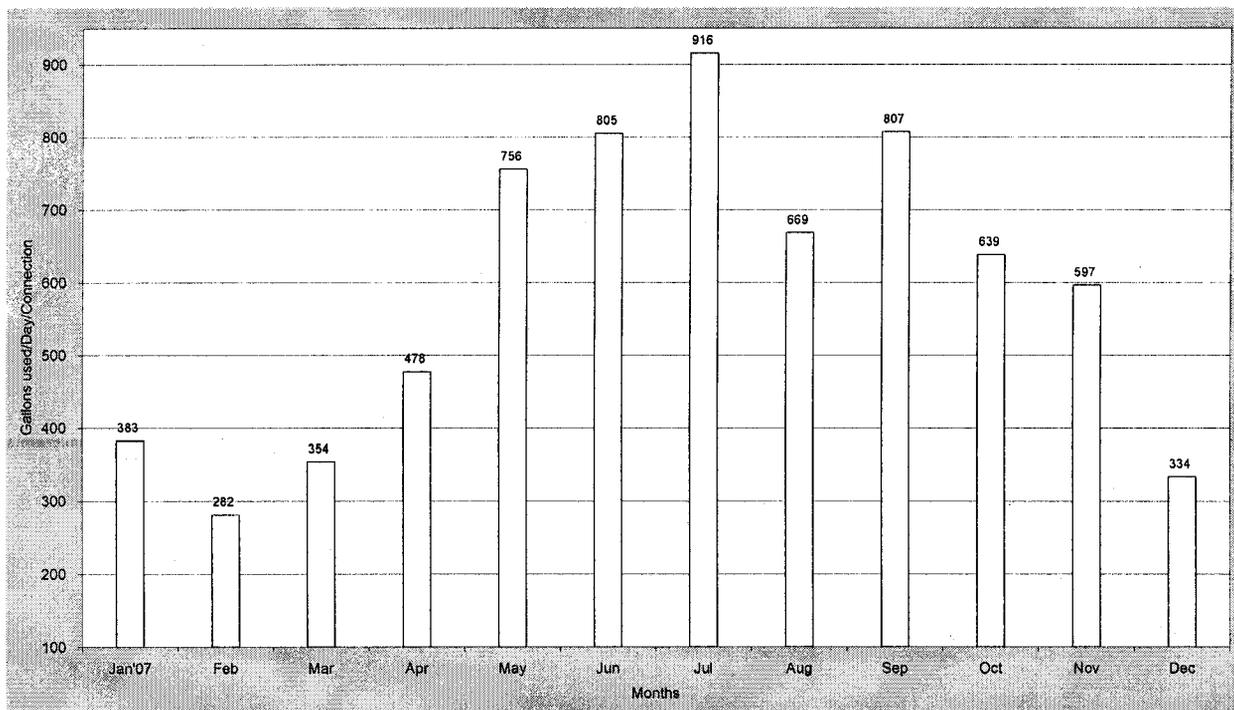
Well								Water Treatment System
AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	
Well # 2 (not in service)	55-616694	25	-	412	12	3	1951	Chlorination System
Well # 3	55-616637	30	300	200	12	4	1957	
Well # 4	55-616618	50	300	120	20	4	1978	
Total			600					

Storage Tank		Pressure Tank		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
200,000	1	-	none	-	none
10,000	1				
Total 210,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	1,005	5/8x3/4	6	18
3	1,120	1	3	
4	9,640	2	4	
6	5,940	Comp. 3	1	
		Comp. 4	2	
		Total	167	

B. WATER USEWater Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 916 GPD per connection in July, and the low water use was 282 GPD per connection in February. The average annual use was 585 GPD per connection.

Non-account Water

The Company reported 41,562,000 gallons pumped, 36,529,100 gallons sold and 91,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 12 percent, which exceeds the recommended threshold amount of 10 percent.

Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain greater than 15 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Winkelman system's source capacity of 600 GPM and storage capacity of 210,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it appears that the Winkelman system has had somewhat of an erratic customer count. A listing of number of connections at the end of each year from 2003 to 2007 is tabulated below:

2003	2004	2005	2006	2007
172	177	171	173	169

Therefore, Staff is unable to calculate a meaningful growth projection at this time.

5. San Manuel PWS #11-020

A. LOCATION AND DESCRIPTION OF THE SYSTEM

The San Manuel system serves the San Manuel area in Pinal County. This water system has no wells and is purchasing water from the water system owned by BHP Copper, Inc. The Company's San Manuel system provides arsenic treatment for purchased water. Major plant in service includes 1 arsenic treatment plant, 2 storage tanks, pumping facilities and a distribution system serving approximately 1,563 connections. A breakdown of the plant facilities is tabulated below:

Wells

Wells	none
-------	------

Other Water Sources

Description	Master-Meter Size (in inches)	Capacity (GPM)	Gallons Purchased	Water Treatment
BHP Copper, Inc. water system	16	1,500	215,464,000	Arsenic Treatment

Arsenic Treatment Plant

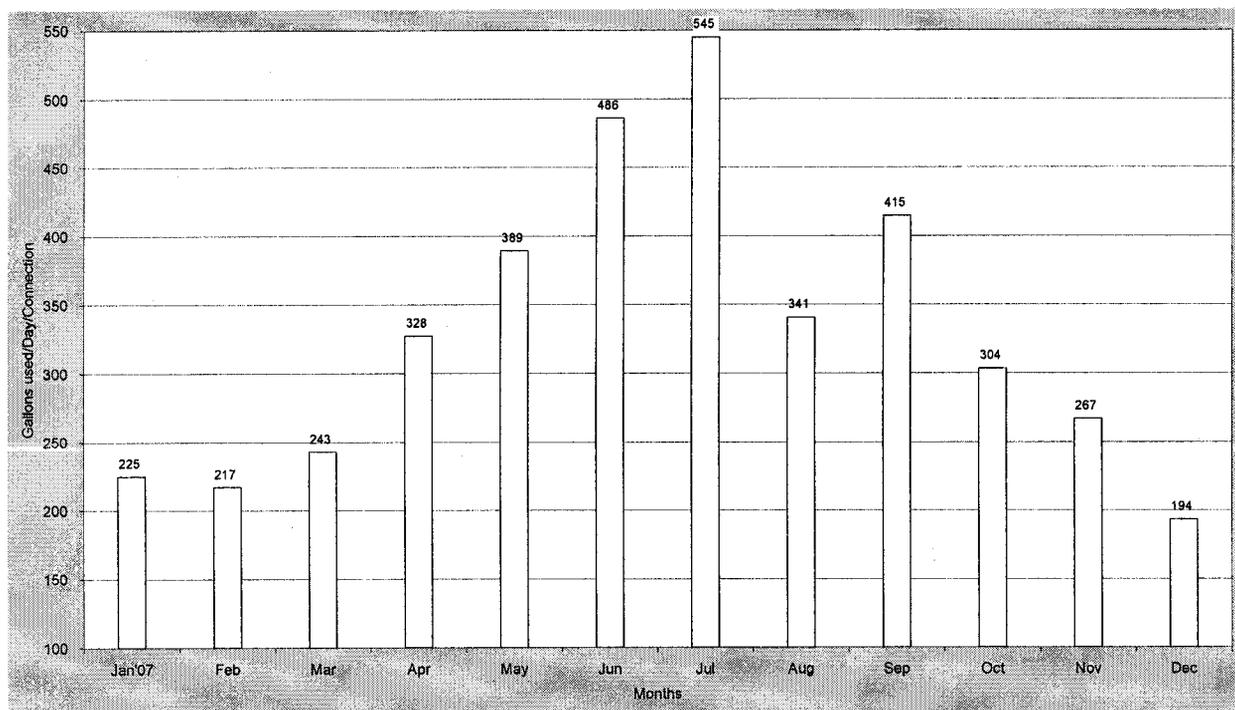
Plant Name	Capacity (GPM)	Manufacturer/Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
San Manuel	1,500	Layne	AWC Owned	April 2007	August 2007

Storage Tank		Pressure Tank		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
750,000	1	-	none	100	1
250,000	1			50	1
Total 1,000,000				3	1
				1	1

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	555	5/8x3/4	1,520	94
4	47,130	1	22	
6	57,582	2	9	
8	16,800	Turbo 3	1	
10	4,560	Comp. 4	1	
14	1,810	Turbo 6	3	
16	2,000	Total	1,556	

B. WATER USEWater Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 545 GPD per connection in July, and the low water use was 194 GPD per connection in December. The average annual use was 329 GPD per connection.

Non-account Water

The Company reported 215,464,000 gallons purchased, 189,799,200 gallons sold and 2,531,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 10.7 percent, which exceeds the recommended threshold amount of 10 percent.

Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain greater than 15 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the San Manuel system has adequate water supply and storage capacities to serve its customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it appears that San Manuel system has had somewhat of an erratic customer count. A listing of number of connections at the end of each year from 2003 to 2007 is tabulated below:

2003	2004	2005	2006	2007
1,570	1,563	1,614	1,589	1,563

Therefore, Staff is unable to calculate a meaningful growth projection at this time.

6. Oracle PWS # 11-019

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Oracle area in Pinal County through a 13 mile transmission line from the Company's well field. Major plant in service includes 3 wells, 9 storage tanks, pumping facilities and a distribution system serving approximately 1,552 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well # 2	55-616636	125	500	840	12	6	1961	Chlorination System
Well # 3	55-616638	125	420	1,000	16	6	1975	Chlorination System
Well # 4	55-522318	60	200	1,200	14	4	1988	Chlorination System
Total 1,200								

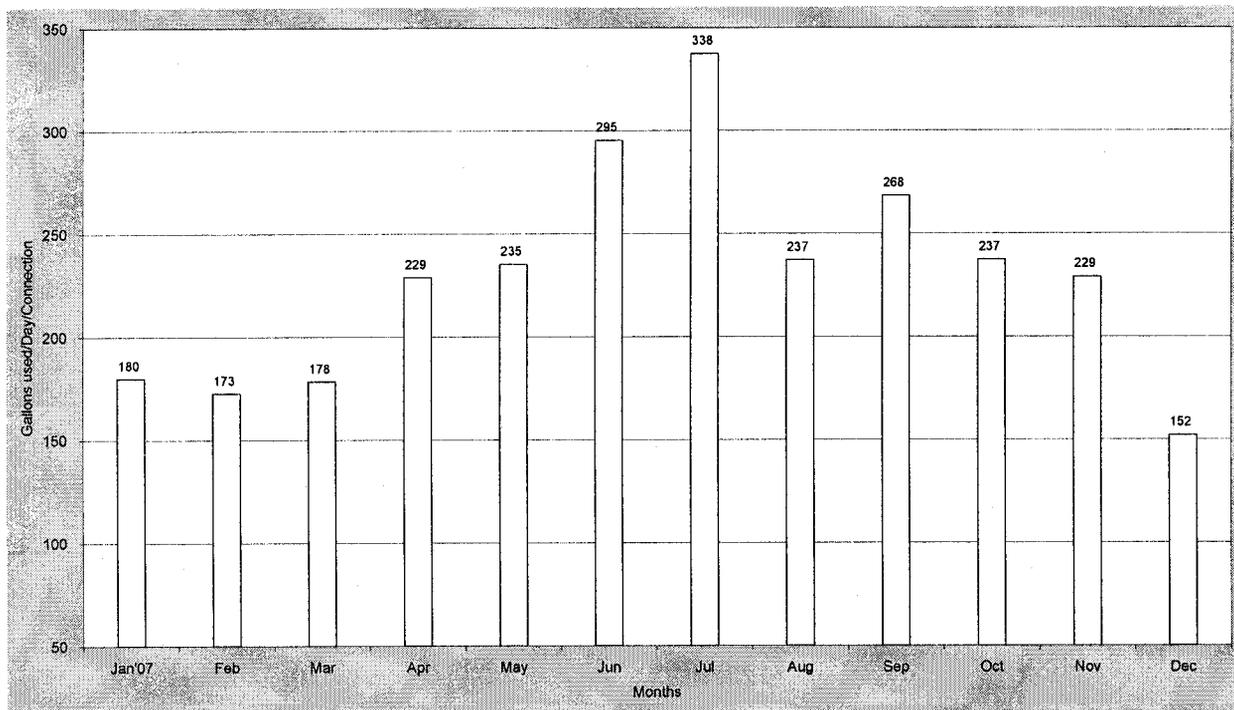
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
20,000	1	5,000	1	100	6
21,000	2			20	2
100,000	4				
130,000	1				
1,000,000	1				
Total 1,592,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2		5/8x3/4	1,461	104
4		1	73	
6		2	10	
8		Comp.6	1	
12				
14		Total	1,545	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 338 GPD per connection in July, and the low water use was 152 GPD per connection in December. The average annual use was 229 GPD per connection.



