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BEFORE THE ARIZONA CORPORATION COMMISSION

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7 IN THE MATTER OF THE APPLICATION OF
8 GLOBAL WATER - PALO VERDE UTILITIES
9 COMPANY FOR THE ESTABLISHMENT OF
10 JUST AND REASONABLE RATES AND
11 CHARGES FOR UTILITY SERVICE DESIGNED
TO REALIZE A REASONABLE RATE OF
RETURN ON THE FAIR VALUE OF ITS
PROPERTY THROUGHOUT THE STATE OF
ARIZONA.

Docket No. SW-20445A-09-0077

12 IN THE MATTER OF THE APPLICATION OF
13 VALENCIA WATER COMPANY - GREATER
14 BUCKEYE DIVISION FOR THE
15 ESTABLISHMENT OF JUST AND REASONABLE
RATES AND CHARGES FOR UTILITY SERVICE
DESIGNED TO REALIZE A REASONABLE RATE
OF RETURN ON THE FAIR VALUE OF ITS
PROPERTY THROUGHOUT THE STATE OF
ARIZONA.

Docket No. W-02451A-09-0078

16 IN THE MATTER OF THE APPLICATION OF
17 WILLOW VALLEY WATER COMPANY FOR THE
18 ESTABLISHMENT OF JUST AND REASONABLE
19 RATES AND CHARGES FOR UTILITY SERVICE
DESIGNED TO REALIZE A REASONABLE RATE
OF RETURN ON THE FAIR VALUE OF ITS
PROPERTY THROUGHOUT THE STATE OF
ARIZONA.

Docket No. W-01732A-09-0079

20 IN THE MATTER OF THE APPLICATION OF
21 GLOBAL WATER - SANTA CRUZ WATER
22 COMPANY FOR THE ESTABLISHMENT OF
23 JUST AND REASONABLE RATES AND
CHARGES FOR UTILITY SERVICE DESIGNED
TO REALIZE A REASONABLE RATE OF
RETURN ON THE FAIR VALUE OF ITS
PROPERTY THROUGHOUT THE STATE OF
ARIZONA.

Docket No. W-20446A-09-0080

Arizona Corporation Commission

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OCT 26 2009

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1 IN THE MATTER OF THE APPLICATION OF
2 WATER UTILITY OF GREATER TONOPAH FOR
3 THE ESTABLISHMENT OF JUST AND
4 REASONABLE RATES AND CHARGES FOR
5 UTILITY SERVICE DESIGNED TO REALIZE A
6 REASONABLE RATE OF RETURN ON THE
7 FAIR VALUE OF ITS PROPERTY THROUGHOUT
8 THE STATE OF ARIZONA.

Docket No. W-02450A-09-0081

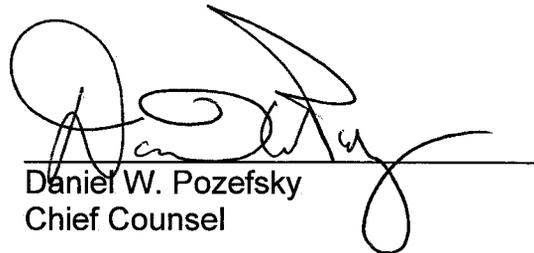
5 IN THE MATTER OF THE APPLICATION OF
6 VALENCIA WATER COMPANY - TOWN
7 DIVISION FOR THE ESTABLISHMENT OF JUST
8 AND REASONABLE RATES AND CHARGES
9 FOR UTILITY SERVICE DESIGNED TO
10 REALIZE A REASONABLE RATE OF RETURN
11 ON THE FAIR VALUE OF ITS PROPERTY
12 THROUGHOUT THE STATE OF ARIZONA.

Docket No. W-01212A-09-0082

10 **NOTICE OF FILING**

11
12 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
13 Direct Testimony of William A. Rigsby and Rodney L. Moore, in the above-referenced matter.

14
15 RESPECTFULLY SUBMITTED this 26th day of October, 2009.

16
17 
18 Daniel W. Pozefsky
19 Chief Counsel

20 AN ORIGINAL AND TWENTY-THREE COPIES
21 of the foregoing filed this 26th day
22 of October, 2009 with:

22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington
Phoenix, Arizona 85007

1 COPIES of the foregoing hand delivered/
2 mailed this 26th day of October, 2009 to:

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22 By Ernestine Gamble
23 Ernestine Gamble
24 Secretary to Daniel Pozefsky

GLOBAL UTILITIES

DOCKET NO. SW-02445A-09-0077 ET AL.

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 26, 2009

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1 **INTRODUCTION**

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

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

6

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

9 A. I have been involved with utilities regulation in Arizona since 1994. During
10 that period of time I have worked as a utilities rate analyst for both the
11 Arizona Corporation Commission ("ACC" or "Commission") and for RUCO.
12 I hold a Bachelor of Science degree in the field of finance from Arizona
13 State University and a Master of Business Administration degree, with an
14 emphasis in accounting, from the University of Phoenix. Appendix I,
15 which is attached to my direct testimony on the cost of capital issues in
16 this case, further describes my educational background and also includes
17 a list of the rate cases and regulatory matters that I have been involved
18 with.

19

20 Q. What is the purpose of your testimony?

21 A. The purpose of my testimony is to present RUCO's positions and
22 recommendations on a number of issues raised in the applications of
23 Global Water - Palo Verde Utilities Company; Valencia Water Company -

1 Greater Buckeye Division; Willow Valley Water Company, Inc.; Global
2 Water – Santa Cruz Water Company; Water Utility of Greater Tonopah,
3 Inc.; and Valencia Water Company – Town Division (“Valencia - Town
4 Division”) (collectively “Global Utilities” or “Company”) for permanent rate
5 increases (“Application”) for the Company’s operations in Maricopa and
6 Pinal Counties in Arizona. Global Utilities filed the Application with the
7 Commission on February 20, 2009. The Company has chosen the
8 operating period ended December 31, 2008, as the test year for the
9 various water and wastewater systems that are the subject of this
10 proceeding.

11
12 Q. What issues will you address in your testimony?

13 A. My testimony will address the following issues:

14 Distributed Renewable Energy Recovery and Conservation;
15 Infrastructure Coordination and Financing Agreements;
16 Franchise Fee Pass-Through; and
17 Public Private Partnership Agreements.

18
19 Q. Will you also address the rate base and operating income issues in this
20 case?

21 A. No. Those issues will be addressed by RUCO witness Rodney L. Moore.

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

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

3

4 Q. Will RUCO provide direct testimony on rate design?

5 A. Yes. On November 6, 2009, both Mr. Moore and I will file direct testimony
6 on rate design. Mr. Moore will address the technical aspects of RUCO's
7 recommended rate design and I will address the following issues:

8 Rate Consolidation;
9 Phased-In Rates; and
10 Rebate Threshold Rates.

11

12 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

13 Q. Briefly summarize how your direct testimony is organized.

14 A. My direct testimony is organized into three sections. First, the introduction
15 I have just presented and second, the summary of my testimony that I am
16 about to give. Third, and finally, I will discuss RUCO's positions and
17 recommendations regarding the various issues cited above.

18

19 Q. Please summarize the recommendations that you will address in your
20 testimony.

21 A. I am making the following recommendations:
22

1 Distributed Renewable Energy Recovery and Conservation – RUCO is
2 recommending that the Commission deny Global Utilities' request for a
3 distributed renewable energy recovery tariff which would establish an
4 adjustor mechanism, similar to the arsenic cost recovery mechanism, to
5 recover costs associated with plant additions that utilize renewable energy
6 technology.

7
8 Infrastructure Coordination and Financing Agreements – RUCO is
9 recommending that the Commission should treat funds related to the
10 construction of actual utility plant that are collected through the Company's
11 Infrastructure Coordination and Financing Agreements as contributions in
12 aid of construction.

13
14 Franchise Fee Pass-Through – RUCO is recommending that the
15 Commission adopt Global Utilities request to recover a portion of the
16 Company's franchise fees as an operating expense as opposed to
17 passing it through directly to ratepayers.

18
19 Public Private Partnership Agreements – RUCO is recommending that any
20 remaining portion of franchise fees negotiated through Public Private
21 Agreements (that are currently being paid for by the unregulated Global
22 Parent entity) not be recoverable in rates.

23

1 **RUCO'S POSITIONS AND RECOMMENDATIONS**

2 **Distributed Renewable Energy Recovery and Conservation**

3 Q. Briefly describe Global Utilities' request for a distributed renewable energy
4 recovery tariff.

5 A. Global Utilities is seeking a distributed renewable energy recovery tariff for
6 an adjustor mechanism similar to the arsenic cost recovery mechanism
7 ("ACRM"). The Company-proposed distributed renewable energy
8 recovery tariff would establish a surcharge to recover the costs associated
9 with plant additions that utilize renewable energy technology. According
10 to the direct testimony of Company witness Jamie Moe, Global Utilities is
11 looking at utilizing empty property space, created by Arizona Department
12 of Environmental Quality ("ADEQ") setback requirements, as a possible
13 location for solar panels that would generate electricity to operate water
14 and wastewater utility plant.

15
16 Q. What is RUCO's position on the Company's request?

17 A. RUCO believes that the Commission should deny the Company's request
18 for a distributed renewable energy recovery tariff.

19
20 Q. Is RUCO opposed to the use of water or wastewater plant additions that
21 utilize renewable energy technology?

22 A. No. RUCO has no opposition to the use of plant additions that employ
23 renewable resources such as solar. This position was advanced in RUCO

1 Director Jodi Jerich's direct testimony in the SolarCity case that is
2 currently before the ACC¹. In her direct testimony, Ms. Jerich made it
3 clear that RUCO is supportive of a competitive market for solar generating
4 devices that employ the type of technology that could be used in the plant
5 additions that Mr. Moe refers to in his direct testimony.

6
7 Q. Why is RUCO opposed to the Company's request for a distributed
8 renewable energy recovery tariff?

9 A. RUCO's opposition to the Company's request centers on the
10 implementation of an adjustor mechanism to recover the costs associated
11 with the plant additions being proposed by Global Utilities. While it is true
12 that legislation has been passed which *encourages* the installation of
13 devices that employ solar technology, there has been no federal or state
14 legislation that actually *requires* individuals or businesses to actually install
15 equipment that uses solar technology. Even more importantly, RUCO
16 believes that uncertainties that exist regarding the financing aspects of
17 obtaining such devices, not to mention the overall impacts that the devices
18 may have on annual utility operation and maintenance costs, should be
19 scrutinized in the context of a full rate case proceeding as opposed to the
20 limited type of analysis that would occur in an ACRM filing that comes
21 before the Commission.

22

¹ Docket No. E-20690A-09-0346

1 Q. Is RUCO opposed to the Company recovering the costs of plant additions
2 that utilize renewable energy technologies such as solar?

3 A. No, provided that the costs of the plant additions, like the costs of any
4 other plant additions, are prudently incurred, are known and measurable
5 and that the plant additions themselves meet the used and useful
6 standard. As will be explained further, the use of adjuster mechanisms
7 should only be allowed in extraordinary circumstances when certain
8 factors exist, as determined by case law and Commission precedent.
9 Those factors do not exist here.

10

11 Q. Please explain why RUCO opposes the implementation of an adjuster
12 mechanism to recover the costs of plant additions that utilize renewable
13 technology such as solar.

14 A. There are several reasons why RUCO is opposed to the ACRM-like
15 adjuster mechanism being proposed by Global Utilities. Adjuster
16 mechanisms are extraordinary rate recovery devices that are permitted for
17 certain narrow circumstances. The ACRM is a type of adjuster
18 mechanism that was specifically designed to address a one-time event
19 that impacted dozens of Arizona water companies simultaneously. RUCO
20 believes that expenditures for plant additions utilizing renewable
21 technology are not the type of expenses for which an adjuster mechanism
22 is generally permitted, nor are they similar to the costs recovered through
23 an actual ACRM.

1 The original ACRM was approved by the Commission to give water
2 providers in Arizona the ability to recover the costs associated with
3 meeting the U.S. Environmental Protection Agency's ("EPA") revised
4 drinking water arsenic standard of 10 parts per billion. The EPA's
5 requirement that water providers comply with the more stringent standard
6 was in effect an unfunded mandate from the federal government. Multiple
7 Arizona water providers had no choice but to either comply with the EPA's
8 rule or face the consequences of being in violation of it. This being the
9 case, representatives from the state's investor owned water companies,
10 ACC Staff, and RUCO developed the present ACRM which allows water
11 utilities to comply with the new EPA standard through a surcharge that
12 was established within the context of a rate case proceeding where a
13 constitutional finding of a utility's fair value has been established. The key
14 point here is that the EPA's revised arsenic standard represented an
15 extraordinary circumstance that neither Arizona's government, which
16 includes the Commission, or the state's water companies, either investor
17 owned or municipal, had any control over, and that would be impacting a
18 number of water utilities simultaneously.

19 The purchase of plant additions that utilize solar technology does not fit
20 into the type of extraordinary circumstance that resulted in the necessity
21 for the ACRM. As I stated earlier in my testimony, there is no federal or
22 state law or regulation, such as the revised EPA standard, that requires
23 Global Utilities, or any other providers of water or wastewater services, to

1 install plant additions that utilize solar technology. Moreover, the
2 Commission has recognized other conditions that might exist to warrant
3 approval of an adjustor mechanism.

4

5 Q. Can you cite any Commission Decisions in which the Commission denied
6 the implementation of an adjustor mechanism?

7 A. Yes. In Decision No. 68302, involving Arizona Water Company's ("AWC")
8 requests for purchased power and purchased water adjustor mechanisms
9 for AWC's Eastern Group systems, the Commission stated the following:

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

20

21

22

Likewise, in a later rate case involving AWC's Western Group systems, the

23 Commission stated the following in Decision No. 66849:

24 Although Arizona Water argues that such mechanisms benefit both
25 the Company and ratepayers by passing on increased costs and
26 savings, adjustment mechanisms may also provide a disincentive
27 for the Company to obtain the lowest possible cost commodity
28 because the costs are simply passed through to ratepayers.

29

30

31

1 In both of the aforementioned cases, the Commission denied AWC's
2 requests for adjustor mechanisms. That said, RUCO believes that the
3 purchase and installation of plant additions that employ solar technology
4 does not necessitate the need for single issue ratemaking practices such
5 as the implementation of an ACRM-like mechanism and the surcharge
6 associated with it.

7

8 Q. Would RUCO be opposed to Global Utilities' request for an ACRM that
9 recovers the cost of plant additions that are directly related to the removal
10 of arsenic from the Company's various water sources?

11 A. No. As I've explained above, that is the original purpose of the ACRM
12 mechanism.

13

14 Q. Please explain RUCO's concerns regarding the financing aspects of
15 obtaining such devices.

16 A. RUCO's concerns center on the possibility of imprudent decisions
17 regarding the financing and leasing arrangements for the types of plant
18 additions being proposed by the Company. As is the case with purchased
19 gas or purchased power contracts, the actual terms of the financing or
20 purchase agreements associated with the proposed additions may not get
21 the full consideration or analysis that they would receive in a full rate case
22 proceeding. RUCO believes that ratepayers should not be exposed to the
23 possible risk of experiencing poor service or having to pay additional

1 costs, passed through an ACRM-like mechanism, that could result from
2 unforeseen technical problems that are not covered under the purchase
3 agreements or financing arrangements that the Company enters into with
4 the manufacturer of the plant additions that utilize solar technology. While
5 an argument could be made that such problems could be cured in a formal
6 rate case proceeding before the Commission, the question is why should
7 ratepayers have to endure possible economic harm through an ACRM-like
8 mechanism that isn't mandated under federal or state laws or regulations.
9

10 Q. Don't current concerns about possible climate change resulting from
11 carbon emissions override the risks that you've just outlined?

12 A. No. Even though there is concern regarding possible climate change
13 resulting from carbon emissions, there is no law or regulation currently in
14 effect that requires individuals or businesses to purchase and install the
15 types of devices that Global Utilities wants to employ in the operation of
16 the Company's plant facilities.
17

18 Q. Please explain why RUCO believes that the overall impact that the
19 proposed plant additions may have should be scrutinized in the context of
20 a full rate case proceeding as opposed to the limited type of analysis that
21 would occur in an ACRM filing?

22 A. RUCO believes that this concern applies to any type of plant addition
23 regardless of the type of technology being employed. The type of limited

1 analysis that takes place in an ACRM filing does not take into analysis the
2 overall impact that plant additions have on the costs associated with utility
3 plant operation and maintenance. This type of analysis can only be
4 performed in the context of a full rate case proceeding. While the
5 Company touts the advantages of lower costs for purchased power, it is
6 unknown what other types of cost increases or decreases could result
7 from the installation and operation of new plant additions including those
8 that employ solar technology. For the reasons stated above, RUCO
9 believes that the Commission should reject the Company's request for a
10 distributed renewable energy recovery tariff that allows for the recovery of
11 costs through an adjustor mechanism.

12
13 **Infrastructure Coordination and Financing Agreements**

14 Q. What are Infrastructure Coordination and Financing Agreements?

15 A. According to Company witness Mathew J. Rowell, Infrastructure
16 Coordination and Financing Agreements ("ICFA") are voluntary
17 agreements that are entered into between the parent of Global Utilities
18 ("Global Parent") and developers who operate in the Company's
19 certificated service territories. Mr. Rowell states that, in some instances,
20 ICFA agreements provide the unregulated Global Parent entity with funds
21 for services, other than funds intended for the construction of utility plant
22 to serve new developments, which Global Parent pays taxes on.

23

1 Q. Why has Global Utilities raised the issue of ICFA's in the Company's direct
2 testimony?

3 A. Global Utilities is opposed to treating the ICFA's as either advances-in-aid-
4 of-construction ("AIAC") or contributions-in aid-of-construction ("CIAC").
5 Instead, Global Utilities takes the position that ICFA funds related to plant
6 additions, collected by the unregulated Global Parent entity, should be
7 treated as plant additions to rate base financed by investor supplied
8 capital.

9
10 Q. Does RUCO agree with the Company that ICFA's should not be treated as
11 AIAC?

12 A. Yes. According to Mr. Rowell's testimony, the ICFA funds obtained from
13 developers are non-refundable. This being the case, RUCO does not
14 believe that funds obtained through ICFA's meet the definition of an AIAC.

15
16 Q. Does RUCO agree with the Company that funds obtained from ICFA's
17 should not be treated as CIAC?

18 A. No. Based on RUCO's review of the ICFA's obtained through discovery,
19 ICFA funds that are intended to provide utility plant that is used to serve
20 new development should be treated as CIAC.

21

22 ...

23

1 Q. What is RUCO's opinion on the way that the ICFA agreements are
2 negotiated and implemented?

3 A. RUCO believes that the current arrangement between developers and the
4 unregulated Global Parent has been set up in order to avoid the traditional
5 process of entering into a line extension agreement that has to be
6 reviewed by ACC Staff and approved by the Commission. The current
7 arrangement also shifts risk entirely onto ratepayers who will have to pay
8 rates that provide a return on and a recovery of developer provided funds
9 used to construct new plant which is treated as an addition to rate base –
10 as opposed to a CIAC which would be treated as a deduction to rate base.

11
12 Q. Do the arguments advanced by Mr. Rowell regarding carrying costs carry
13 any weight in RUCO's opinion?

14 A. No because funds provided by a third party developer, for the purpose of
15 constructing plant to serve new development, to Global Parent are actually
16 zero cost sources of capital and should be treated accordingly. In fact
17 Global Parent, as could Global Utilities under a line extension agreement,
18 can park the collected funds in an interest bearing account and earn
19 interest income on them until they are actually used to construct plant.
20 Other funds for services rendered by Global Parent, which are unrelated
21 to the Global Utilities, should be treated as revenues subject to taxes on
22 the books of the Global Parent entity as Mr. Rowell states is currently
23 happening.

1 Q. Do Mr. Rowell's examples of cases in which the use of AIAC's and hook-
2 up fees have resulted in less than satisfactory results justify the
3 Company's position on ICFA's?

4 A. Not really. While no method of financing utility plant is perfect, Mr. Rowell
5 also explains that in the instant case, Global Parent has made the
6 decision not to seek recovery of unused plant in the Santa Cruz Water
7 Company and the Palo Verde Utilities Company because of the slowdown
8 in growth that has occurred in the Southwest Maricopa area. Had the
9 Company booked the funds associated with this unused infrastructure as
10 CIAC it would not have to take such action, which in RUCO's opinion,
11 could have resulted in a determination of excess capacity and the denial
12 of rate base treatment. Furthermore, the Company's ratepayers would
13 have been shielded from the situation without any action on the part of
14 Global Parent.

15
16 Q. Is RUCO making any rate base adjustments to remove plant that has
17 been funded by ICFA's?

18 A. No. RUCO is unaware of any type of determination that the Commission
19 has made regarding ICFA's to date. For that reason, RUCO believes that
20 a Commission decision that adopts RUCO's recommendation to treat
21 funds collected through ICFA's, for the purpose of constructing plant for
22 new development, as CIAC should be implemented on a going forward
23 basis

1 **Franchise Fee Pass-Through**

2 Q. What is Global Utilities requesting in regard to franchise fees?

3 A. As explained in Mr. Moe's direct testimony, Global Utilities is requesting
4 that it be permitted to recover a portion of a municipal franchise fee,
5 presently being paid by the Global Parent entity, from the Company's
6 ratepayers through either an increase in operating expenses or a pass-
7 through mechanism. Another portion of the franchise fee would be paid
8 by the unregulated Global Parent entity under the provisions of certain
9 Public Private Partnerships Agreements (which is the next issue I will
10 address in my direct testimony).

11

12 Q. What is RUCO recommending in regard to the Company's franchise fee
13 request?

14 A. RUCO is recommending that the Commission allow the Company to
15 increase operating expenses in order to allow recovery of the Company-
16 requested portion of the franchise fee in customer rates.

17

18 Q. Has RUCO made an adjustment to the Company's operating expenses to
19 include the franchise fee in customer rates?

20 A. Yes. As explained in the Testimony of RUCO witness Rodney L. Moore,
21 RUCO has made the appropriate adjustment to include the Company
22 requested franchise fee in rates.

23

1 **Public Private Partnership Agreements**

2 Q. Please describe Global Utilities' public private partnership ("P3")
3 agreements.

4 A. According to the testimony of Company witness Trevor Hill, P3
5 agreements are agreements entered into by the unregulated Global
6 Parent entity and several of the cities and towns that Global Utilities
7 serves. The agreements cover such things as regional planning,
8 municipal obligations under Arizona's growing smarter legislation,
9 emergency services coordination, and access to public streets rights of
10 way. Mr. Hill stated that Global Parent is presently making payments of
11 franchise fees associated with the P3 agreements. This includes the
12 portion of franchise fees that RUCO is recommending be treated as an
13 operating expense.

14
15 Q. Is RUCO opposed to P3 agreements?

16 A. RUCO is not opposed per se to the P3 agreements that the unregulated
17 Global Parent entity enters into with cities or towns that the Company
18 serves. However, RUCO is concerned that Global Utilities may want to
19 pass through fees that involve additional types of services that would not
20 normally be included in a franchise fee (normally, franchise fees include
21 such things as public streets rights of way, police or fire assistance during
22 construction, street paving, etc.).

23

1 Q. What is RUCO's recommendation on this issue?

2 A. RUCO is recommending that any remaining portion of franchise fees
3 negotiated through P3 agreements (that are currently being paid for by the
4 unregulated Global Parent entity) that are not associated with services
5 typically included in a municipal franchise fee not be recovered in rates.

6

7 Q. Is RUCO comfortable that its recommendation on the inclusion of a portion
8 of the franchise fees associated with P3 agreements will provide an
9 adequate safeguard against the scenario you've just described?

10 A. Yes. RUCO's recommendation on franchise fees is limited to three
11 percent of operating revenues and does not allow for a direct pass through
12 to the Company's ratepayers. The fees would also be subject to review in
13 any future rate case proceedings to insure that they only cover the types
14 of costs that would customarily be assessed in a franchise fee from a
15 municipal entity.

16

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

20 A. No, it does not.

21

22 Q. Does this conclude your testimony on Global Utilities?

23 A. Yes, it does.

GLOBAL UTILITIES

DOCKET NO. SW-02445A-09-0077 ET AL.

**DIRECT TESTIMONY
ON COST OF CAPITAL**

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 26, 2009

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11

12 APPENDIX 1 – Qualifications of William A. Rigsby, CRRA

13 ATTACHMENT A – Value Line Water Utility Industry Update

14 ATTACHMENT B – Value Line Natural Gas Utility Industry Update

15 ATTACHMENT C – Zacks Earnings Projections

16 ATTACHMENT D – Value Line Selected Yields

17 SCHEDULES WAR-1 THROUGH WAR-9

1 **INTRODUCTION**

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

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

6
7 Q. Please describe your qualifications in the field of utilities regulation and
8 your educational background.

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

22

23

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present recommendations that are
3 based on my analysis of the applications of Global Water - Palo Verde
4 Utilities Company; Valencia Water Company - Greater Buckeye Division;
5 Willow Valley Water Company, Inc.; Global Water – Santa Cruz Water
6 Company; Water Utility of Greater Tonopah, Inc.; and Valencia Water
7 Company – Town Division (“Valencia - Town Division”) (collectively
8 “Global Utilities” or “Company”) for permanent rate increases
9 (“Application”) for the Company’s operations in Maricopa and Pinal
10 Counties in Arizona. Global Utilities filed the Application with the
11 Commission on February 20, 2009. The Company has chosen the
12 operating period ended December 31, 2008, as the test year (“Test Year”)
13 for the six water and wastewater systems that are the subject of this
14 proceeding. Furthermore, Global Utilities has not performed a
15 reconstruction cost new study and has agreed to treat the Company’s
16 original cost rate base as the fair value rate base in this case.
17 Consequently there is no need to calculate a separate fair value rate of
18 return to be applied to the Company’s fair value rate base.