Non-account Water

The Company reported 147,782,000 gallons pumped, 128,457,200 gallons sold, 1,941,000 gallons of authorized non-revenue uses and 3,710,100 gallons for inter-company sales²⁰ for the test year, resulting in a water loss of 9.3 percent. This percentage is within the acceptable limit of 10 percent. However, Staff recommends that the Company monitor this water system closely and take action to ensure that the water loss remains less than 10 percent in the future.

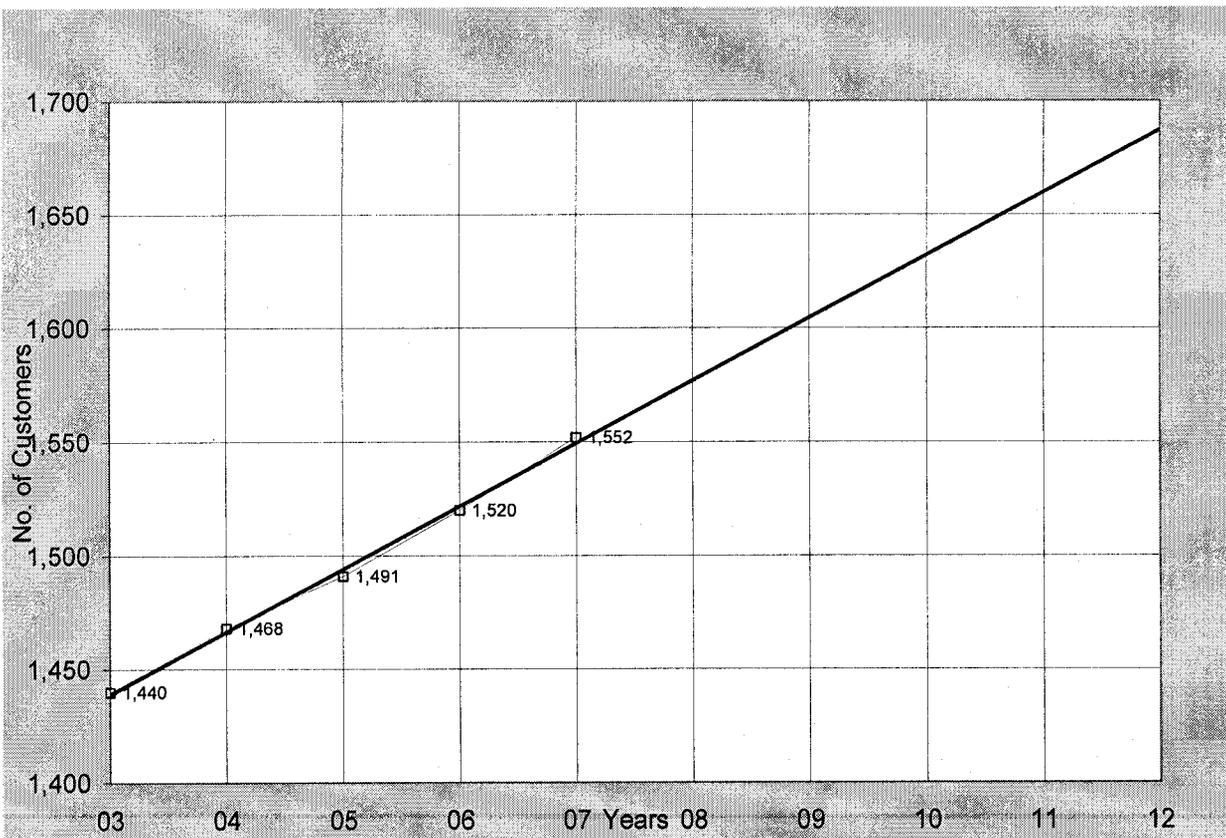
²⁰ The Company stated that 3,710,100 gallons for inter-company sales represent construction water used in the Company's Saddlebrook system which is not included in this rate case.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Oracle system's source capacity of 1,200 GPM and storage capacity of 1,592,000 gallons is adequate to serve the present customer base and reasonable growth.

D GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 1,650 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



7. Sierra Vista PWS # 02-004

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Sierra Vista area in Cochise County. Major plant in service includes 8 wells, 6 storage tanks, pumping facilities and a distribution system serving approximately 2,920 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well VM 1	55-616673	75	320	501	12	4	1975	Chlorination System
Well VM 2	55-616674	50	230	605	16	6	1965	Chlorination System
Sulger West Well # 3	55-616679	10	100	500	12	3	1972	Chlorination System
Sulger West Well # 1	55-616677	3	25	189	5	1	-	Chlorination System
Sulger East Well # 2	55-616678	5	40	-	8	1	1964	Chlorination System
Fuller Well # 4	55-616675	60	200	1250	18	8	1997	Chlorination System
Stewart Well # 5	55-616676	250	670	950	16	8	1978	Chlorination System
Graves Well # 6	55-561775	100	460	1500	16	6	1975	Chlorination System
Total			2,045					

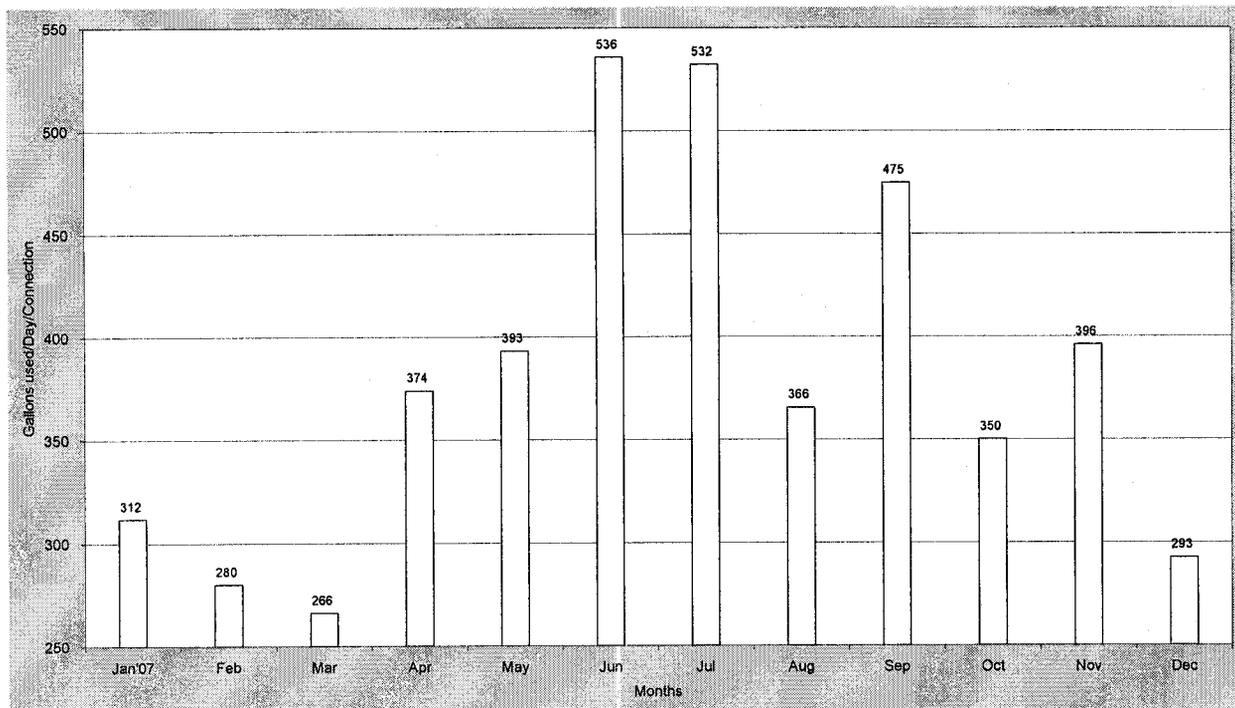
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
10,000	1	287	1	7.5	3
12,000	1	5,000	4	10	3
100,000	1	7,000	1	20	1
130,000	1	10,000	3	25	2
250,000	1			40	4
1,000,000	1			75	1
				107	1
Total 1,502,000				150	1

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	6,016	5/8x3/4	2,759	229
3	11,160	1	99	
4	20,711	2	42	
6	124,222	Comp.3	5	
8	87,707	Turbo 3	1	
12	22,762	Comp.4	2	
		Total	2,908	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 536 GPD per connection in June, and the low water use was 266 GPD per connection in March. The average annual use was 381 GPD per connection.



Non-account Water

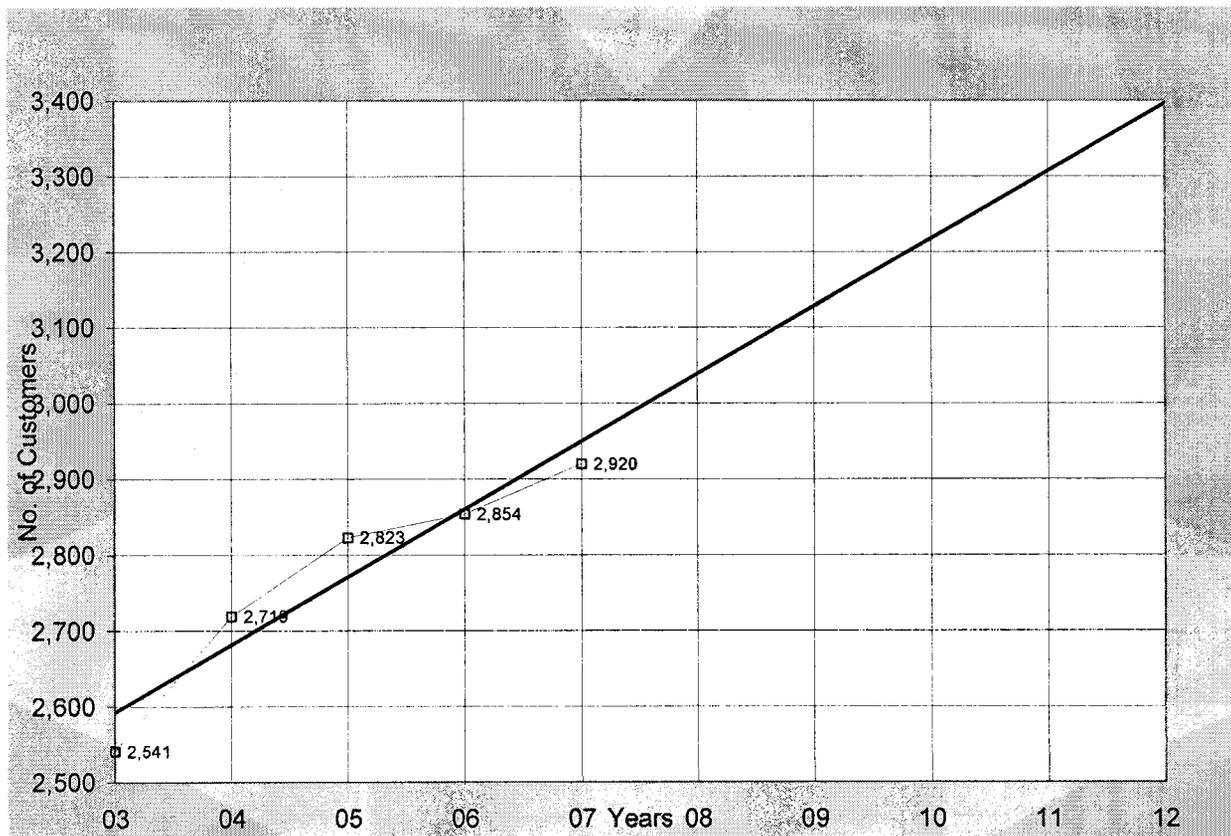
The Company reported 428,360,500 gallons pumped, 404,521,700 gallons sold and 827,100 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 5.4 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Sierra Vista system's source capacity of 2,045 GPM and storage capacity of 1,502,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 3,400 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