19

20 Q. Please explain your role in RUCO's analysis of Global Utilities' Application.

21 A. I reviewed Global Utilities' Application and performed a cost of capital
22 analysis to determine a fair rate of return on the Company's invested
23 capital. In addition to my recommended capital structure, my direct

1 testimony will present my recommended costs of common equity (Global
2 Utilities has no preferred stock) and my recommended cost of hypothetical
3 debt. The recommendations contained in this testimony are based on
4 information obtained from Company responses to data requests, the
5 Company's Application and from market-based research that I conducted
6 during my analysis.

7

8 Q. What areas will you address in your testimony?

9 A. I will address the cost of capital issues associated with the case.

10

11 Q. Were you also responsible for conducting an analysis on the Company's
12 proposed revenue level, rate base and rate design?

13 A. Both the revenue level and rate base aspects of the case will be
14 addressed in the direct testimony of RUCO witness Rodney L. Moore. Mr.
15 More and I will both file testimony on the rate design issues associated
16 with the case on November 6, 2009. I have also filed, under separate
17 cover, direct testimony on a number of non-cost of capital issues that were
18 raised in the Company's Application.

19

20 Q. Please identify the exhibits that you are sponsoring.

21 A. I am sponsoring Schedules WAR-1 through WAR-9.

22

23

1 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

2 Q. Briefly summarize how your cost of capital testimony is organized.

3 A. My cost of capital testimony is organized into six sections. First, the
4 introduction I have just presented and second, a summary of my testimony
5 that I am about to give. Third, I will present the findings of my cost of
6 equity capital analysis, which utilized both the discounted cash flow
7 (“DCF”) method, and the capital asset pricing model (“CAPM”). These are
8 the two methods that RUCO and ACC Staff have consistently used for
9 calculating the cost of equity capital in rate case proceedings in the past,
10 and are the methodologies that the ACC has given the most weight to in
11 setting allowed rates of returns for utilities that operate in the Arizona
12 jurisdiction. In this third section I will also provide a brief overview of the
13 current economic climate within which Global Utilities is operating. Fourth,
14 I will discuss my recommended capital structure, my recommended cost of
15 long-term debt and my recommended weighted average cost of capital.
16 Sixth, I will comment on Global Utilities' cost of capital testimony.
17 Schedules WAR-1 through WAR-9 will provide support for my cost of
18 capital analysis.

19
20 Q. Please summarize the recommendations and adjustments that you will
21 address in your testimony.

22 A. Based on the results of my analysis of Global Utilities, I am making the
23 following recommendations:

1 Cost of Equity Capital – I am recommending an 8.01 percent cost of equity
2 capital. This 8.01 percent figure is based on the results that I obtained in
3 my cost of equity analysis, which employed both the DCF and CAPM
4 methodologies. My 8.01 percent cost of equity capital is 199 basis points
5 lower than the 10.00 percent cost of equity capital being proposed by the
6 Company.

7
8 Capital Structure – I am recommending that the Commission adopt a
9 composite capital structure which is comprised of the various projected
10 levels of debt and equity for the six operating systems that make up
11 Global Utilities. My recommended composite capital structure is
12 comprised of 37.89 percent long-term debt and 62.11 percent common
13 equity.

14
15 Cost of Debt – I am recommending that the Commission adopt a cost of
16 debt of 6.44 percent, which is the weighted average cost of debt of the six
17 operating systems that make up Global Utilities.

18
19 Weighted Average Cost of Capital – Based on the results of my
20 recommended capital structure, I am recommending a 7.41 percent cost
21 of capital for Global Utilities, which is the weighted cost of my
22 recommended costs of long-term debt and common equity.

23

1 Q. Why do you believe that your recommended 7.41 percent weighted
2 average cost of capital is an appropriate rate of return for Global Utilities to
3 earn on its invested capital?

4 A. The 7.41 percent weighted average cost of capital figure that I am
5 recommending meets the criteria established in the landmark Supreme
6 Court cases of Bluefield Water Works & Improvement Co. v. Public
7 Service Commission of West Virginia (262 U.S. 679, 1923) and Federal
8 Power Commission v. Hope Natural Gas Company (320 U.S. 391, 1944).

9 Simply stated, these two cases affirmed that a public utility that is
10 efficiently and economically managed is entitled to a return on investment
11 that instills confidence in its financial soundness, allows the utility to attract
12 capital, and also allows the utility to perform its duty to provide service to
13 ratepayers. The rate of return adopted for the utility should also be
14 comparable to a return that investors would expect to receive from
15 investments with similar risk.

16 The Hope decision allows for the rate of return to cover both the operating
17 expenses and the "capital costs of the business" which includes interest
18 on debt and dividend payment to shareholders. This is predicated on the
19 belief that, in the long run, a company that cannot meet its debt obligations
20 and provide its shareholders with an adequate rate of return will not
21 continue to supply adequate public utility service to ratepayers.

22

1 Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient
2 to cover all operating and capital costs is guaranteed?

3 A. No. Neither case *guarantees* a rate of return on utility investment. What
4 the Bluefield and Hope decisions *do allow*, is for a utility to be provided
5 with the *opportunity* to earn a reasonable rate of return on its investment.
6 That is to say that a utility, such as GLOBAL UTILITIES, is provided with
7 the opportunity to earn an appropriate rate of return if the Company's
8 management exercises good judgment and manages its assets and
9 resources in a manner that is both prudent and economically efficient.

10
11 **COST OF EQUITY CAPITAL**

12 Q. What is your final recommended cost of equity capital for Global Utilities?

13 A. I am recommending a cost of equity of 8.01 percent. My recommended
14 8.01 percent cost of equity figure is the mean average of the results of my
15 DCF and CAPM analyses, which utilized both a sample of publicly traded
16 water providers and a sample of publicly traded natural gas local
17 distribution companies ("LDC"). This calculation is exhibited on page 3 of
18 my Schedule WAR-1.

19
20
21
22 ...

23

1 **Discounted Cash Flow (DCF) Method**

2 Q. Please explain the DCF method that you used to estimate Global Utilities'
3 cost of equity capital.

4 A. The DCF method employs a stock valuation model known as the constant
5 growth valuation model, that bears the name of Dr. Myron J. Gordon (i.e.
6 the Gordon model), the professor of finance who was responsible for its
7 development. Simply stated, the DCF model is based on the premise that
8 the current price of a given share of common stock is determined by the
9 present value of all of the future cash flows that will be generated by that
10 share of common stock. The rate that is used to discount these cash
11 flows back to their present value is often referred to as the investor's cost
12 of capital (i.e. the cost at which an investor is willing to forego other
13 investments in favor of the one that he or she has chosen).

14 Another way of looking at the investor's cost of capital is to consider it from
15 the standpoint of a company that is offering its shares of stock to the
16 investing public. In order to raise capital, through the sale of common
17 stock, a company must provide a required rate of return on its stock that
18 will attract investors to commit funds to that particular investment. In this
19 respect, the terms "cost of capital" and "investor's required return" are one
20 in the same. For common stock, this required return is a function of the
21 dividend that is paid on the stock. The investor's required rate of return
22 can be expressed as the percentage of the dividend that is paid on the

1 stock (dividend yield) plus an expected rate of future dividend growth.

2 This is illustrated in mathematical terms by the following formula:

$$k = \frac{D_1}{P_0} + g$$

3
4 where: k = the required return (cost of equity, equity capitalization rate),

5 $\frac{D_1}{P_0}$ = the dividend yield of a given share of stock calculated

6 by dividing the expected dividend by the current market

7 price of the given share of stock, and

8 g = the expected rate of future dividend growth

9 This formula is the basis for the standard growth valuation model that I
10 used to determine Global Utilities' cost of equity capital.

11
12 Q. In determining the rate of future dividend growth for Global Utilities, what
13 assumptions did you make?

14 A. There are two primary assumptions regarding dividend growth that must
15 be made when using the DCF method. First, dividends will grow by a
16 constant rate into perpetuity, and second, the dividend payout ratio will
17 remain at a constant rate. Both of these assumptions are predicated on
18 the traditional DCF model's basic underlying assumption that a company's
19 earnings, dividends, book value and share growth all increase at the same
20 constant rate of growth into infinity. Given these assumptions, if the

1 dividend payout ratio remains constant, so does the earnings retention
2 ratio (the percentage of earnings that are retained by the company as
3 opposed to being paid out in dividends). This being the case, a
4 company's dividend growth can be measured by multiplying its retention
5 ratio (1 - dividend payout ratio) by its book return on equity. This can be
6 stated as $g = b \times r$.

7
8 Q. Would you please provide an example that will illustrate the relationship
9 that earnings, the dividend payout ratio and book value have with dividend
10 growth?

11 A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens
12 Utilities Company 1993 rate case by using a hypothetical utility.¹

13
14 Table I

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Growth</u>
15 Book Value	\$10.00	\$10.40	\$10.82	\$11.25	\$11.70	4.00%
16 Equity Return	10%	10%	10%	10%	10%	N/A
17 Earnings/Sh.	\$1.00	\$1.04	\$1.082	\$1.125	\$1.170	4.00%
18 Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
19 Dividend/Sh	\$0.60	\$0.624	\$0.649	\$0.675	\$0.702	4.00%
20						

21
22 Table I of Mr. Hill's illustration presents data for a five-year period on his
23 hypothetical utility. In Year 1, the utility had a common equity or book

¹ Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

1 value of \$10.00 per share, an investor-expected equity return of ten
2 percent, and a dividend payout ratio of sixty percent. This results in
3 earnings per share of \$1.00 (\$10.00 book value x 10 percent equity return)
4 and a dividend of \$0.60 (\$1.00 earnings/sh. x 0.60 payout ratio) during
5 Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's
6 earnings are retained as opposed to being paid out to investors, book
7 value increases to \$10.40 in Year 2 of Mr. Hill's illustration. Table I
8 presents the results of this continuing scenario over the remaining five-
9 year period.

10 The results displayed in Table I demonstrate that under "steady-state" (i.e.
11 constant) conditions, book value, earnings and dividends all grow at the
12 same constant rate. The table further illustrates that the dividend growth
13 rate, as discussed earlier, is a function of (1) the internally generated
14 funds or earnings that are retained by a company to become new equity,
15 and (2) the return that an investor earns on that new equity. The DCF
16 dividend growth rate, expressed as $g = b \times r$, is also referred to as the
17 internal or sustainable growth rate.

18
19 Q. If earnings and dividends both grow at the same rate as book value,
20 shouldn't that rate be the sole factor in determining the DCF growth rate?

21 A. No. Possible changes in the expected rate of return on either common
22 equity or the dividend payout ratio make earnings and dividend growth by

1 themselves unreliable. This can be seen in the continuation of Mr. Hill's
2 illustration on a hypothetical utility.

3 Table II

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Growth</u>
4 Book Value	\$10.00	\$10.40	\$10.82	\$11.47	\$12.158	5.00%
5 Equity Return	10%	10%	15%	15%	15%	10.67%
6 Earnings/Sh	\$1.00	\$1.04	\$1.623	\$1.720	\$1.824	16.20%
7 Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
8 Dividend/Sh	\$0.60	\$0.624	\$0.974	\$1.032	\$1.094	16.20%

9
10
11 In the example displayed in Table II, a sustainable growth rate of four
12 percent² exists in Year 1 and Year 2 (as in the prior example). In Year 3,
13 Year 4 and Year 5, however, the sustainable growth rate increases to six
14 percent.³ If the hypothetical utility in Mr. Hill's illustration were expected to
15 earn a fifteen-percent return on common equity on a continuing basis,
16 then a six percent long-term rate of growth would be reasonable.
17 However, the compound growth rate for earnings and dividends, displayed
18 in the last column, is 16.20 percent. If this rate was to be used in the
19 DCF model, the utility's return on common equity would be expected to
20 increase by fifty percent every five years, $[(15 \text{ percent} \div 10 \text{ percent}) - 1]$.
21 This is clearly an unrealistic expectation.

² $[(\text{Year 2 Earnings/Sh} - \text{Year 1 Earnings/Sh}) \div \text{Year 1 Earnings/Sh}] = [(\$1.04 - \$1.00) \div \$1.00] = [\$0.04 \div \$1.00] = \underline{4.00\%}$

³ $[(1 - \text{Payout Ratio}) \times \text{Rate of Return}] = [(1 - 0.60) \times 15.00\%] = 0.40 \times 15.00\% = \underline{6.00\%}$

1 Although it is not illustrated in Mr. Hill's hypothetical example, a change in
2 only the dividend payout ratio will eventually result in a utility paying out
3 more in dividends than it earns. While it is not uncommon for a utility in
4 the real world to have a dividend payout ratio that exceeds one hundred
5 percent on occasion, it would be unrealistic to expect the practice to
6 continue over a sustained long-term period of time.

7

8 Q. Other than the retention of internally generated funds, as illustrated in Mr.
9 Hill's hypothetical example, are there any other sources of new equity
10 capital that can influence an investor's growth expectations for a given
11 company?

12 A. Yes, a company can raise new equity capital externally. The best
13 example of external funding would be the sale of new shares of common
14 stock. This would create additional equity for the issuer and is often the
15 case with utilities that are either in the process of acquiring smaller
16 systems or providing service to rapidly growing areas.

17

18 Q. How does external equity financing influence the growth expectations held
19 by investors?

20 A. Rational investors will put their available funds into investments that will
21 either meet or exceed their given cost of capital (i.e. the return earned on
22 their investment). In the case of a utility, the book value of a company's
23 stock usually mirrors the equity portion of its rate base (the utility's earning

1 base). Because regulators allow utilities the opportunity to earn a
2 reasonable rate of return on rate base, an investor would take into
3 consideration the effect that a change in book value would have on the
4 rate of return that he or she would expect the utility to earn. If an investor
5 believes that a utility's book value (i.e. the utility's earning base) will
6 increase, then he or she would expect the return on the utility's common
7 stock to increase. If this positive trend in book value continues over an
8 extended period of time, an investor would have a reasonable expectation
9 for sustained long-term growth.

10

11 Q. Please provide an example of how external financing affects a utility's
12 book value of equity.

13 A. As I explained earlier, one way that a utility can increase its equity is by
14 selling new shares of common stock on the open market. If these new
15 shares are purchased at prices that are higher than those shares sold
16 previously, the utility's book value per share will increase in value. This
17 would increase both the earnings base of the utility and the earnings
18 expectations of investors. However, if new shares sold at a price below
19 the pre-sale book value per share, the after-sale book value per share
20 declines in value. If this downward trend continues over time, investors
21 might view this as a decline in the utility's sustainable growth rate and will
22 have lower expectations regarding growth. Using this same logic, if a new
23 stock issue sells at a price per share that is the same as the pre-sale book

1 value per share, there would be no impact on either the utility's earnings
2 base or investor expectations.

3

4 Q. Please explain how the external component of the DCF growth rate is
5 determined.

6 A. In his book, *The Cost of Capital to a Public Utility*,⁴ Dr. Gordon (the
7 individual responsible for the development of the DCF or constant growth
8 model) identified a growth rate that includes both expected internal and
9 external financing components. The mathematical expression for Dr.
10 Gordon's growth rate is as follows:

11
$$g = (br) + (sv)$$

12 where: g = DCF expected growth rate,

13 b = the earnings retention ratio,

14 r = the return on common equity,

15 s = the fraction of new common stock sold that
16 accrues to a current shareholder, and

17 v = funds raised from the sale of stock as a fraction
18 of existing equity.

19 and
$$v = 1 - [(BV) \div (MP)]$$

20 where: BV = book value per share of common stock, and

21 MP = the market price per share of common stock.

⁴ Gordon, M.J., *The Cost of Capital to a Public Utility*, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

1 Q. Did you include the effect of external equity financing on long-term growth
2 rate expectations in your analysis of expected dividend growth for the DCF
3 model?

4 A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of
5 Schedule WAR-4, where it is added to the internal growth rate estimate
6 (br) to arrive at a final sustainable growth rate estimate.

7

8 Q. Please explain why your calculation of external growth on page 2 of
9 Schedule WAR-4, is the current market-to-book ratio averaged with 1.0 in
10 the equation $[(M \div B) + 1] \div 2$.

11 A. The market price of a utility's common stock will tend to move toward book
12 value, or a market-to-book ratio of 1.0, if regulators allow a rate of return
13 that is equal to the cost of capital (one of the desired effects of regulation).
14 As a result of this situation, I used $[(M \div B) + 1] \div 2$ as opposed to the
15 current market-to-book ratio by itself to represent investor's expectations
16 that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

17

18 Q. Has the Commission ever adopted a cost of capital estimate that included
19 this assumption?

20 A. Yes. In a prior Southwest Gas Corporation rate case⁵, the Commission
21 adopted the recommendations of ACC Staff's cost of capital witness,
22 Stephen Hill, who I noted earlier in my testimony. In that case, Mr. Hill

⁵ Decision No. 68487, Dated February 23, 2006 (Docket No. G-01551A-04-0876)

1 used the same methods that I have used in arriving at the inputs for the
2 DCF model. His final recommendation for Southwest Gas Corporation
3 was largely based on the results of his DCF analysis, which incorporated
4 the same valid market-to-book ratio assumption that I have used
5 consistently in the DCF model as a cost of capital witness for RUCO.

6

7 Q. How did you develop your dividend growth rate estimate?

8 A. I analyzed data on two separate proxy groups. A water company proxy
9 group comprised of three publicly traded water companies and a natural
10 gas proxy group consisting of ten natural gas local distribution companies
11 ("LDC") that have similar operating characteristics to water providers.

12

13 Q. Why did you use a proxy group methodology as opposed to a direct
14 analysis of Global Utilities?

15 A. One of the problems in performing this type of analysis is that the utility
16 applying for a rate increase is not always a publicly traded company, as is
17 the case with Global Utilities itself. Consequently it was necessary to
18 create a proxy by analyzing publicly traded water companies and LDC's
19 with similar risk characteristics.

20

21

22 ...

23

1 Q. In determining your dividend growth rate estimates, both you and the
2 Company's witness analyzed the data on publicly traded water utilities.
3 Why did you and the Company witness analyze only publicly traded water
4 utilities as opposed to firms that provide wastewater service?

5 A. The use of water utilities was necessitated by the fact that there is a lack
6 of financial and market information available on stand-alone wastewater
7 utilities. This in itself is not a problem, given the fact that both water and
8 wastewater utilities share similar risk characteristics. Both types of utilities
9 provide a basic service for which there are no substitutes and are also
10 subject to strict federal and state regulations.

11

12 Q. Are there any other advantages to the use of a proxy?

13 A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope
14 decision that a utility is entitled to earn a rate of return that is
15 commensurate with the returns on investments of other firms with
16 comparable risk. The proxy technique that I have used derives that rate of
17 return. One other advantage to using a sample of companies is that it
18 reduces the possible impact that any undetected biases, anomalies, or
19 measurement errors may have on the DCF growth estimate.

20

21

22 ...

23

1 Q. What criteria did you use in selecting the companies that make up your
2 water company proxy for Global Utilities?

3 A. Three of the four water companies used in the proxy are publicly traded on
4 the New York Stock Exchange ("NYSE") and one of them, Southwest
5 Water Company, is traded over the counter through the National
6 Association of Securities Dealers Automated Quotation System
7 ("NASDAQ"). All four water companies are followed by The Value Line
8 Investment Survey ("Value Line") and are the same companies that
9 comprise Value Line's large capitalization Water Utility Industry segment
10 of the U.S. economy (Attachment A contains Value Line's October 23,
11 2009 update of the water utility industry and evaluations of the water
12 companies used in my proxy).

13
14 Q. Are these the same water utilities that you have used in prior rate case
15 proceedings?

16 A. Yes.

17
18 Q. Please describe the companies that comprise your water company proxy
19 group.

20 A. My water company proxy group includes American States Water Co.
21 (stock ticker symbol "AWR"), California Water Service Group ("CWT"),
22 Southwest Water Company ("SWWC") and Aqua America, Inc. ("WTR").
23 Each of these water companies face the same types of risk that Global

1 Utilities faces. For the sake of brevity, I will refer to each of these
2 companies by their appropriate stock ticker symbols henceforth.

3

4 Q. Briefly describe the areas served by the companies in your water
5 company sample proxy.

6 A. In addition to providing water service to residents of Fountain Hills,
7 Arizona through its wholly owned subsidiary Chaparral City Water
8 Company, AWR also serves communities located in Los Angeles, Orange
9 and San Bernardino counties in California. CWT provides service to
10 customers in seventy-five communities in California, New Mexico and
11 Washington. CWT's principal service areas are located in the San
12 Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys
13 and parts of Los Angeles. SWWC owns and manages regulated systems
14 in California, New Mexico, Oklahoma and Texas. WTR is a holding
15 company for a large number of water and wastewater utilities operating in
16 nine different states including Pennsylvania, Ohio, New Jersey, Illinois,
17 Maine, North Carolina, Texas, Florida and Kentucky.

18

19 Q. Are these the same water companies that Global Utilities used in its
20 application?

21 A. Global Utilities' cost of equity witness, Mr. Matthew J. Rowell did not
22 perform a cost of equity analysis. His recommended cost of common

1 equity of 10.00 percent is based on cost of equity levels that have been
2 awarded to utilities in past rate case proceedings.

3

4 Q. What criteria did you use in selecting the natural gas LDC's included in
5 your proxy for Global Utilities?

6 A. As are the water companies that I just described, each of the natural gas
7 LDC's used in the proxy are publicly traded on a major stock exchange (all
8 ten trade on the NYSE) and are followed by Value Line. Each of the ten
9 LDC's in my sample are tracked in Value Line's natural gas Utility industry
10 segment. All of the companies in the proxy are engaged in the provision
11 of regulated natural gas distribution services. Attachment B of my
12 testimony contains Value Line's most recent evaluation of the natural gas
13 proxy group that I used for my cost of common equity analysis.

14

15 Q. What companies are included your natural gas proxy?

16 A. The ten natural gas LDC's included in my proxy (and their NYSE ticker
17 symbols) are AGL Resources, Inc. ("AGL"), Atmos Energy Corp. ("ATO"),
18 Laclede Group, Inc. ("LG"), New Jersey Resources Corporation ("NJR"),
19 Nicor, Inc. ("GAS"), Northwest Natural Gas Co. ("NWN"), Piedmont
20 Natural Gas Company ("PNY"), South Jersey Industries, Inc. ("SJI")
21 Southwest Gas Corporation ("SWX"), which is the dominant natural gas
22 provider in Arizona, and WGL Holdings, Inc. ("WGL"). These are the

1 same ten LDC's that I analyzed in the most recent UNS Gas, Inc.
2 proceeding.⁶

3

4 Q. Briefly describe the regions of the U.S. served by the ten natural gas
5 LDC's that make up your sample proxy.

6 A. The ten LDC's listed above provide natural gas service to customers in the
7 Middle Atlantic region (i.e. NJI which serves portions of northern New
8 Jersey, SJI which serves southern New Jersey and WGL which serves the
9 Washington D.C. metro area), the Southeast and South Central portions
10 of the U.S. (i.e. AGL which serves Virginia, southern Tennessee and the
11 Atlanta, Georgia area and PNY which serves customers in North Carolina,
12 South Carolina and Tennessee), the South, deep South and Midwest (i.e.
13 ATO which serves customers in Kentucky, Mississippi, Louisiana, Texas,
14 Colorado and Kansas, GAS which provides service to northern and
15 western Illinois, and LG which serves the St. Louis area), and the Pacific
16 Northwest (i.e. NWN which serves Washington state and Oregon).
17 Portions of Arizona, Nevada and California are served by SWX.

18

19 Q. Please explain your DCF growth rate calculations for the sample
20 companies used in your proxy.

21 A. Schedule WAR-5 provides retention ratios, returns on book equity, internal
22 growth rates, book values per share, numbers of shares outstanding, and

⁶ Docket No. G-04204A-08-0571

1 the compounded share growth for each of the utilities included in the
2 sample for the historical observation period 2004 to 2008 for both the
3 water and LDC industries. Schedule WAR-5 also includes Value Line's
4 projected 2009, 2010 and 2012-14 values for the retention ratio, equity
5 return, book value per share growth rate, and number of shares
6 outstanding for both the water utilities and the LDC's.

7

8 Q. Please describe how you used the information displayed in Schedule
9 WAR-5 to estimate each comparable utility's dividend growth rate.

10 A. In explaining my analysis, I will use AWR as an example. The first
11 dividend growth component that I evaluated was the internal growth rate.
12 I used the "b x r" formula (described on pages 12 and 13) to multiply
13 AWR's earned return on common equity by its earnings retention ratio for
14 each year in the 2004 to 2008 observation period to derive the utility's
15 annual internal growth rates. I used the mean average of this five-year
16 period as a benchmark against which I compared the projected growth
17 rate trends provided by Value Line. Because an investor is more likely to
18 be influenced by recent growth trends, as opposed to historical averages,
19 the five-year mean noted earlier was used only as a benchmark figure. As
20 shown on Schedule WAR-5, Page 1, AWR's average internal growth rate
21 of 2.62% over the 2004 to 2008 period reflects an up and down pattern of
22 growth that ranged from a low of 1.01% in 2002 to a high of 3.79% during
23 2007. Value Line is predicting that growth will increase steadily from

1 3.05% in 2008, to 6.23% by the end of the 2012-14 time frame. After
2 weighing Value Line's projections for internal growth, stable outlook for
3 earnings per share, increased growth for dividends per share and no
4 change in book value per share growth, I believe that a 6.20% rate of
5 internal growth is reasonable for AWR. (Schedule WAR-4, Page 1 of 2).