8. Bisbee PWS # 02-001

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Bisbee area in Cochise County. Major plant in service includes 4 wells, 9 storage tanks, pumping facilities and a distribution system serving approximately 3,457 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well # 2	55-616586	10	90	333	16	6	1954	Well # 2
Well # 3	55-616585	100	750	270	16	10	1956	Chlorination System
Well # 4	55-616584	100	760	337	16	10	-	Chlorination System Fluoride System
Well # 5	55-590620	100	470	1,183	16	6	2002	Chlorination System
Total		2,070						

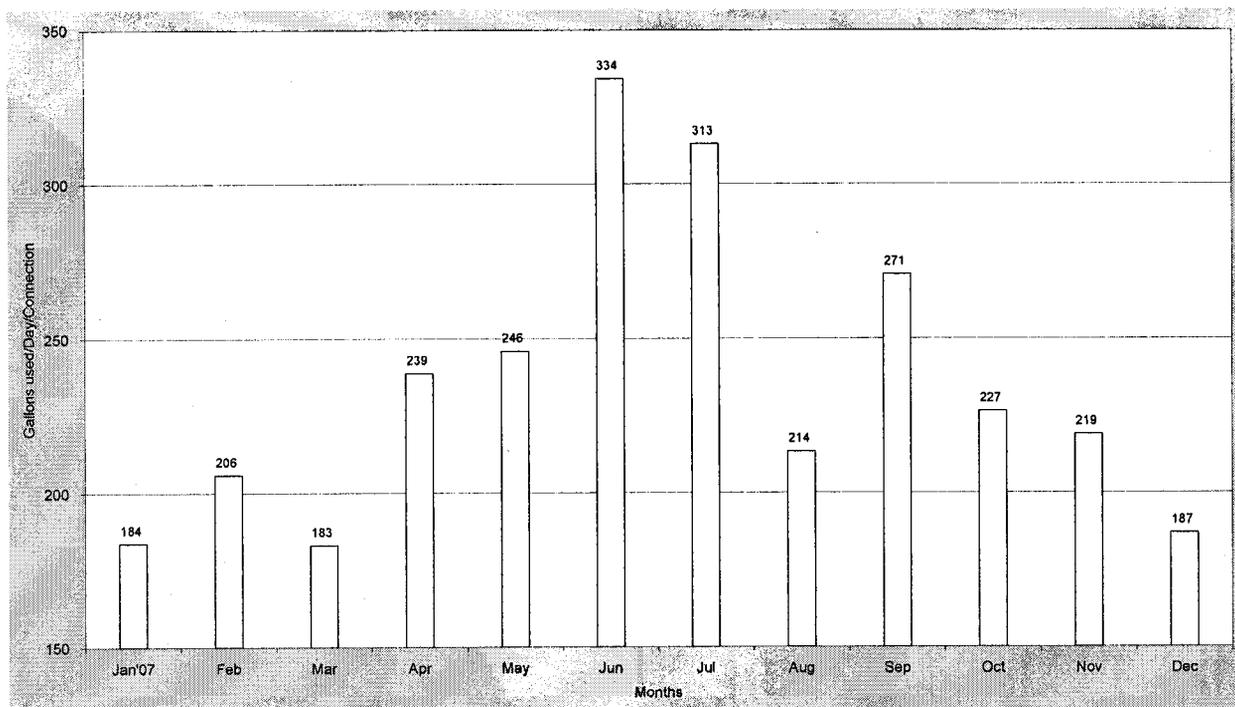
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
10,000	2	200	1	3	2
11,000	1			30	2
100,000	3			75	2
450,000	1			100	1
600,000	1			300	4
1,000,000	1				
Total 2,381,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	102,334	5/8x3/4	3,307	200
3	18,582	1	82	
4	53,115	2	50	
6	112,486	Comp.4	3	
8	25,390			
10	28,505			
12	12,517			
		Total	3,439	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 334 GPD per connection in June, and the low water use was 183 GPD per connection in March. The average annual use was 235 GPD per connection.



Non-account Water

The Company reported 356,545,700 gallons pumped, 297,398,800 gallons sold and 2,121,900 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 16 percent, which exceeds the recommended threshold amount of 10 percent.

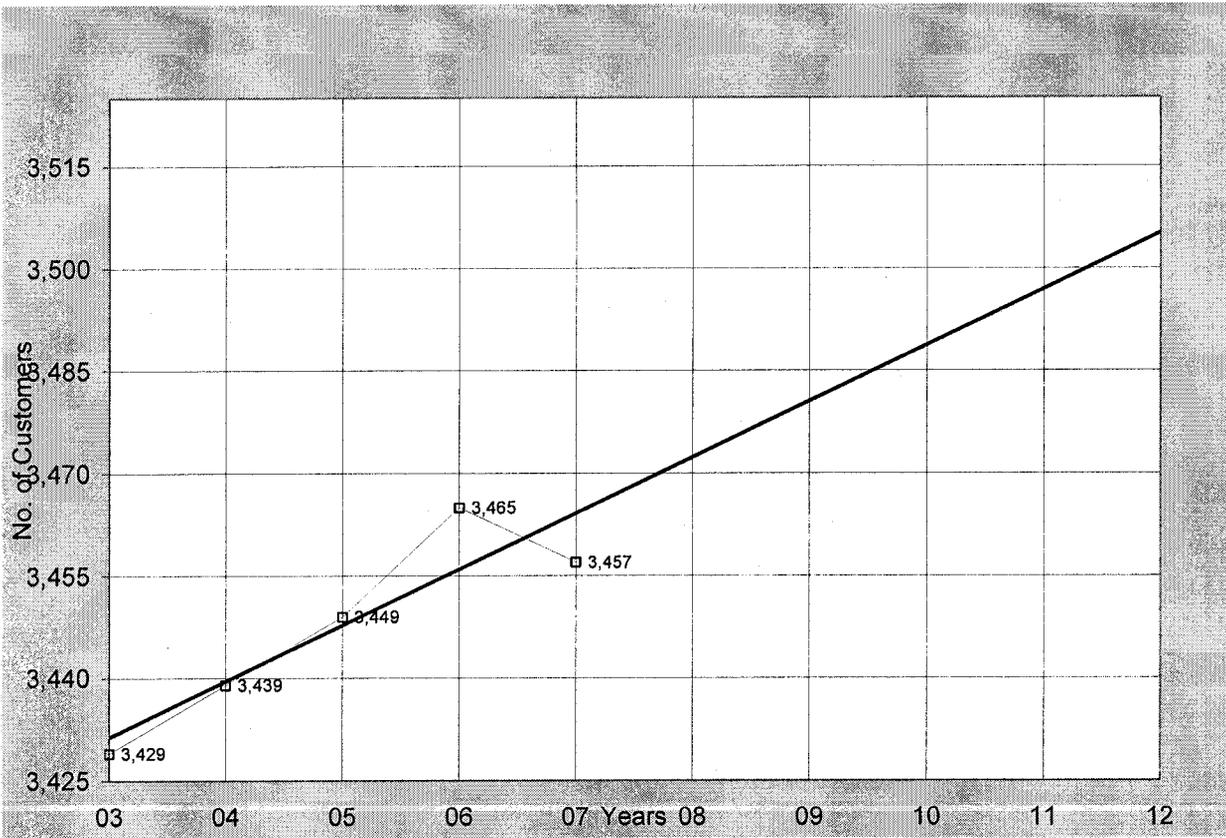
Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain greater than 15 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Bisbee system's source capacity of 2,070 GPM and storage capacity of 2,381,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 3,500 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



IV. WESTERN GROUP

SUMMARY

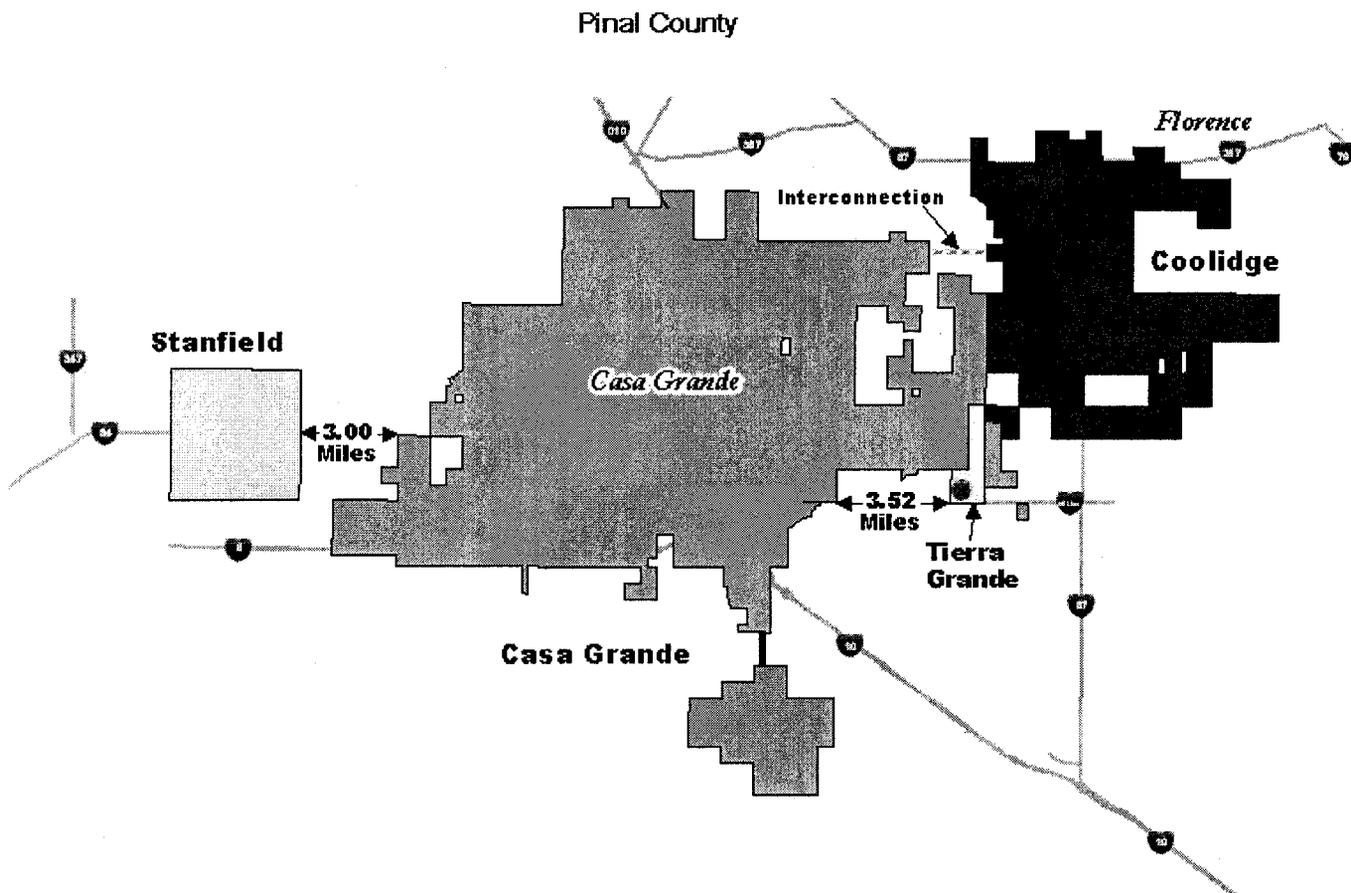
The Western Group consists of six independent water systems. Out of four water systems in the proposed Pinal Valley Group, two systems (Casa Grande & Coolidge) are physically interconnected.²¹ Statistical information for the Western Group systems is tabulated below:

System Name	Pinal Valley Group (AWC proposed consolidation) ²²				Ajo (consecutive to PWS# 10-001)	White Tank
	Casa Grande (partially consolidated)		Coolidge	Stanfield		
	Tierra Grande	Casa Grande (interconnection)				
PWS ID#	11-076	11-009	11-014	11-012	10-003	07-128
ADEQ compliant?	yes	yes	yes	yes	yes	yes
ADWR compliant?	yes	yes	yes	yes	yes	yes
AMA	Pinal	Pinal	Pinal	Pinal	n/a	Phoenix
Number of Connections at the end of the test year	355	22,529	4,751	213	687	1,694
Is a production capacity adequate?	yes	yes	yes	yes	yes	yes
Is a storage capacity adequate?	yes	yes	yes	yes	yes	yes
Water Loss	12.6%	6%	9.7%	7.5%	9.4%	7.6%
MAP fee	yes	no	no	yes	no	yes
Number of Arsenic Treatment Plants	none	5	none	1	none	1
Number of Nitrate Treatment Plants	none	none	1		none	1
Purchased Potable Water	no	no	no	no	yes	yes
Date of site visit	1/29/09	1/26/09	1/29/09	1/26/09	2/10/09	2/2/09

²¹ According to the Company, the interconnection was installed in 2007.

²² For location information see Map IV

Map IV



1. Tierra Grande PWS # 11-076

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves an eastern part of Casa Grande area in Pinal County. Major plant in service includes 2 wells, 2 storage tanks, pumping facilities and a distribution system serving approximately 355 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well # 1	55-616683	75	445	-	20	6	-	Chlorination System
Well # 3	55-801030	25	106	-	-	2	-	
		Total 551						

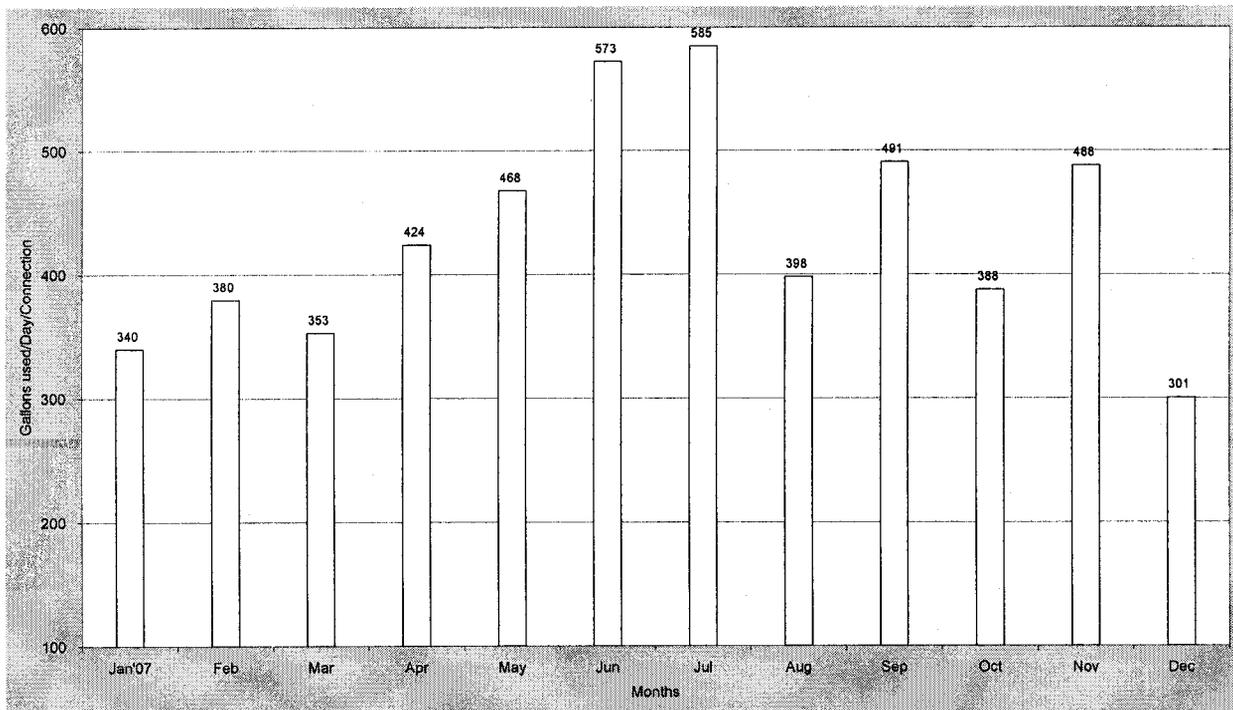
Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
250,000	1	5,000	1	15	2
10,000	1	2,000	1	50	1
Total 260,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
4	1,370	5/8x3/4	342	8
6	19,600	1	9	
8	18,470	2	3	
		Comp.3	1	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 585 GPD per connection in July, and the low water use was 301 GPD per connection in December. The average annual use was 432 GPD per connection.



Non-account Water

The Company reported 64,873,100 gallons pumped, 56,527,600 gallons sold and 176,300 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 12.6 percent, which exceeds the recommended threshold amount of 10 percent.

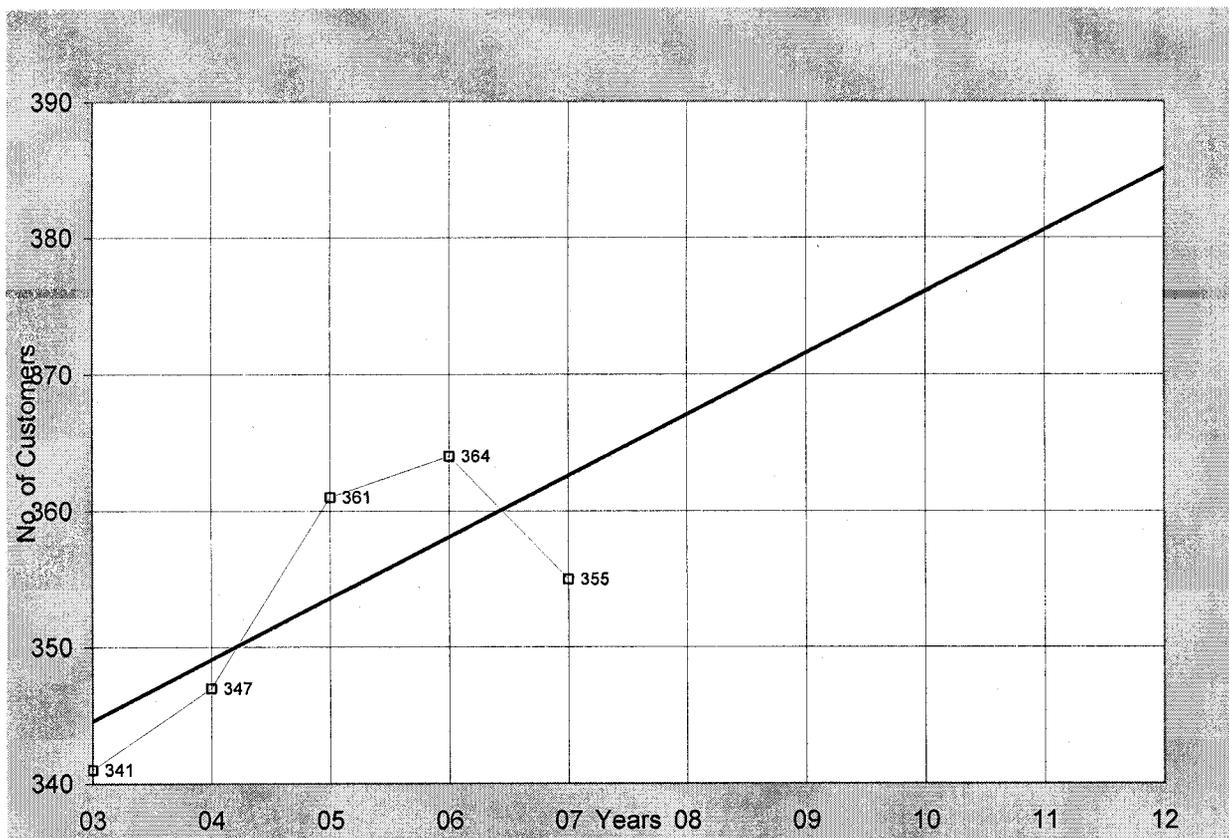
Staff recommends that the Company continue to record and monitor monthly water losses, repair any leak as soon as it is discovered and implement a defective plant replacement program as a long term solution. Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The water loss should not be allowed to remain greater than 15 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Tierra Grande system's source capacity of 551 GPM and storage capacity of 260,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have over 385 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



2. Casa Grande PWS # 11-009

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Casa Grande area in Pinal County. Major plant in service includes 17 active wells, 5 arsenic treatment plants, 9 storage tanks, pumping facilities and a distribution system serving approximately 22,529 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
Well # 19	55-616603	300	1750	1000	20	10	1980	Arsenic Treatment (Heness Road) Chlorination Systems
Well # 21	55-503113	250	540	696	20	6	1983	
Well # 24	55-540306	300	900	1000	18	8	1993	
Well # 30	55-208822	200	720	1000	18	8	2006	
Well # 29	55-595284	250	1380	1120	18	10	2004	Arsenic Treatment (Mission Royale) Chlorination System
Well # 27	55-568553	200	460	1110	18	4	1999	Arsenic Treatment (Lake in the Desert) Chlorination System
Well # 28	55-571205	350	1590	1210	18	10	1999	Arsenic Treatment (Arizona City) Chlorination System
Well # 23	55-522319	300	1000	1005	18	8	1989	Arsenic Treatment (Cottonwood) Chlorination Systems
Well # 25	55-546719	300	1300	1074	18	8	1994	
Well # 26	55-560803	300	1420	1000	18	10	1997	
Well # 10	55-616595	200	900	1025	20	8	1960	
Well # 14	55-616598	40	150	600	20	4	1982	
Well # 17	55-616601	200	770	739	16	6	1975	
Well # 20	55-616604	300	1150	1000	20	10	1977	
Well# 31*	55-210294	200	1200	1500	18	10	2006	
Well# 32*	55-21448	250	1250	1200	18	10	2007	Chlorination System
Well# 33*	55-212523	250	1100	1000	18	10	2007	Chlorination System
Well # 34(NS)	55-616588	350	150	1100	16	none	1970	n/a
Well # 9(NS)	55-616594	200	400	1055	16	8	1958	n/a
Inactive	55-616583	-	-	-	-	-	-	n/a
Inactive	55-506809	-	800	850	20	-	1983	n/a
Inactive	55-616597	-	-	-	-	-	-	n/a
Inactive	55-616602	-	-	-	-	-	-	n/a