6

7 Q. Please continue with the external growth rate component portion of your
8 analysis.

9 A. Schedule WAR-5 demonstrates that the pattern of shares outstanding for
10 AWR increased from 16.75 million to 17.30 million from 2004 to 2008.
11 Value Line is predicting that this level will increase from 18.50 million in
12 2009 to 20.00 million by the end of 2014. Based on this data, I believe
13 that a 5.00 percent growth in shares is not unreasonable for AWR (Page 2
14 of Schedule WAR-4). My final dividend growth rate estimate for AWR is
15 9.03 percent (6.20 percent internal + 2.83 percent external) and is shown
16 on Page 1 of Schedule WAR-4.

17

18 Q. What is your average DCF dividend growth rate estimate for your sample
19 of water utilities?

20 A. My average DCF dividend growth rate estimate for my water company
21 sample is 7.18 percent as displayed on page 1 of Schedule WAR-4.

22

1 Q. Did you use the same approach to determine an average dividend growth
2 rate for the proxy comprised of natural gas LDC's?

3 A. Yes.

4

5 Q. What is your average DCF dividend growth rate estimate for the sample
6 natural gas utilities?

7 A. My average DCF dividend growth rate estimate is 5.23 percent, which is
8 also displayed on page 1 of Schedule WAR-4.

9

10 Q. How does your average dividend growth rate estimates on water
11 companies compare to the growth rate data published by Value Line and
12 other analysts?

13 A. Schedule WAR-6 compares my sustainable growth estimates with the
14 five-year projections of analysts at both Zacks Investment Research, Inc.
15 ("Zacks") (Attachment C) and Value Line. In the case of the water
16 companies, my 7.18 percent estimate exceeds Zacks' average long-term
17 EPS projection of 6.57 percent and Value Line's growth projection of 3.74
18 percent (which is an average of EPS, DPS and BVPS). My 7.18 percent
19 estimate is 313 basis points higher than the 4.05 percent average of Value
20 Line's historical and projected data averaged with the consensus opinions
21 published by Zacks. My 7.18 percent growth estimate is also 595 basis
22 points higher than Value Line's 1.23 percent 5-year compound historical
23 average of EPS, DPS and BVPS. The estimates of analysts at Value Line

1 indicate that investors are expecting somewhat higher performance from
2 the water utility industry in the future given their 7.00 percent to 7.50
3 percent book return on common equity over the 2009 to 2014 period. On
4 balance, I would say my 7.18 percent estimate is an optimistic
5 representation of the growth projections that are available to the investing
6 public.

7
8 Q. How do your average dividend growth rate estimates on natural gas LDC's
9 compare to the growth rate data published by Value Line and other
10 analysts?

11 A. In regard to the natural gas LDC's, my 5.23 percent estimate is 57 basis
12 points lower than the average 5.80 percent long-term EPS consensus
13 projections published by Zacks, and 85 basis points higher than the 4.38
14 percent Value Line projected estimate (which is an average of EPS, DPS
15 and BVPS). As can also be seen on Schedule WAR-6, the 5.23 percent
16 estimate that I have calculated is 54 basis points lower than the 5.77
17 percent average of the 5-year historic EPS, DPS and BVPS means of
18 Value Line and 13 basis points lower than the 5.36 percent five-year
19 compound historical average of Value Line data (on EPS, DPS and
20 BVPS). In fact, my 5.23 percent estimate is 7 basis points higher than the
21 combined 5.16 percent Value Line and Zacks averages displayed in
22 Schedule WAR-6. In the case of the LDC's I would say that my 5.23
23 percent estimate, which is lower than Zack's but higher than Value Line's

1 forecasts, is a fairly good representation of the growth projections
2 presented by securities analysts at this point in time.

3

4 Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

5 A. For both the water companies and the natural gas LDC's I used the
6 estimated annual dividends, for the next twelve-month period, that
7 appeared in Value Line's October 23, 2009 Ratings and Reports water
8 utility industry update and Value Line's September 11, 2009 Ratings and
9 Reports natural gas utility update. I then divided those figures by the
10 eight-week average closing price per share of the appropriate utility's
11 common stock. The eight-week average price is based on the daily
12 adjusted closing stock prices for each of the companies in my proxies for
13 the period August 24, 2009 to October 16, 2009.

14

15 Q. Based on the results of your DCF analysis, what is your cost of equity
16 capital estimate for the water and natural gas utilities included in your
17 sample?

18 A. As shown on Schedule WAR-2, the cost of equity capital derived from my
19 DCF analysis is 9.94 percent for the water utilities and 9.50 percent for the
20 natural gas LDC's.

21

22

23

1 **Capital Asset Pricing Model (CAPM) Method**

2 Q. Please explain the theory behind CAPM and why you decided to use it as
3 an equity capital valuation method in this proceeding.

4 A. CAPM is a mathematical tool that was developed during the early 1960's
5 by William F. Sharpe⁷, the Timken Professor Emeritus of Finance at
6 Stanford University, who shared the 1990 Nobel Prize in Economics for
7 research that eventually resulted in the CAPM model. CAPM is used to
8 analyze the relationships between rates of return on various assets and
9 risk as measured by beta.⁸ In this regard, CAPM can help an investor to
10 determine how much risk is associated with a given investment so that he
11 or she can decide if that investment meets their individual preferences.
12 Finance theory has always held that as the risk associated with a given
13 investment increases, so should the expected rate of return on that
14 investment and vice versa. According to CAPM theory, risk can be
15 classified into two specific forms: nonsystematic or diversifiable risk, and
16 systematic or non-diversifiable risk. While nonsystematic risk can be
17 virtually eliminated through diversification (i.e. by including stocks of
18 various companies in various industries in a portfolio of securities),

⁷ William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

⁸ Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

1 systematic risk, on the other hand, cannot be eliminated by diversification.
2 Thus, systematic risk is the only risk of importance to investors. Simply
3 stated, the underlying theory behind CAPM states that the expected return
4 on a given investment is the sum of a risk-free rate of return plus a market
5 risk premium that is proportional to the systematic (non-diversifiable risk)
6 associated with that investment. In mathematical terms, the formula is as
7 follows:

$$k = r_f + [\beta (r_m - r_f)]$$

8
9
10 where: k = the expected return of a given security,
11 r_f = risk-free rate of return,
12 β = beta coefficient, a statistical measurement of a
13 security's systematic risk,
14 r_m = average market return (e.g. S&P 500), and
15 $r_m - r_f$ = market risk premium.
16

17 Q. What types of financial instruments are generally used as a proxy for the
18 risk-free rate of return in the CAPM model?

19 A. Generally speaking, the yields of U.S. Treasury instruments are used by
20 analysts as a proxy for the risk-free rate of return component.
21

22 ...

23

1 Q. Please explain why U.S. Treasury instruments are regarded as a suitable
2 proxy for the risk-free rate of return?

3 A. As citizens and investors, we would like to believe that U.S. Treasury
4 securities (which are backed by the full faith and credit of the United
5 States Government) pose no threat of default no matter what their maturity
6 dates are. However, a comparison of various Treasury instruments will
7 reveal that those with longer maturity dates do have slightly higher yields.
8 Treasury yields are comprised of two separate components,⁹ a real rate of
9 interest (believed to be approximately 2.00 percent) and an inflationary
10 expectation. When the real rate of interest is subtracted from the total
11 treasury yield, all that remains is the inflationary expectation. Because
12 increased inflation represents a potential capital loss, or risk, to investors,
13 a higher inflationary expectation by itself represents a degree of risk to an
14 investor. Another way of looking at this is from an opportunity cost
15 standpoint. When an investor locks up funds in long-term T-Bonds,
16 compensation must be provided for future investment opportunities
17 foregone. This is often described as maturity or interest rate risk and it
18 can affect an investor adversely if market rates increase before the
19 instrument matures (a rise in interest rates would decrease the value of
20 the debt instrument). As discussed earlier in the DCF portion of my

⁹ As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

1 testimony, this compensation translates into higher rates of returns to the
2 investor.

3

4 Q. What security did you use for a risk-free rate of return in your CAPM
5 analysis?

6 A. I used an eight-week average of the yield on a 5-year U.S. Treasury
7 instrument. The yields were published in Value Line's Selection and
8 Opinion publication dated September 4, 2009 through October 23, 2009
9 (Attachment D). This resulted in a risk-free (r_f) rate of return of 2.46
10 percent.

11

12 Q. Why did you use the yield on a 5-year year U.S. Treasury instrument as
13 opposed to a short-term T-Bill?

14 A. While a shorter term instrument, such as a 91-day T-Bill, presents the
15 lowest possible total risk to an investor, a good argument can be made
16 that the yield on an instrument that matches the investment period of the
17 asset being analyzed in the CAPM model should be used as the risk-free
18 rate of return. Since utilities in Arizona generally file for rates every three
19 to five years, the yield on a 5-year U.S. Treasury Instrument closely
20 matches the investment period or, in the case of regulated utilities, the
21 period that new rates will be in effect.

22

23

1 Q. How did you calculate the market risk premium used in your CAPM
2 analysis?

3 A. I used both a geometric and an arithmetic mean of the historical total
4 returns on the S&P 500 index from 1926 to 2008 as the proxy for the
5 market rate of return (r_m). For the risk-free portion of the risk premium
6 component (r_f), I used the geometric mean of the total returns of
7 intermediate-term government bonds for the same eighty-two year period.
8 The market risk premium ($r_m - r_f$) that results by using the geometric mean
9 of these inputs is 4.20 percent ($9.60\% - 5.40\% = \underline{4.20\%}$). The market risk
10 premium that results by using the arithmetic mean calculation is 6.10
11 percent ($11.70\% - 5.60\% = \underline{6.10\%}$).
12

13 Q. How did you select the beta coefficients that were used in your CAPM
14 analysis?

15 A. The beta coefficients (β), for the individual utilities used in both my
16 proxies, were calculated by Value Line and were current as of October 23,
17 2009 for the water companies and September 11, 2009 for the natural gas
18 LDC's. Value Line calculates its betas by using a regression analysis
19 between weekly percentage changes in the market price of the security
20 being analyzed and weekly percentage changes in the NYSE Composite
21 Index over a five-year period. The betas are then adjusted by Value Line
22 for their long-term tendency to converge toward 1.00. The beta
23 coefficients for the service providers included in my water company

1 sample ranged from 0.65 to 1.10 with an average beta of 0.83. The beta
2 coefficients for the LDC's included in my natural gas sample ranged from
3 0.60 to 0.75 with an average beta of 0.67.

4
5 Q. What are the results of your CAPM analysis?

6 A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation
7 using a geometric mean to calculate the risk premium results in an
8 average expected return of 5.92 percent for the water companies and 5.25
9 percent for the natural gas LDC's. My calculation using an arithmetic
10 mean results in an average expected return of 7.49 percent for the water
11 companies and 6.51 percent for the natural gas LDC's.

12
13 Q. Please summarize the results derived under each of the methodologies
14 presented in your testimony.

15 A. The following is a summary of the cost of equity capital derived under
16 each methodology used:

17

18	<u>METHOD</u>	<u>RESULTS</u>
19	DCF (Water Sample)	9.94%
20	DCF (Natural Gas Sample)	9.50%
21	CAPM (Water Sample)	5.92% – 7.49%
22	CAPM (Natural Gas)	5.25% – 6.51%

23

1 Based on these results, my best estimate of an appropriate range for a
2 cost of common equity for Global Utilities is 5.25 percent to 9.94 percent.
3 My final recommended cost of common equity figure is 8.01 percent.

4
5 Q How did you arrive at your final recommended 8.01 percent cost of
6 common equity?

7 A. My recommended 8.01 percent cost of common equity is the mean
8 average of my DCF and CAPM results. The calculation of my 8.01
9 percent cost of common equity can be seen on Schedule WAR-1, Page 2
10 of 2.

11
12 Q. How does your recommended cost of equity capital compare with the cost
13 of equity capital proposed by the Company?

14 A. The 10.00 percent cost of equity capital proposed by the Company is 199
15 basis points higher than the 8.01 percent OCRB cost of equity capital that
16 I am recommending.

17

18 **Current Economic Environment**

19 Q. Please explain why it is necessary to consider the current economic
20 environment when performing a cost of equity capital analysis for a
21 regulated utility.

22 A. Consideration of the economic environment is necessary because trends
23 in interest rates, present and projected levels of inflation, and the overall

1 state of the U.S. economy determine the rates of return that investors earn
2 on their invested funds. Each of these factors represent potential risks
3 that must be weighed when estimating the cost of equity capital for a
4 regulated utility and are, most often, the same factors considered by
5 individuals who are also investing in non-regulated entities.

6
7 Q. Please discuss your analysis of the current economic environment.

8 A. My analysis includes a brief review of the economic events that have
9 occurred since 1990. Schedule WAR-8 displays various economic
10 indicators and other data that I will refer to during this portion of my
11 testimony.