Notes: (*) - Plant put in service in 2008; (NS)-not in service

Arsenic Treatment Plants

Well ID	Plant Name	Maximum Capacity (GPM)	Vendor	Ownership	Site Prep. Completion Date	Plant Placed in Operation Date
Wells #19, #21, #24, #30	Hennes Rd.	4,500	Layne	AWC Owned	March 2007	July 2007
Well # 29	Mission Royale	1,500	Layne	AWC Owned	July 2007	August 2007
Well # 27	Lake in the Desert	400	Layne	AWC Owned	May 2008	July 2008
Well # 28	Arizona City	1,500	Layne	AWC Owned	June 2007	May 2008
Well #10, #14, #17, #20, #23, #25, #26, #31	Cottonwood	5,800	Layne	AWC Owned	February 2007	October 2007

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
35,000	1	5,000	2	20	2
110,000	1	6,000	1	25	4
115,000	1			30	2
650,000	1			40	6
1,000,000	1			100	1
1,100,000	1			150	1
2,000,000	1			300	1*
5,000,000	2				
Total 15,110,000					

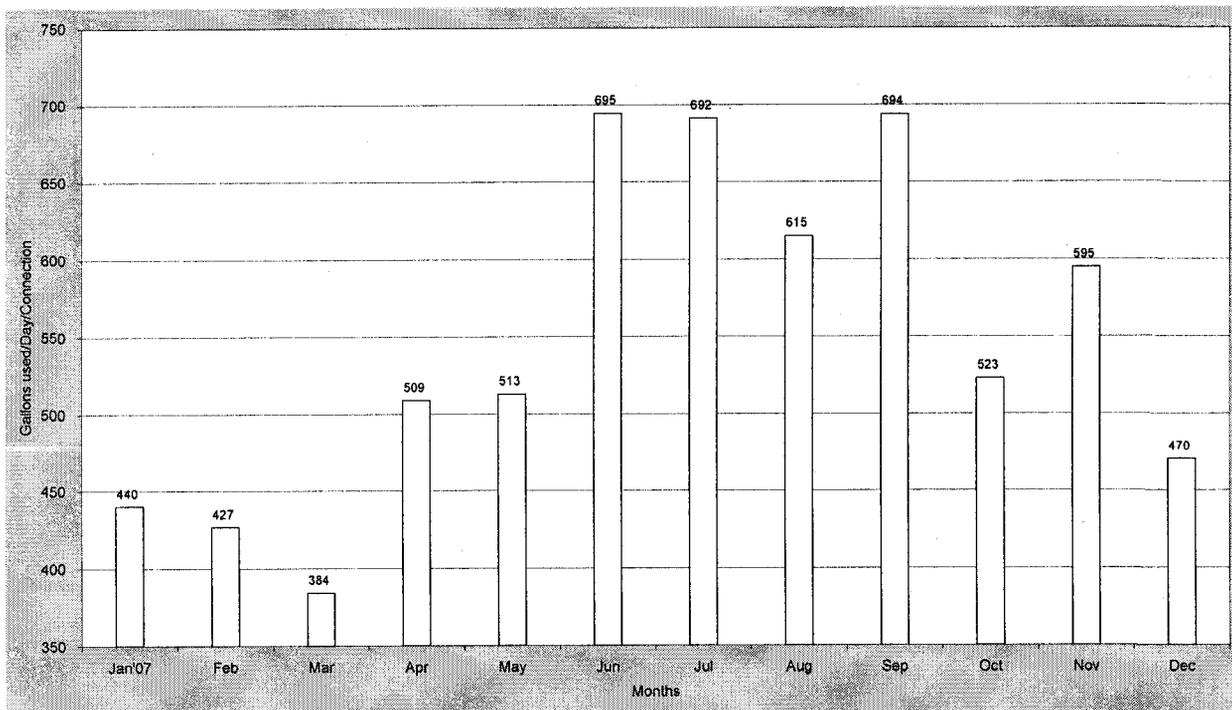
Note: (*) Plant put in service in 2008

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	41,536	5/8x3/4	21,089	2,763
3	23,570	1	791	
4	248,529	2	419	
6	1,165,322	Comp.3	29	
8	403,649	Comp.4	25	
10	34,447	Comp.6	16	
12	396,663	Comp.8	1	
14	1,265			
16	66,862			
20	1,020			
24	39,911			
36	1,585	Total	22,370	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 695 GPD per connection in July, and the low water use was 384 GPD per connection in March. The average annual use was 546 GPD per connection.



Non-account Water

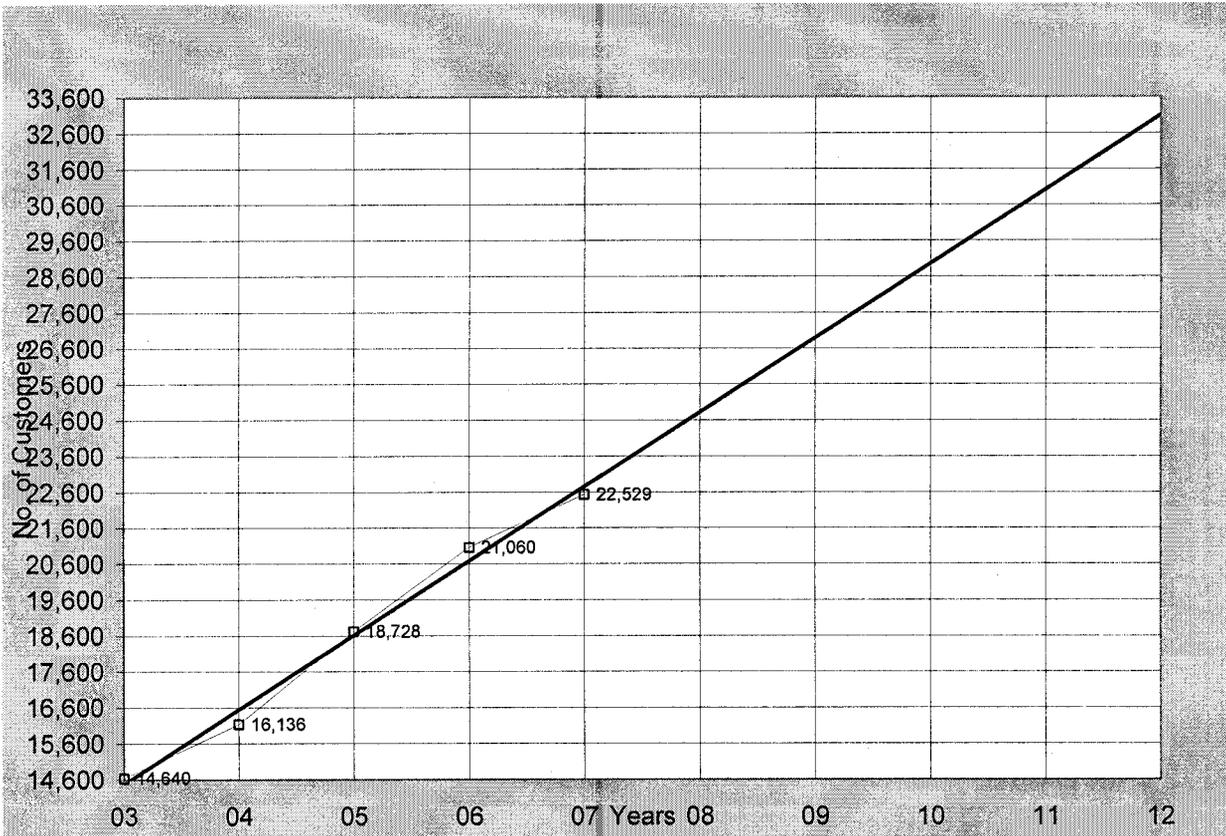
The Company reported 4,736,638,000 gallons pumped, 4,442,579,900 gallons sold and 13,417,100 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 6 percent. This percentage is within acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Casa Grande system's source capacity of 17,580 GPM and storage capacity of 15,010,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 33,000 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



3. Coolidge PWS # 11-014

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Coolidge area in Pinal County. Major plant in service includes 5 active wells, 1 nitrate treatment plant, 4 storage tanks, pumping facilities and a distribution system serving approximately 4,751 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
Well # 7	55-616606	200	1070	1100	20	8	1956	Chlorination System
Well # 9	55-616608	200	1350	470	20	10	1961	Nitrate Treatment
Well # 10	55-616609	200	1370	980	20	12	1973	Chlorination System
Well # 13	55-212419	200	450	2000	18	10	2007	Chlorination System
Well # 2	55-616687	30	230	542	8	4	1971	Chlorination System
Well # 1 (Not in service)	55-616686	30	-	-	-	none	1930	n/a
Well # 11 (Not in service)	55-210293	-	-	2000	18	-	2007	n/a
		Total 4,470						

Nitrate Treatment Plant²³

Well ID	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Site Prep. Completion Date	Plant Placed in Operation Date
Wells #9& #10	1,000	Layne	AWC Owned	June 2007	July 4, 2008

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
15,000	1	2,000	1	125	2
100,000	1	5,000	1	60	2
500,000	1			15	1
1,000,000	1			10	2
				107	1
Total 1,615,000					

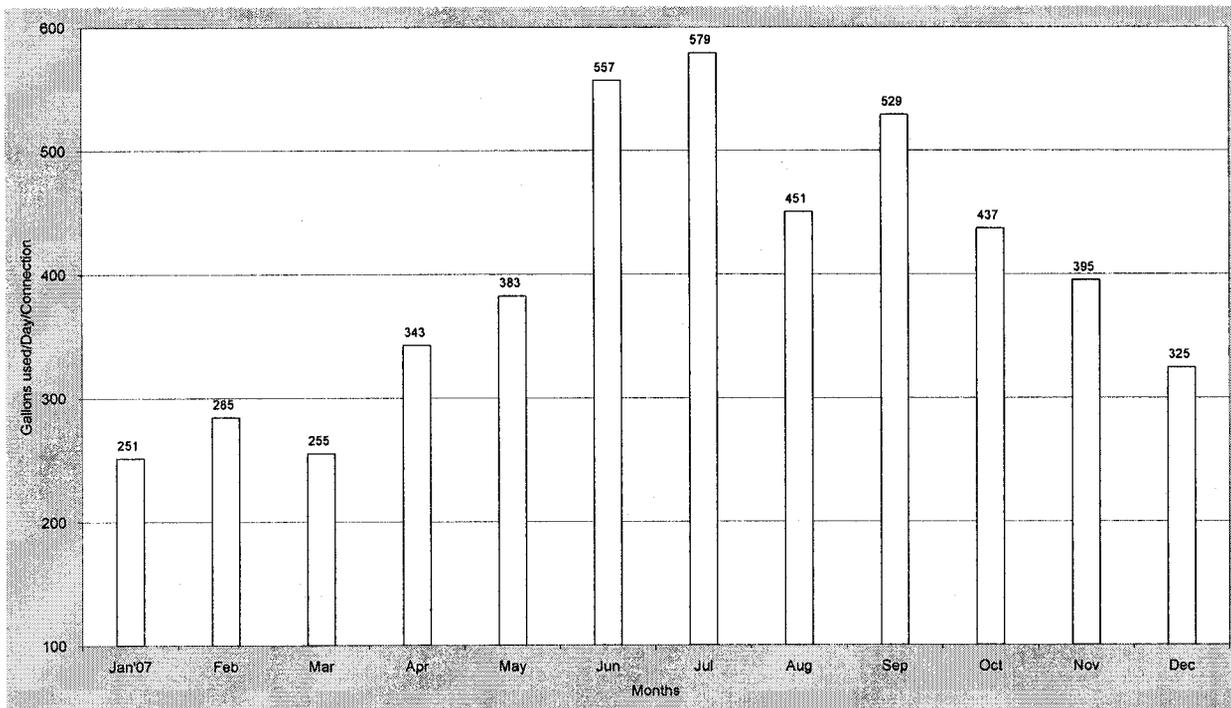
²³ Per Company's e-mail dated January 30, 2009

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	9,850	5/8x3/4	4,498	508
3	1,675	1	151	
4	94,839	2	78	
6	175,714	Comp.3	3	
8	49,888	Comp.4	5	
10	22,527	Comp.6	3	
12	49,383			
16	190			
20	200	Total	4,738	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 579 GPD per connection in July, and the low water use was 251 GPD per connection in January. The average annual use was 399 GPD per connection.



Non-account Water

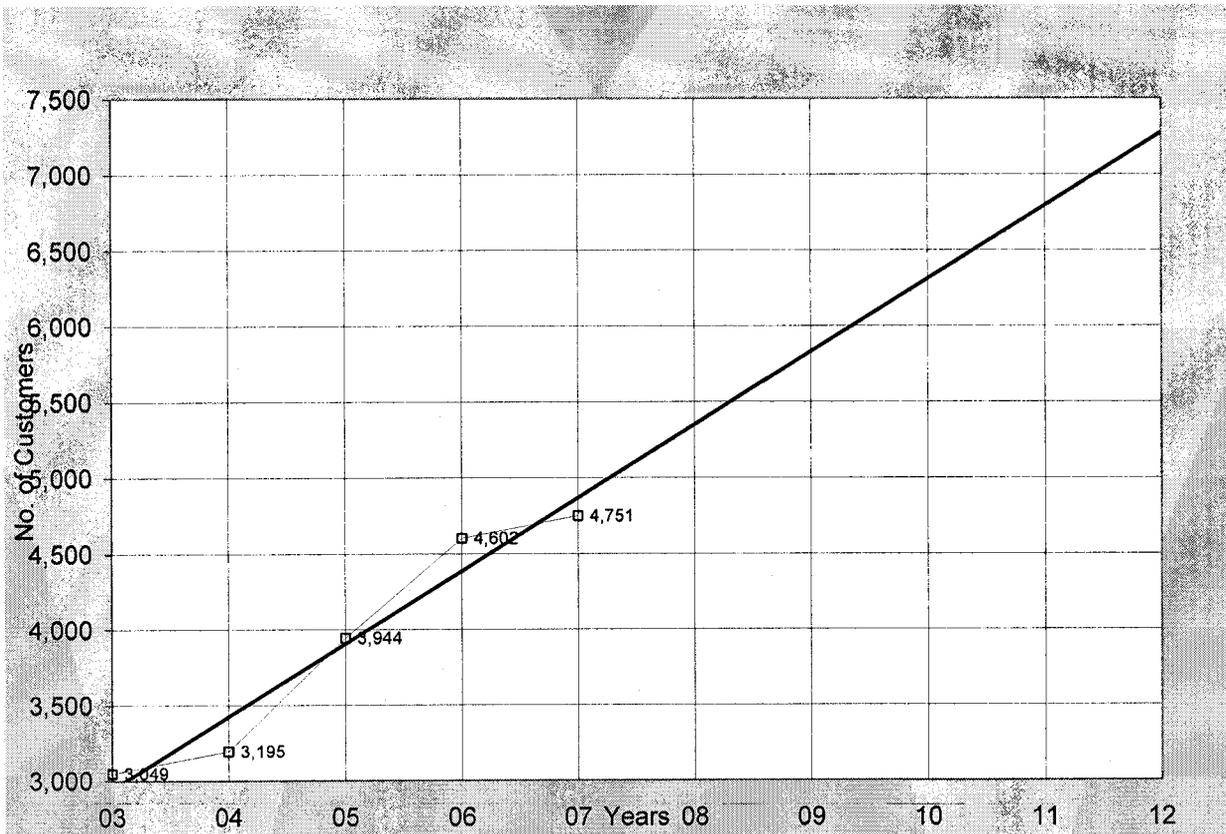
The Company reported 769,435,300 gallons pumped, 682,057,600 gallons sold and 12,693,200 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 9.7 percent. This percentage is within acceptable limit of 10 percent. However, Staff recommends that the Company monitor this water system closely and take action to ensure that the water loss remains less than 10 percent in the future.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Coolidge system's source capacity of 4,470 GPM and storage capacity of 1,615,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 7,250 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



4. Stanfield PWS # 11-012

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Stanfield area in Pinal County. Major plant in service includes 2 wells, 1 arsenic/nitrate treatment plant, 2 storage tanks, pumping facilities and a distribution system serving approximately 213 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment System
Well # 1	55-616684	100	320	811	16	4	-	Arsenic/Nitrate System Chlorination System ²⁴
Well # 3	55-526586	60	200	1002	18	4	1990	
		Total 520						

Arsenic/Nitrate Treatment Plant

Well ID	Plant Name	Maximum Capacity (GPM)	Vendor	Ownership	Site Prep. Completion Date	Plant Placed in Operation Date
Wells #1 & #3	Stanfield	350	Basin	Lease	May 2007	April 2008

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
100,000	1	5,000	1	10	1**
20,000	1	6,000	1*	15	1**
16,000	1*				
Total 120,000					
Notes:		(*) Plant not in service		(**) Plant replaced in 2008	

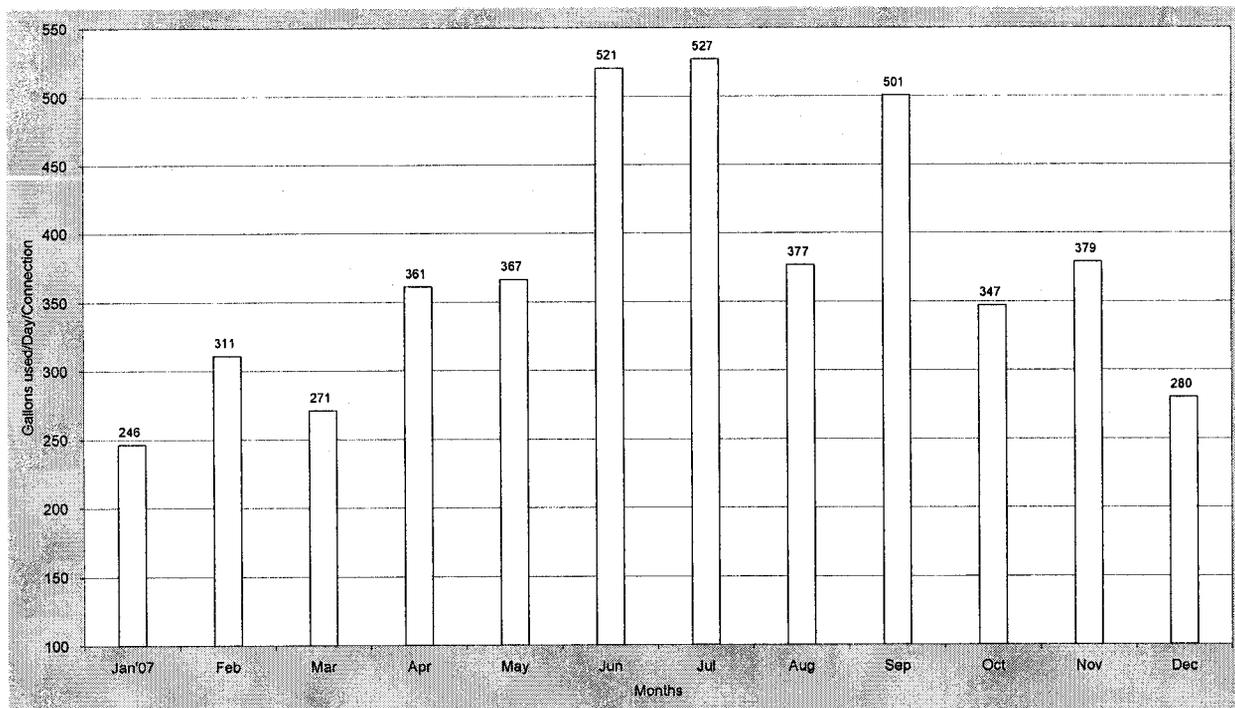
²⁴ Well #3: Chlorinator and building are not in service

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	420	5/8x3/4	201	12
4	7,680	1	5	
6	11,957	2	4	
		Total	210	

B. WATER USE

Water Sold

Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 527 GPD per connection in July, and the low water use was 246 GPD per connection in January. The average annual use was 374 GPD per connection.



Non-account Water

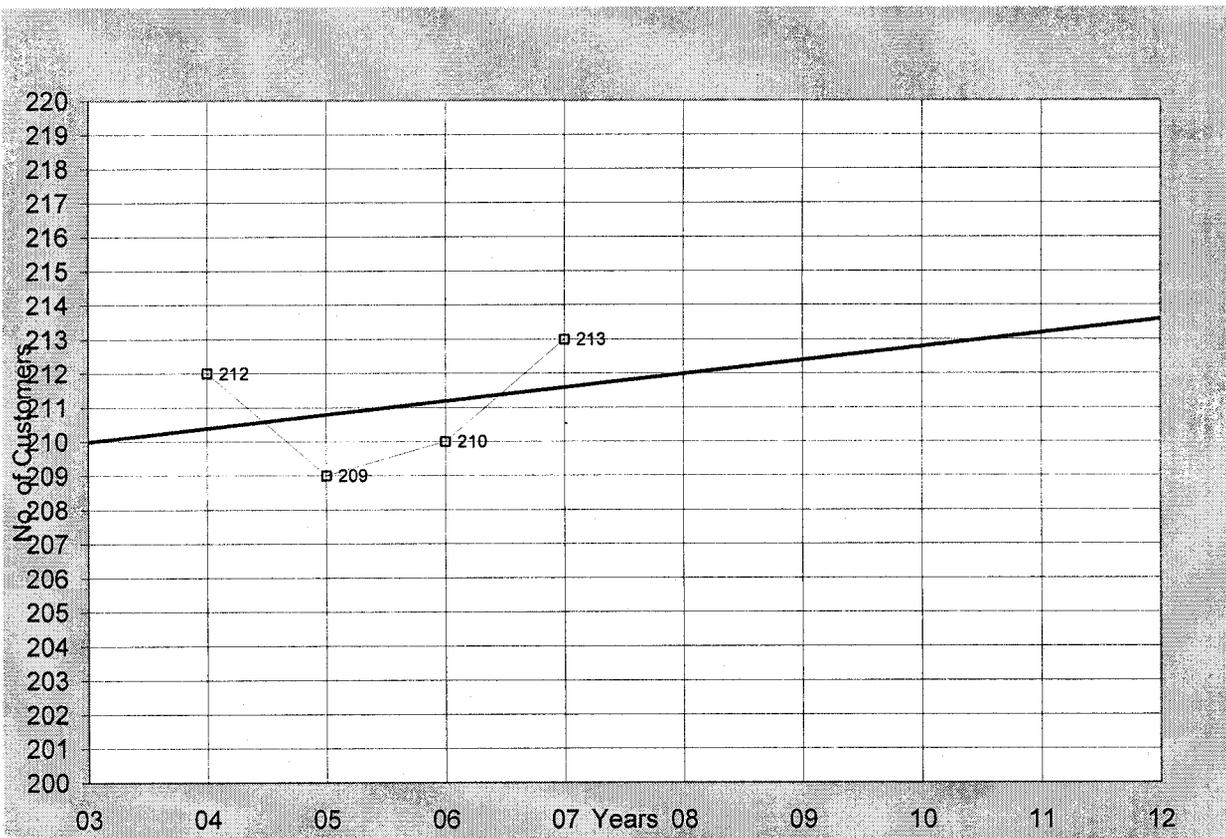
The Company reported 31,098,900 gallons pumped and 28,774,600 gallons sold resulting in a water loss of 7.5 percent. This percentage is within acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the Stanfield system's source capacity of 520 GPM and storage capacity of 120,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 214 connections by 2012. The Figure below depicts actual growth from 2004 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