12 In 1991, as measured by the most recently revised annual change in
13 gross domestic product ("GDP"), the U.S. economy experienced a rate of
14 growth of negative 0.20 percent. This decline in GDP marked the
15 beginning of a mild recession that ended sometime before the end of the
16 first half of 1992. Reacting to this situation, the Federal Reserve Board
17 ("Federal Reserve" or "Fed"), then chaired by noted economist Alan
18 Greenspan, lowered its benchmark federal funds rate¹⁰ in an effort to
19 further loosen monetary constraints - an action that resulted in lower
20 interest rates.

¹⁰ This is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

1 During this same period, the nation's major money center banks followed
2 the Federal Reserve's lead and began lowering their interest rates as well.
3 By the end of the fourth quarter of 1993, the prime rate (the rate charged
4 by banks to their best customers) had dropped to 6.00 percent from a
5 1990 level of 10.01 percent. In addition, the Federal Reserve's discount
6 rate on loans to its member banks had fallen to 3.00 percent and short-
7 term interest rates had declined to levels that had not been seen since
8 1972.

9
10 Although GDP increased in 1992 and 1993, the Federal Reserve took
11 steps to increase interest rates beginning in February of 1994, in order to
12 keep inflation under control. By the end of 1995, the Federal discount rate
13 had risen to 5.21 percent. Once again, the banking community followed
14 the Federal Reserve's moves. The Fed's strategy, during this period, was
15 to engineer a "soft landing." That is to say that the Federal Reserve
16 wanted to foster a situation in which economic growth would be stabilized
17 without incurring either a prolonged recession or runaway inflation.

18
19 Q. Did the Federal Reserve achieve its goals during this period?

20 A. Yes. The Fed's strategy of decreasing interest rates to stimulate the
21 economy worked. The annual change in GDP began an upward trend in
22 1992. A change of 4.50 percent and 4.20 percent were recorded at the
23 end of 1997 and 1998 respectively. Based on daily reports that were

1 presented in the mainstream print and broadcast media during most of
2 1999, there appeared to be little doubt among both economists and the
3 public at large that the U.S. was experiencing a period of robust economic
4 growth highlighted by low rates of unemployment and inflation. Investors,
5 who believed that technology stocks and Internet company start-ups (with
6 little or no history of earnings) had high growth potential, purchased these
7 types of issues with enthusiasm. These types of investors, who exhibited
8 what former Chairman Greenspan described as "irrational exuberance,"
9 pushed stock prices and market indexes to all time highs from 1997 to
10 2000.

11
12 Q. What has been the state of the economy since 2001?

13 A. The U.S. economy entered into a recession near the end of the first
14 quarter of 2001. The bullish trend, which had characterized the last half of
15 the 1990's, had already run its course sometime during the third quarter of
16 2000. Economic data released since the beginning of 2001 had already
17 been disappointing during the months preceding the September 11, 2001
18 terrorist attacks on the World Trade Center and the Pentagon. Slower
19 growth figures, rising layoffs in the high technology manufacturing sector,
20 and falling equity prices (due to lower earnings expectations) prompted
21 the Fed to begin cutting interest rates as it had done in the early 1990's.
22 The now infamous terrorist attacks on New York City and Washington
23 D.C. marked a defining point in this economic slump and prompted the

1 Federal Reserve to continue its rate cutting actions through December
2 2001. Prior to the 9/11 attacks, commentators, reporting in both the
3 mainstream financial press and various economic publications including
4 Value Line, believed that the Federal Reserve was cutting rates in the
5 hope of avoiding a recession.

6
7 Despite several intervals during 2002 and 2003 in which the Federal Open
8 Market Committee ("FOMC") decided not to change interest rates – moves
9 which indicated that the worst may be over and that the recession might
10 have bottomed out during the last quarter of 2001 – a lackluster economy
11 persisted. The continuing economic malaise and even fears of possible
12 deflation prompted the FOMC to make a thirteenth rate cut on June 25,
13 2003. The quarter point cut reduced the federal funds rate to 1.00
14 percent, the lowest level in forty-five years.

15
16 Even though some signs of economic strength, mainly attributed to
17 consumer spending, began to crop up during the latter part of 2002 and
18 into 2003, Chairman Greenspan appeared to be concerned with sharp
19 declines in capital spending in the business sector.

20
21 During the latter part of 2003, the FOMC went on record as saying that it
22 intended to leave interest rates low "for a considerable period." After its
23 two-day meeting that ended on January 28, 2004, the FOMC announced

1 "that with inflation 'quite low' and plenty of excess capacity in the
2 economy, policy-makers 'can be patient in removing its policy
3 accommodation.'¹¹

4
5 Q. What actions has the Federal Reserve taken in terms of interest rates
6 since the beginning of 2001?

7 A. As noted earlier, from January 2001 to June 2003 the Federal Reserve cut
8 interest rates a total of thirteen times. During this period, the federal funds
9 rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend
10 on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25
11 percent. From June 29, 2004 to January 31, 2006, the FOMC raised the
12 federal funds rate thirteen more times to a level of 4.50 percent.

13 The FOMC's January 31, 2006 meeting marked the final appearance of
14 Alan Greenspan, who had presided over the rate setting body for a total of
15 eighteen years. On that same day, Greenspan's successor, Ben
16 Bernanke, the former chairman of the President's Council of Economic
17 Advisers and a former Fed governor under Greenspan from 2002 to 2005,
18 was confirmed by the U.S. Senate to be the new Federal Reserve chief.

19 As expected by Fed watchers, Chairman Bernanke picked up where his
20 predecessor left off and increased the federal funds rate by 25 basis
21 points during each of the next three FOMC meetings for a total of
22 seventeen consecutive rate increases since June 2004, and raising the

¹¹ Wolk, Martin, "Fed holds interest rates steady," MSNBC, January 28, 2004.

1 federal funds rate to a level of 5.25 percent. The Fed's rate increase
2 campaign finally came to a halt at the FOMC meeting held on August 8,
3 2006, when the FOMC decided not to raise rates.

4
5 Q. What was the reaction in the financial community to the Fed's decision not
6 to raise interest rates?

7 A. As in the past, banks followed the Fed's lead once again and held the
8 prime rate to a level of 8.25 percent, or 300 basis points higher than the
9 federal funds rate of 5.25 percent established on June 29, 2006.

10

11 Q. How did analysts view the Fed's actions between January 2001 and
12 August 2006?

13 A. According to an article that appeared in the December 2, 2004 edition of
14 The Wall Street Journal, the FOMC's decision to begin raising rates two
15 years ago was viewed as a move to increase rates from emergency lows
16 in order to avoid creating an inflation problem in the future as opposed to
17 slowing down the strengthening economy.¹² In other words, the Fed was
18 trying to head off inflation *before* it became a problem. During the period
19 following the August 8, 2006 FOMC meeting, the Fed's decisions not to

¹² McKinnon, John D. and Greg IP, "Fed Raises Rates by a Quarter Point," The Wall Street Journal, September 22, 2004.

1 raise rates were viewed as a gamble that a slower U.S. economy would
2 help to cap growing inflationary pressures.¹³

3

4 Q. Was the Fed attempting to engineer another “soft landing”, as it did in the
5 mid-nineties, by holding interest rates steady?

6 A. Yes, however, as pointed out in an August 2006 article in The Wall Street
7 Journal by E.S. Browning, soft landings – like the one that the Fed
8 managed to pull off during the 1994-95 time frame, in which a recession or
9 a bear market were avoided – rarely happen¹⁴. Since it began increasing
10 the federal funds rate in June 2004, the Fed had assured investors that it
11 would increase rates at a “measured” pace. Many analysts and
12 economists interpreted this language to mean that former Chairman
13 Greenspan would be cautious in increasing interest rates too quickly in
14 order to avoid what is considered to be one of the Fed’s few blunders
15 during Greenspan’s tenure – a series of increases in 1994 that caught the
16 financial markets by surprise after a long period of low rates. The rapid
17 rise in rates contributed to the bankruptcy of Orange County, California
18 and the Mexican peso crisis¹⁵. According to Mr. Browning, at the time that
19 his article was published, the hope was that Chairman Bernanke would

¹³ Ip, Greg, “Fed Holds Interest Rates Steady As Slowdown Outweighs Inflation,” The Wall Street Journal Online Edition, August 8, 2006.

¹⁴ Browning, E.S, “Not Too Fast, Not Too Slow...,” The Wall Street Journal Online Edition, August 21, 2006.

¹⁵ Associated Press (AP), “Fed begins debating interest rates” USA Today, June 29, 2004.

1 succeed in slowing the economy “just enough to prevent serious inflation,
2 but not enough to choke off growth.” In other words, “a ‘Goldilocks
3 economy,’ in which growth is not too hot and not too cold.”

4

5 Q. Was the Fed’s attempt to engineer a soft landing successful during the
6 period that followed the August 8, 2006 FOMC meeting?

7 A. It would appear so. Articles published in the mainstream financial press
8 were generally upbeat on the economy during that period. An example of
9 this is an article written by Nell Henderson that appeared in the January
10 30, 2007 edition of The Washington Post. According to Ms. Henderson, “a
11 year into [Fed Chairman] Bernanke’s tenure, the [economic] picture has
12 turned considerably brighter. Inflation is falling; unemployment is low;
13 wages are rising; and the economy, despite continued problems in
14 housing, is growing at a brisk clip.”¹⁶

15

16 Q. What has been the state of the economy over the past two years?

17 A. Reports in the mainstream financial press during the majority of 2007
18 reflected the view that the U.S. economy was slowing as a result of a
19 worsening situation in the housing market and higher oil prices. The
20 overall outlook for the economy was one of only moderate growth at best.

¹⁶ Henderson, Nell, “Bullish on Bernanke” The Washington Post, January 30, 2007.

1 Also during this period the Fed's key measure of inflation began to exceed
2 the rate setting body's comfort level.

3
4 On August 7, 2007, the FOMC decided not to increase or decrease the
5 federal funds rate for the ninth straight time and left its target rate
6 unchanged at 5.25 percent.¹⁷ At the time of the Fed's decision, analysts
7 speculated that a rate cut over the next several months was unlikely given
8 the Fed's concern that inflation would fail to moderate. However, during
9 this same period, evidence of an even slower economy and a possible
10 recession was beginning to surface. Within days of the Fed's decision to
11 stand pat on rates, a borrowing crisis rooted in a deterioration of the
12 market for subprime mortgages and securities linked to them, forced the
13 Fed to inject \$24 billion in funds (raised through open market operations)
14 into the credit markets.¹⁸ By Friday, August 17, 2007, after a turbulent
15 week on Wall Street, the Fed made the decision to lower its discount rate
16 (i.e. the rate charged on direct loans to banks) by 50 basis points, from
17 6.25 percent to 5.75 percent, and took steps to encourage banks to
18 borrow from the Fed's discount window in order to provide liquidity to
19 lenders. According to an article that appeared in the August 18, 2007

¹⁷ Ip, Greg, "Markets Gyrate As Fed Straddles Inflation, Growth" The Wall Street Journal, August 8, 2007

¹⁸ Ip, Greg, "Fed Enters Market To Tamp Down Rate" The Wall Street Journal, August 9, 2007

1 edition of The Wall Street Journal,¹⁹ the Fed had used all of its tools to
2 restore normalcy to the financial markets. If the markets failed to settle
3 down, the Fed's only weapon left was to cut the Federal Funds rate –
4 possibly before the next FOMC meeting scheduled on September 18,
5 2007.

6
7 Q. Did the Fed cut rates as a result of the subprime mortgage borrowing
8 crises?

9 A. Yes. At its regularly scheduled meeting on September 18, 2007, the
10 FOMC surprised the investment community and cut both the federal funds
11 rate and the discount rate by 50 basis points (25 basis points more than
12 what was anticipated). This brought the federal funds rate down to a level
13 of 4.75 percent. The Fed's action was seen as an effort to curb the
14 aforementioned slowdown in the economy. Over the course of the next
15 four months, the FOMC reduced the Federal funds rate by a total 175
16 basis points to a level of 3.00 percent – mainly as a result of concerns that
17 the economy was slipping into a recession. This included a 75 basis point
18 reduction that occurred one week prior to the FOMC's meeting on January
19 29, 2008.