5. Ajo PWS # 10-003

A. LOCATION AND DESCRIPTION OF THE SYSTEM

This system serves the Ajo area in Pima County. The Ajo system has no wells and is purchasing water from the Ajo Improvement Company. The Ajo system is served by a 4-inch master-meter. Major plant in service includes 2 storage tanks, pumping facilities and a distribution system serving approximately 687 connections. A breakdown of the plant facilities is tabulated below:

Wells

Wells	none
-------	------

Other Water Sources

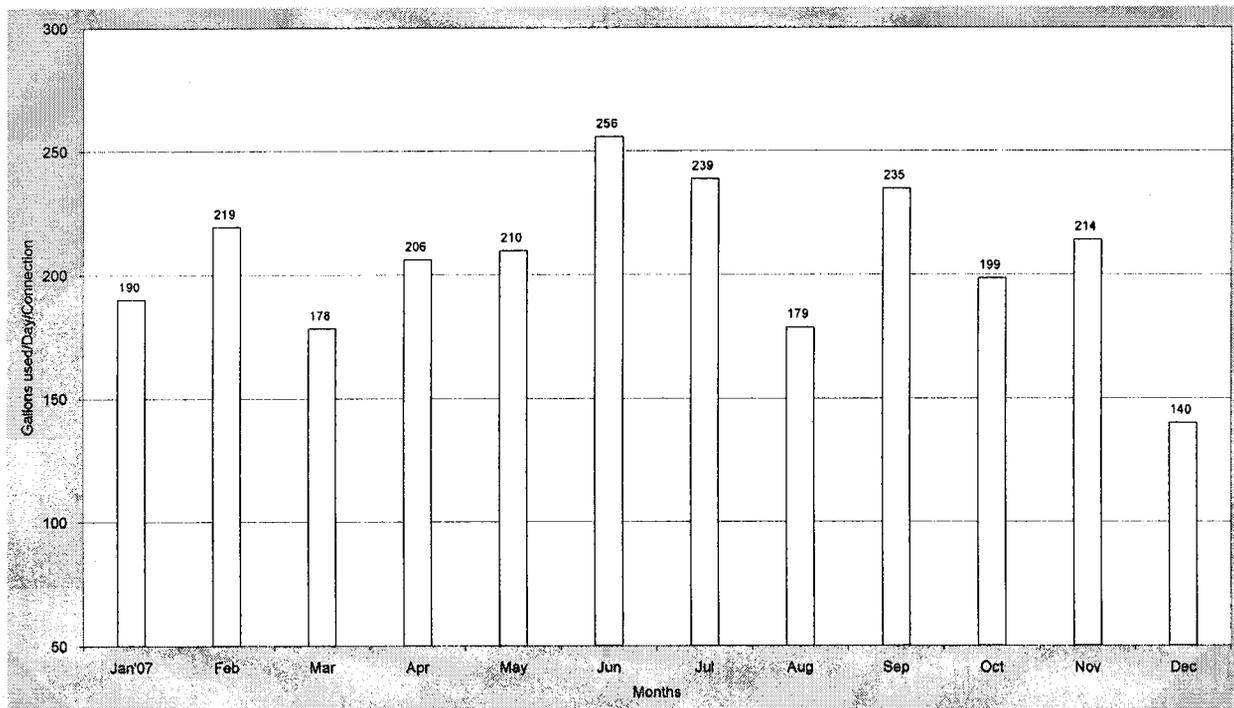
Description	Meter Size (in inches)	Capacity (GPM)	Gallons Purchased	Water Treatment
Ajo Improvement Company water system	4	270	57,588,000	Chlorination System

Storage Tank		Pressure Tank		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
500,000	1	-	none	15	2
250,000	1			10	1
Total 750,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	4,125	5/8x3/4	647	47
3	294	1	27	
4	43,884			
6	33,133			
8	3,085			
		Total	674	

B. WATER USEWater Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 256 GPD per connection in June, and the low water use was 140 GPD per connection in December. The average annual use was 205 GPD per connection.

Non-account Water

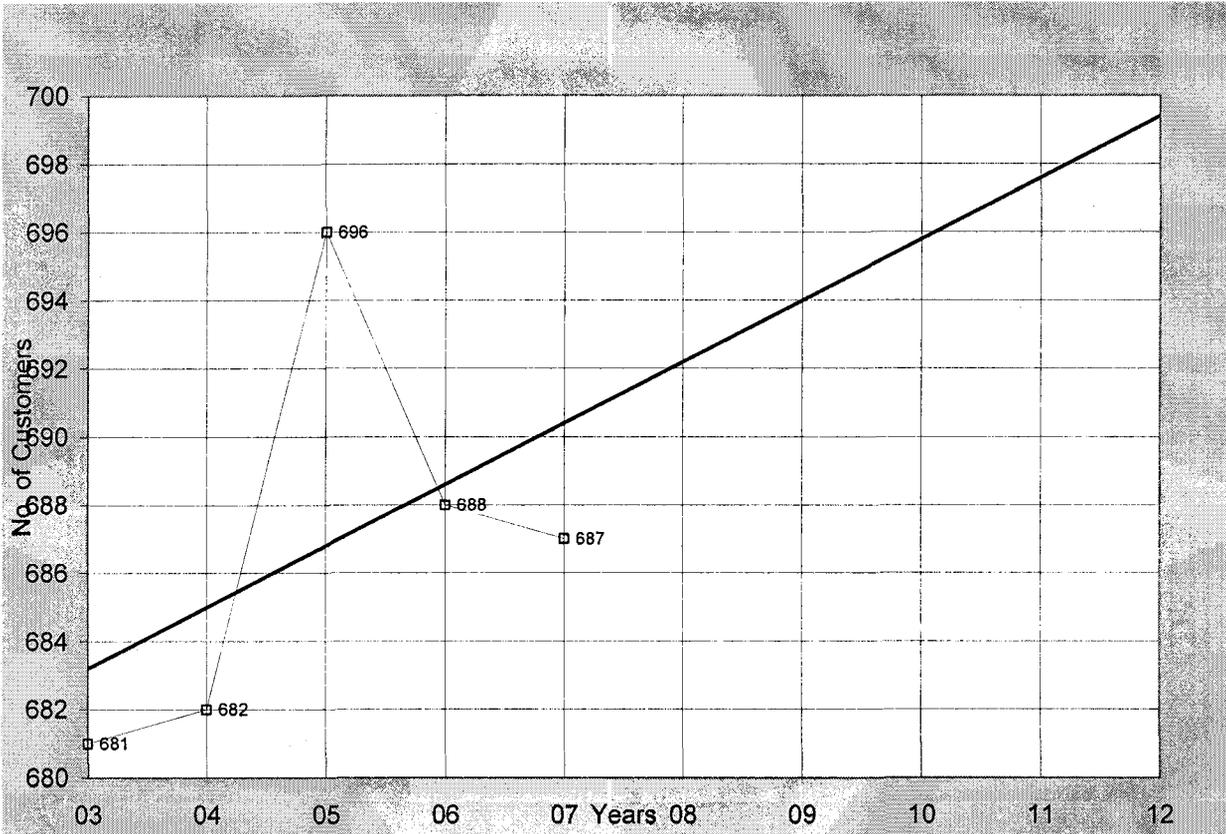
The Company reported 57,588,000 gallons purchased, 51,738,700 gallons sold and 434,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 9.4 percent. This percentage is within acceptable limit of 10 percent. However, Staff recommends that the Company monitor this water system closely and take action to ensure that the water loss remains less than 10 percent in the future.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that Ajo system has adequate water supply and storage capacities to serve its customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 700 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



6. White Tank PWS # 07-128

A. LOCATION AND DESCRIPTION OF THE SYSTEM

The White Tank system (“WT”) serves the White Tank area northwest of Phoenix in Maricopa County. In addition to groundwater pumped from four wells, WT supplements its water supply by purchasing water from the Arizona American Agua Fria system (“AA”) during peak summer demand periods. Major plant in service includes 4 active wells, 1 arsenic treatment plant, 1 nitrate treatment plant, 4 storage tanks, pumping facilities and a distribution system serving approximately 1,694 connections. A breakdown of the plant facilities is tabulated below:

Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Water Treatment Systems
Well # 2	55-616689	30	175	-	-	3	-	Arsenic Treatment Chlorination Systems Nitrate Treatment
Well # 4	55-616691	60	575	-	12	4	1969	
Well # 8	55-584393	100	182	1000	12	4	2001	
Well # 7	55-616693	100	450	-	20	4	-	
Well # 9 (future well)	55-203266	-	-	-	-	-	-	-
Well # 10 (future well)	55-201426	-	-	-	-	-	-	-
Total 1,382								

Other Water Source

Description	Meter Size (in inches)	Capacity (GPM)	Gallons Purchased	Water Treatment
AA Emergency Interconnect (Citrus)	2	160	1,992,200	none
AA Emergency Interconnect (Indian School)	3	350	54,156,500	none
Total: 56,148,700				

Arsenic Treatment Plant

Well ID	Plant Site	Maximum Capacity (GPM)	Manufacturer/ Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
Wells #2,#4, #7 & #8	Monte Vista	1,450	Layne	AWC Owned	November 2007	March 2008

Nitrate Treatment Plant

Well ID	Plant Site	Maximum Capacity (GPM)	Manufacturer/Vendor	Ownership	Year Site Preparation Completed	Plant Placed in Operation
Well #7	Go Lightly	550	Layne	AWC Owned	June 2007	June 2007 ²⁵

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
50,000	1	5,000	2	5	2
100,000	1			40	2
500,000	1				
1,000,000	1				
Total 1,650,000					

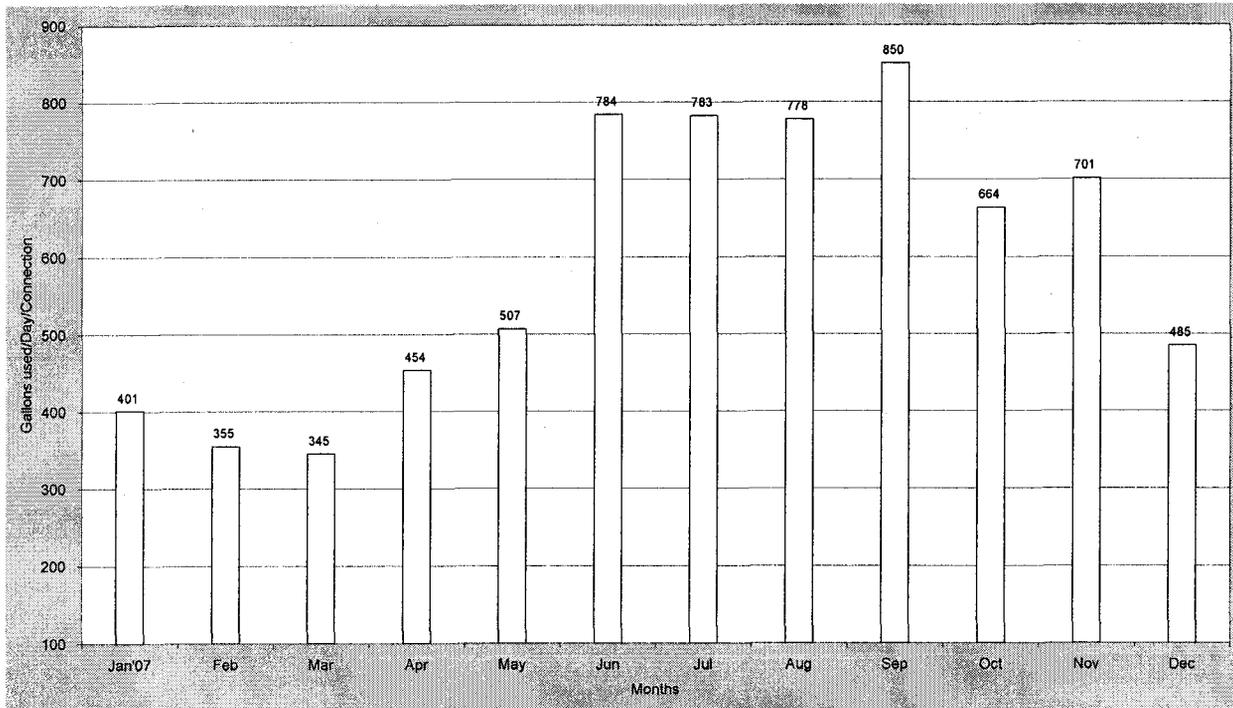
Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	1,610	5/8x3/4	1,583	220
4	14,490	1	87	
6	162,264	2	16	
8	108,436	Comp.3	2	
12	30,296	Comp.4	1	
14	60	Comp.6	1	
16	380	Total	1,690	

B. WATER USE

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2007, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 850 GPD per connection in September, and the low water use was 345 GPD per connection in March. The average annual use was 592 GPD per connection.