20

¹⁹ Ip, Greg, Robin Sidel and Randall Smith, "Fed Offers Banks Loans Amid Crises" The Wall Street Journal, August 9, 2007

1 Q. What actions has the Fed taken in regard to interest rates since the
2 beginning of 2008?

3 A. The Fed made two more rate cuts which included a 75 basis point
4 reduction in the federal funds rate on March 18, 2008 and an additional 25
5 basis point reduction on April 30, 2008. The Fed's decision to cut rates
6 was based on its belief that the slowing economy was a greater concern
7 than the current rate of inflation (which the majority of FOMC members
8 believed would moderate during the economic slowdown).²⁰ As a result of
9 the Fed's actions, the federal funds rate was reduced to a level of 2.00
10 percent. From April 30, 2008 through September 16, 2008, the Fed took
11 no further action on its key interest rate. However, the days before and
12 after the Fed's September 16, 2008 meeting saw longstanding Wall Street
13 firms such as Lehman Brothers, Merrill Lynch and AIG failing as a result of
14 their subprime holdings. By the end of the week, the Bush administration
15 had announced plans to deal with the deteriorating financial condition
16 which had now become a worldwide crisis. The administrations actions
17 included former Treasury Secretary Henry Paulson's request to Congress
18 for \$700 billion to buy distressed assets as part of a plan to halt what has
19 been described as the worst financial crisis since the 1930's²¹. Amidst this
20 turmoil, the Fed made the decision to cut the federal funds rate by another

²⁰ Ip, Greg, "Credit Worries Ease as Fed Cuts, Hints at More Relief" The Wall Street Journal, March 19, 2008

²¹ Soloman, Deborah, Michael R. Crittenden and Damian Paletta, "U.S. Bailout Plan Calms Markets, But Struggle Looms Over Details" The Wall Street Journal, September 20, 2008

1 50 basis points in a coordinated move with foreign central banks on
2 October 8, 2008. This was followed by another 50 basis point cut during
3 the regular FOMC meeting on October 29, 2008. At the time of this
4 writing, the federal funds target rate now stands at 0.25 percent, the result
5 of a 75 basis point cut announced on December 16, 2008. After FOMC
6 meetings in January, March April, June, August and September of 2009,
7 the Fed elected not to make any changes in the federal funds rate, stating
8 in January that the rate would remain low "for some time."²² Presently, the
9 Fed's discount rate is at 0.50 percent, a level not seen since the 1940s.²³
10 Based on data released during the early part of December 2008, the U.S.
11 has officially been in a recession since December of 2007.

12
13 Q. Putting this all into perspective, how have the Fed's actions since 2000
14 affected benchmark rates?

15 A. U.S. Treasury instruments are for the most part still at historically low
16 levels. As can be seen on the first page of Attachment D, the previously
17 mentioned federal discount rate (the rate charged to the Fed's member
18 banks), has fallen to 0.50 percent from 1.75 percent in 2008.

19
20

²² Hilsenrath, Jon and Liz Rappaport, "Fed Weighs Idea of Buying Treasurys as Focus Shifts" The Wall Street Journal, January 29, 2009

²³ Hilsenrath, Jon, "Fed Cuts Rates Near Zero to Battle Slump" The Wall Street Journal, December 17, 2008

1 Q. What has been the trend in other leading interest rates over the last year?

2 A. As of October 14, 2009, all of the leading interest rates, with the exception
3 of the 30-year constant maturity and 30-year Zero rates, have dropped
4 from levels that existed a year ago (Attachment D, Value Line Selection &
5 Opinion page 3253). The prime rate has fallen from 4.50 percent a year
6 ago to 3.25 percent. The benchmark federal funds rate, just discussed,
7 has decreased from 1.50 percent, in October 2008, to a level of 0.00 -
8 0.25 percent (as a result of the December 16, 2008 rate cut discussed
9 above). The yields on all of the non-inflation protected maturities of U.S.
10 Treasury instruments exhibited in my Attachment C have also decreased
11 over the past year. A previous trend, described by former Chairman
12 Greenspan as a "conundrum"²⁴, in which long-term rates fell as short-term
13 rates increased, thus creating a somewhat inverted yield curve that
14 existed as late as June 2007, is completely reversed and a more
15 traditional yield curve (one where yields increase as maturity dates
16 lengthen) presently exists (Attachment D). The 5-year Treasury yield,
17 used in my CAPM analysis, has fallen from 2.82 percent, in October 2008,
18 to 2.33 percent as of October 14, 2009. As noted above, the 30-Year
19 Treasury constant maturity rate increased from 4.19 percent over the past
20 year to 4.26 percent. These current yields are considerably lower than

²⁴ Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005

1 corresponding yields that existed during the early nineties and at the
2 beginning of the current decade (as can be seen on Schedule WAR-8).

3

4 Q. What is the current outlook for the economy?

5 A. Value Line's analysts have become increasingly optimistic in their outlook
6 on the economy as of late and had this to say in the October 23, 2009
7 edition of Value Line's Selection and Opinion publication:

8 **The economy remains a good news, bad news story.** Clearly, the
9 business outlook is improving. In fact, much of the data — covering a
10 range of consumer and industrial sectors — now affirm that the
11 recession ended in the second quarter and an upturn began over the
12 summer. What is less clear is the strength of that revival, as most
13 reports being issued are consistent only in being inconsistent.

14

15 Value Line's analysts went on to state

16 **Investors are smiling again,** after dramatic stock market gains this
17 year. Now, the challenge will be to extend that positive momentum. This
18 will not be an easy task given the ever-richer P/E ratios, which are now
19 present, following the market's steep rise.

20

21 Q. How are water utilities faring in the current economic environment?

22 A. Although there are some concerns regarding long-term infrastructure
23 requirements, water utilities still appear to a good investment according to
24 Value Line analyst Andre J. Costanza. In the October 23, 2009 quarterly
25 update on the water utility industry Mr. Costanza stated the following:

26

27 This industry is a good place for cautious investors looking to park
28 themselves until a sustained market recovery is evident. Water utility
29 stocks are historically more recession proof than the broader market,
30 with their steady dividend growth reducing turbulence in share price and
31 padding returns

1 Q. After weighing the economic information that you've just discussed, do you
2 believe that the 8.01 percent cost of equity capital that you have estimated
3 is reasonable for Global Utilities?

4 A. I believe that my recommended 8.01 percent cost of equity will provide
5 Global Utilities with a reasonable rate of return on the Company's invested
6 capital when economic data on interest rates (that are low by historical
7 standards), the current situation in new housing construction, and the
8 Fed's ability to keep inflation in check are all taken into consideration. As I
9 noted earlier, the Hope decision determined that a utility is entitled to earn
10 a rate of return that is commensurate with the returns it would make on
11 other investments with comparable risk. I believe that my cost of equity
12 analysis, which is an average of the results of both the DCF and CAPM
13 models, has produced such a return.

14

15 **CAPITAL STRUCTURE AND COST OF DEBT**

16 Q. Have you reviewed Global Utilities' testimony regarding the Company's
17 proposed capital structure?

18 A. Yes, I have.

19

20 Q. Please describe the Company's proposed capital structure.

21 A. The Company is proposing that the Commission adopt the individual
22 capital structures for each of the six operating systems included in Global

1 Utilities' filing. The projected capital structures for each of the operating
2 systems are as follows:

	<u>LT-Debt</u>	<u>Equity</u>
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

11 Q. How does the Company's capital structure compare with the capital
12 structures of the water and gas utilities that comprise your samples?

13 A. Both Palo Verde Utilities Company and Santa Cruz Water Company are
14 close to the average water and LDC capital structure, comprised of
15 approximately 47.8 percent long-term debt and 52.2 percent equity, that is
16 displayed on Schedule WAR-9 of my direct testimony. The remaining
17 operating systems are heavy in equity and are clearly out of line with the
18 average capital structure of the utilities included in my sample.

20 Q. In terms of risk, how does Global Utilities' capital structure compare to the
21 water utilities in your sample?

22 A. The water utilities in my sample would be perceived as having a lower
23 level of financial risk (i.e. the risk associated with debt repayment)
24 because of their higher levels of equity. The additional financial risk due

1 to debt leverage is embedded in the cost of equities derived for those
2 companies through the DCF analysis. Thus, the cost of equity derived in
3 my DCF analysis is applicable to companies that are more leveraged and,
4 theoretically speaking, riskier than a utility such as Global Utilities. In the
5 case of a publicly traded company, like those included in my proxy, a
6 company with Global Utilities' level of equity would be perceived as having
7 average to extremely low financial risk and would therefore also have a
8 lower expected return on common equity. Because of this, I believe a
9 capital structure that produces a lower weighted cost of common equity is
10 warranted for Global Utilities.

11
12 Q. What capital structure are you recommending for Global Utilities?

13 A. I am recommending a composite capital structure based on the combined
14 amounts of long-term debt and common equity of each of the six operating
15 systems. This produces a capital structure comprised of 37.89 percent
16 long-term debt and 62.11 percent common equity.

17
18 Q. Has the Commission addressed the issue of capital structures comprised
19 of high levels of common equity in prior cases?

20 A. Yes. This issue was addressed in a prior Gold Canyon Sewer Company
21 ("Gold Canyon") case in which the Commission adopted both a
22 hypothetical capital structure and a hypothetical cost of debt in order to
23 remedy a capital structure comprised of 100 percent common equity. In

1 Decision No. 70662, dated December 23, 2008, the Commission stated
2 the following:

3 We agree with RUCO's hypothetical structure of 40 percent debt and 60
4 percent equity. A capital structure comprised of 100 percent equity
5 would be viewed as having little to no financial risk. The proposed
6 capital structure adopted by the Commission will bring the Company's
7 capital structure and weighted cost of capital in line with the industry
8 average and it will result in lower rates for the customers of the system.
9 We therefore adopt a hypothetical capital structure of 40 percent debt
10 and 60 percent equity.
11

12 Q. What costs of long-term debt is Global Utilities proposing?

13 A. Global Utilities is proposing the following cost of long-term debt for each of
14 the six operating systems:

	<u>Cost of L-T Debt</u>
15 Palo Verde Utilities Company	6.34%
16 Santa Cruz Water Company	6.57%
17 Valencia Water Company, Town Division	6.73%
18 Valencia Water Company, Greater Buckeye Division	6.38%
19 Water Utility of Greater Tonopah, Inc.	6.30%
20 Willow Valley Water Company, Inc.	5.48%

21
22
23
24
25 Q. How did you arrive at your recommended cost of long-term debt?

26 A. As can be seen on Page 2 of Schedule WAR-1, I calculated a weighted
27 average of the Company-proposed costs exhibited above using the
28 projected dollar amounts of long-term debt for each of the six operating
29 systems. This resulted in my recommended 6.44 percent cost of long-
30 term debt.

1 Q. What is the weighted average cost of capital ("WACC") produced by your
2 recommended composite capital structure, cost of long-term debt and cost
3 of common equity?

4 A. The WACC produced by my recommended composite capital structure,
5 cost of long-term debt and cost of common equity is 7.41 percent.

6

7 Q. How does this compare with what the Company is recommending on an
8 individual operating system basis?

9 A. The weighted average costs of equity being proposed by the Company
10 are as follows:

	<u>WACC</u>
11	
12	8.34%
13	8.49%
14	9.56%
15	9.72%
16	9.94%
17	9.24%

18

19 Q. Why you believe that the Commission should adopt your recommended
20 7.41 percent WACC?

21 A. I believe that the approach that I have taken in this case provides the
22 Company with a rate of return that meets the standards established in the
23 Hope and Bluefield cases while also providing lower rates to Global
24 Utilities' customers. My recommended composite capital structure is more

1 favorable to the Company than the average capital structure of the water
2 utilities in my sample. Ratepayers also benefit from my recommended
3 weighted average cost of capital which is lower than what would have
4 been obtained from Company-recommended capital structures comprised
5 of higher levels of common equity. In short, I believe that my analysis has
6 produced a rate of return that is just and reasonable and should be
7 adopted by the Commission.

8
9 **COMMENTS ON GLOBAL UTILITIES'S COST OF EQUITY CAPITAL**

10 **TESTIMONY**

11 Q. How does your recommended cost of equity capital compare with the cost
12 of equity capital proposed by the Company?

13 A. The Company's cost of capital witness, Mr. Rowell, is recommending a
14 cost of common equity of 10.00 percent. His 10.00 percent cost of equity
15 capital is 199 basis points higher than the 8.01 percent cost of equity
16 capital that I am recommending.

17
18 Q. What methods did Mr. Rowell use to arrive at his recommended cost of
19 common equity for Global Utilities?

20 A. As I noted earlier in my direct testimony, Mr. Rowell did not conduct a cost
21 of equity analysis to support his recommended cost of equity of 10.00
22 percent. His recommendation is based on cost of equity awards that have
23 been adopted by the Commission in past rate cases.

1 Q. Do you believe that a 10.00 percent cost of common equity is reasonable
2 given the current economic climate?

3 A. No. Based on the analysis that I have just presented, I believe that the
4 cost of common equity that I am recommending is more reflective of the
5 current economic environment.

6

7 Q. Does your silence on any of the issues, matters or findings addressed in
8 the testimony of Mr. Rowell or any other witness for Global Utilities
9 constitute your acceptance of their positions on such issues, matters or
10 findings?