²⁵ MCESD issued the final Approval of Construction for this Nitrate Treatment System on March 6, 2009.



Non-account Water

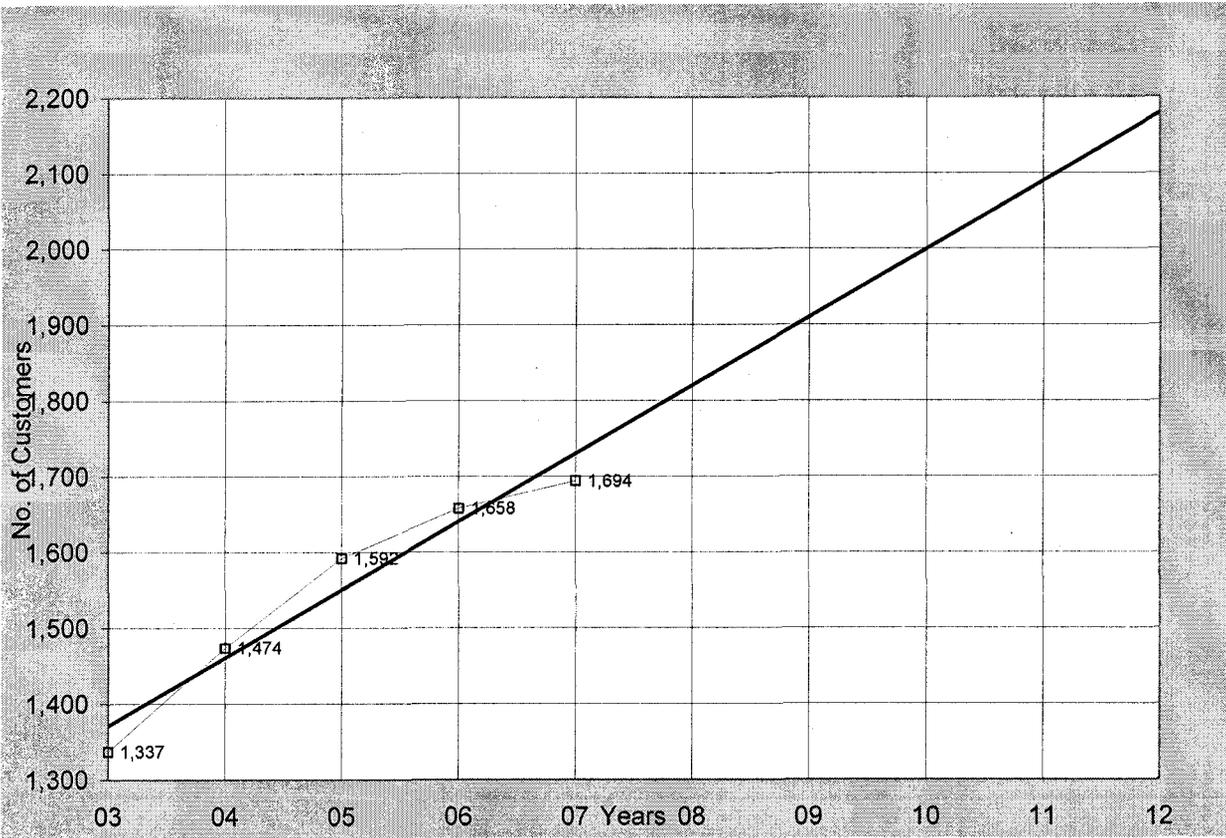
The Company reported 397,991,500 gallons pumped, 367,328,700 gallons sold and 234,000 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 7.6 percent. This percentage is within the acceptable limit of 10 percent.

C. SYSTEM ANALYSIS

Based on the data provided by the Company for the Test Year, Staff concludes that the White Tank system has adequate water supply and storage capacities to serve its customer base and reasonable growth.

D. GROWTH

Based on customer data provided by the Company, it is projected that this system could have approximately 2,200 connections by 2012. The Figure below depicts actual growth from 2003 to 2007 and projects an estimated growth in the service area for the next five years using linear regression analysis.



V. ADEQ COMPLIANCE

Compliance Status

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD"), monitors community water systems for compliance. Forest Towne water system (PWS # 09-002) has less than 15 connections and is not considered a community system at this time. Subsequently, it is not subject to ADEQ Compliance monitoring.

ADEQ/MCED has reported that all AWC community water systems have no deficiencies and these systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.²⁶

Water Testing Expense

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for community water systems, which serve less than 10,000 persons (approximately 3,300 service connections). Because the Company is able to monitor its systems at a lower cost than the MAP, the Company has chosen not to participate in the MAP for its five larger systems (with more than 3,300 service connections): Apache Junction, Casa Grande, Coolidge, Lakeside and Sedona. The Company's two consecutive systems, San Manuel and Ajo, are not required to participate in the MAP. All other AWC community systems participate in the MAP. The Company's MAP surcharge tariff has been approved in prior rate cases. The Company reported 2007 MAP costs totaling \$66,992 and 2007 MAP surcharge revenues totaling \$64,103.

The Company reported its water testing expenses for the test year in the "Water Treatment" operating expenses account. Based on the Company's responses to data requests, the test year water testing expenses are as follows: Northern Group at \$17,175, Eastern Group at \$26,756 and Western Group at \$21,528, totaling \$65,459 (these amounts do not include 2007 MAP costs).

Staff reviewed the Company's water testing expenses and calculated an estimate of water testing costs based on the current monitoring sample schedules provided by ADEQ. The Company's reported expenses were lower than Staff's estimate. Therefore, Staff recommends that the Company's reported annual water testing expense of \$65,459 be accepted for this proceeding.

²⁶ Per ADEQ/MCED Compliance Status Reports dated January, February and June 2009.

VI. ADWR COMPLIANCE²⁷

The following Company's systems are not located in any Active Management Area ("AMA"): Lakeside, Overgaard, Forest Towne, Sedona, Valley Vista, Pinewood, Rimrock, Miami, Winkelman, San Manuel, Sierra Vista, Bisbee and Ajo. (The Forest Towne water system is not a community system and is not subject to ADWR filing of Annual Report and System Water Plan.) The ADWR has determined that these systems are in compliance with the reporting requirements and the System Water Plans filed met ADWR requirements.

Apache Junction, Superior and White Tank systems are located in the Phoenix AMA. Tierra Grande, Casa Grande, Coolidge and Stanfield systems are located in the Pinal AMA. The Oracle system is located in the Tucson AMA. The ADWR has determined that these systems are in compliance with the reporting requirements and the System Water Plans filed met ADWR requirements, and, except for Superior and Oracle, a Management Plan filed for each system within AMA is in compliance with ADWR requirements.

ADWR has determined that Management Plans filed for Superior and Oracle systems are not in compliance with ADWR requirements with regard to potential Lost and Unaccounted for Water ("L&U") violations.

VII. DEPRECIATION RATES

In the previous rate cases for the Eastern and Western Groups, the individual component depreciation rates developed by the Company were approved per Commission Decisions Nos. 66849 and 68303. Those depreciation rates have been carried forward and proposed in this rate application. Staff recommends the adoption of the previously approved depreciation rates developed by the Company in this company-wide rate case. These rates are presented in Table A.

²⁷ Per ADWR Compliance Reports dated December 2008 and May 2009.

TABLE A

COMPONENT DEPRECIATION RATES

Plant Account No.	Depreciable Plant	Average Service Life (years)	AWC Developed Rates (%)
314	Wells & Springs	32	3.13
321	Pumping Plant Structures & Improvements	35	2.86
325	Electric Pumping Equipment	17	5.88
328	Gas Engines	25	4.00
331	Water Treatment Structures & Improvements	40	2.50
332	Water Treatment Equipment	35	2.86
341	Transmission/Distribution Structures	30	3.33
342	Storage Tanks	50	2.00
343	Transmission/Distribution Mains	56	1.79
344	Fire Sprinkler Taps	50	2.00
345	Services	42	2.38
346	Meters	22	4.55
348	Hydrants	55	1.82
390	General Plant Structures	40	2.50
391	Office Furniture & Equipment	15	6.67
393	Warehouse Equipment	20	5.00
394	Tools, Shop & Garage Equipment	25	4.00
395	Laboratory Equipment	20	5.00
396	Power Operated Equipment	15	6.67
397	Communication Equipment	15	6.67
398	Miscellaneous Equipment	30	3.33

VII. OTHER ISSUES

Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances and the Company's requested charges are in the upper range of charges typically recommended by Staff. The Company also has requested charges for the installation of 8-inch and 10-inch service lines and meters in the amount equal to the proposed 6-inch installation charges. Staff concurs with using this approach for larger size meters. Staff recommends the acceptance of the Company's requested installation charges as shown in Table B.

TABLE B

SERVICE LINE AND METER INSTALATION CHARGES

Company's Current Charges		Company's Requested Charges			
Meter Size		Meter Size	Service Line Charges	Meter Charges	Total Charges
5/8"x 3/4"	(a)	5/8"x 3/4"	\$445	\$155	\$600
1"	(a)	1"	\$495	\$315	\$810
2"	(b)	2"- Turbine	\$830	\$1,045	\$1,875
		2"- Compound	\$830	\$1,890	\$2,720
3"	(b)	3"- Turbine	\$1,045	\$1,670	\$2,715
		3"- Compound	\$1,165	\$2,545	\$3,710
4"	(b)	4"- Turbine	\$1,490	\$2,670	\$4,160
		4"- Compound	\$1,670	\$3,645	\$5,315
6"	(b)	6"-Turbine	\$2,210	\$5,025	\$7,235
		6"-Compound	\$2,330	\$6,920	\$9,250
8"	(b)	8" -Turbine	\$2,210	\$5,025	\$7,235
		8" -Compound	\$2,330	\$6,920	\$9,250
10"	(b)	10" -Turbine	\$2,210	\$5,025	\$7,235
		10"-Compound	\$2,330	\$6,920	\$9,250
(a) No charge for 5/8"x 3/4" and 1"if on existing pipelines. Full cost for 5/8"x 3/4" and 1"if on new pipelines. (b) Full cost for 2" and larger if on existing pipelines.		Note: Meter charge includes meter box or vault.			

Curtailment Plan Tariff

The Company has an approved curtailment plan tariff.

Backflow Prevention Tariff

The Company has an approved backflow prevention tariff.