11 A. No, it does not.

12

13 Q. Does this conclude your testimony on Global Utilities?

14 A. Yes, it does.

Qualifications of William A. Rigsby, CRRA

EDUCATION:

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

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

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

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

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

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

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

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

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Tax Examiner Technician I / Revenue Auditor II
Arizona Department of Revenue
Transaction Privilege / Corporate Income Tax Audit Units
Phoenix, Arizona
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

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

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

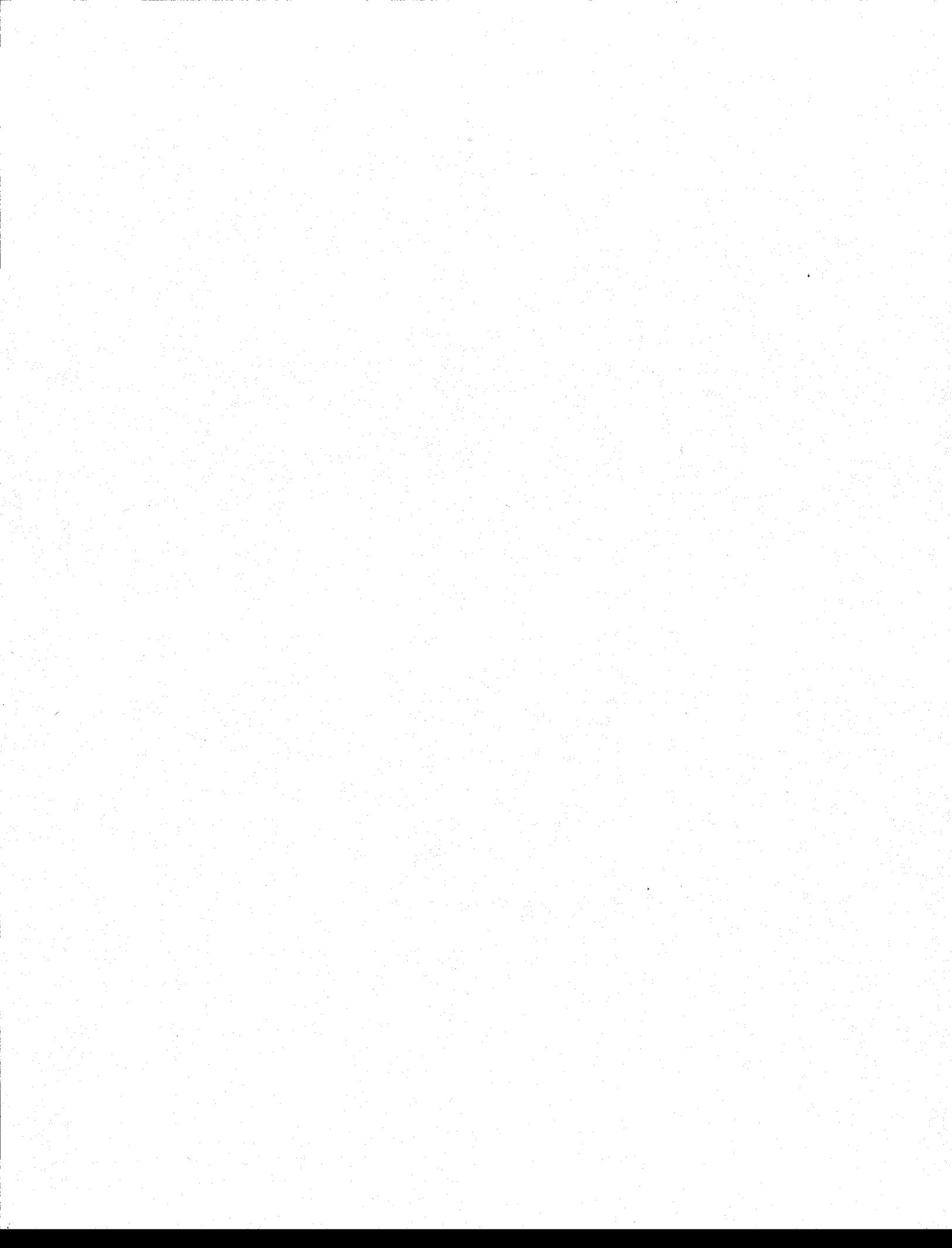
<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life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

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-06-0014	Rate Increase
Arizona-American Water Company	W-01303A-05-0718	Transaction Approval
Arizona-American Water Company	W-01303A-05-0405	ACRM Filing
UNS Gas, Inc.	G-04204A-06-0463	Rate Increase
Arizona-American Water Company	W-01303A-07-0209	Rate Increase
Tucson Electric Power	E-01933A-07-0402	Rate Increase
Southwest Gas Corporation	G-01551A-07-0504	Rate Increase
Chaparral City Water Company	W-02113A-07-0551	Rate Increase
Arizona-American Water Company	W-01303A-08-0227 et al.	Rate Increase
Far West Water & Sewer Company	WS-03478A-08-0608	Interim Rate Increase
Johnson Utilities, LLC	WS-02987A-08-0180	Rate Increase
UNS Gas, Inc.	G-04204A-08-0571	Rate Increase
Arizona Water Company	W-01445A-08-0440	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Black Mountain Sewer Corporation	SW-02361A-08-0609	Rate Increase



ATTACHMENT A

There has not been much change in the Water Utility Industry since our last review in July. Providers continued to reap the benefits of an increasingly favorable regulatory backing, with most in the group posting solid top- and bottom-line growth in the second quarter (September results were not out as of the date this issue was published).

However, the industry has fallen well into the bottom half of our *Survey* for Timeliness, as share-price gains paled in comparison to those enjoyed by the seemingly revitalized broader market. We suspect that water utility stocks will continue to lose some of their shine in the months ahead for similar reasons, as hopes of economic stability prompt many to look outside this relative safe-haven in hopes of securing wider gains. Making matter worse, earnings growth is likely to slow in the second half of the year and remain weak thereafter, due to tougher comparisons and burgeoning operating costs.

Longer-term growth prospects are not much better either. Despite the brighter regulatory landscape, infrastructure costs are expected to continue ramping up due to aging water systems, geographic expansion, and increasingly stringent EPA regulations. These, along with the subsequent financing expenses, will offset most of the aforementioned help, and thus limit appreciation potential going forward. As a result, most of the stocks in this segment offer minimal 3-to 5-year appeal.

Bright Demand Picture

These utilities have the ultimate job security. Water is a necessity, a fact that cannot be changed no matter what. Recognizing that a community's well being is closely tied to a providers health, many state regulatory bodies that were once antagonists, have changed their tune and taken on a more business approach. These authorities, which were put in place to help maintain a balance of power between customers and providers and to ensure fair business practices, are now handing down more favorable rulings. Responsible for reviewing and ruling on general rate requests made by utilities to help recover costs, they hold tremendous power and can potentially make or break a company. The recent about face in demeanor creates a far more favorable climate

INDUSTRY TIMELINESS: 72 (of 98)

and augurs well for providers.

Alarming Costs

That said, the water utility industry has some issues to contend with. Infrastructures are getting older and becoming inadequate in many cases. Some will require heavy investment in order to make the necessary repairs, while EPA standards get tougher due to the potential threat of bioterrorism. In all, infrastructure costs are estimated to amount to hundreds of millions of dollars over the next decade. Unfortunately, most operating in this space are laden with debt and strapped for cash. They will be forced to seek outside financing in order to meet the growing capital outlays, with the higher interest rate costs and greater share counts thwarting shareholder returns. Note, however, that, as a result of the industry's capital intensive nature, consolidation is white hot. Those with the flexibility to meet its commitments have ample opportunity to make deals and grow their customer base.

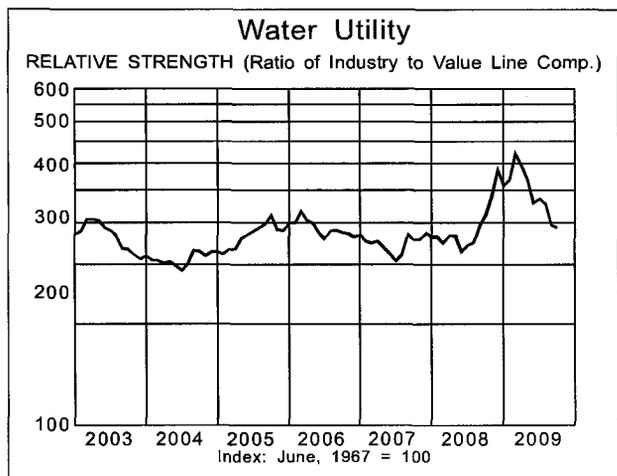
Conclusion

This industry is a good place for cautious investors looking to park themselves until a sustained market recovery is evident. Water utility stocks are historically more recession proof than the broader market, with their steady dividend growth reducing turbulence in share price and padding returns. However, those with a penchant for growth will probably want to take a pass, opting for an area with more upside. There are a couple of issues here that stand out for 3- to 5-year appreciation potential, namely *Aqua America* and *Southwest Water Company*, but the latter's Below Average (4) Safety rank and poor Financial Strength rating may evoke some apprehension. Meanwhile, *Aqua's* dependence on an aggressive acquisition tendency to drive gains may well need to be tempered if finances continue to deteriorate. *American Water Works* is another interesting option, but its short trading history and lack of performance indicators should scare off most. As always, we advise potential investors to read the individual reports of each stock before making a financial commitment.

Andre J. Costanza

Composite Statistics: Water Utility Industry							
2005	2006	2007	2008	2009	2010		12-14
1256.9	3454.1	3702.5	3913.8	4180	4475	Revenues (\$mill)	5425
148.2	d5.8	d183.0	352.7	425	485	Net Profit (\$mill)	625
40.5%	NMF	NMF	37.0%	38.0%	39.0%	Income Tax Rate	40.0%
1.1%	NMF	NMF	6.5%	8.0%	10.0%	AFUDC % to Net Profit	15.0%
50.4%	54.0%	51.0%	52.6%	54.0%	52.5%	Long-Term Debt Ratio	50.0%
49.5%	45.9%	49.0%	47.4%	46.0%	47.5%	Common Equity Ratio	50.0%
3053.8	12113.9	12985.9	12629.1	13600	14125	Total Capital (\$mill)	16250
4200.7	13308.3	14315.2	15356.1	16180	16950	Net Plant (\$mill)	19375
6.3%	1.6%	.2%	4.3%	5.0%	5.0%	Return on Total Cap'l	6.0%
9.8%	NMF	NMF	5.9%	7.0%	7.0%	Return on Shr. Equity	7.5%
9.8%	NMF	NMF	5.9%	7.0%	7.0%	Return on Com Equity	7.5%
3.7%	NMF	NMF	2.9%	3.0%	3.5%	Retained to Com Eq	4.5%
62%	NMF	NMF	51%	65%	62%	All Div'ds to Net Prof	60%
29.4	NMF	NMF				Avg Ann'l P/E Ratio	22.0
1.57	NMF	NMF				Relative P/E Ratio	1.45
2.1%	2.0%	2.3%				Avg Ann'l Div'd Yield	2.5%

Bold figures are Value Line estimates



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AMER. STATES WATER NYSE-AWR

RECENT PRICE **36.04** P/E RATIO **18.8** (Trailing: 22.4 Median: 22.0) RELATIVE P/E RATIO **1.08** DIV'D YLD **2.8%** VALUE LINE

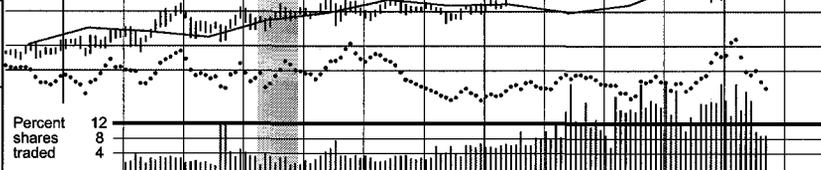
TIMELINESS 3 Lowered 6/5/09
SAFETY 3 New 2/4/00
TECHNICAL 3 Raised 10/23/09
BETA .80 (1.00 = Market)

High: 19.5 26.5 25.3 26.4 29.0 29.0 26.8 34.6 43.8 46.1 42.0 38.8
 Low: 14.1 14.8 16.7 19.0 20.3 21.6 20.8 24.3 30.3 33.6 27.0 29.8

Target Price Range
 2012 2013 2014
 128
 96
 80
 64
 48
 40
 32
 24
 16
 12

2012-14 PROJECTIONS
 Ann'l Total
 Price Gain Return
 High 60 (+65%) 16%
 Low 40 (+10%) 6%

LEGENDS
 — 1.25 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 3-for-2 split 6/02
 Options: No
 Shaded area: prior recession
 Latest recession began 12/07



Insider Decisions
 N D J F M A M J J
 to Buy 0 0 0 0 0 0 0 0 0
 Options 0 0 0 0 0 0 0 0 0
 to Sell 1 2 0 0 1 0 0 0 0

Institutional Decisions
 4Q2008 1Q2009 2Q2009
 to Buy 64 55 66
 to Sell 52 66 53
 Hld's(000) 8980 9283 10578

Percent shares traded
 12
 8
 4

% TOT. RETURN 9/09
 THIS STOCK VL ARITH INDEX
 1 yr. -3.3 12.6
 3 yr. 2.5 5.1
 5 yr. 67.2 36.4

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	18.90	19.75	Revenues per sh	21.75
1.67	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.80	3.95	"Cash Flow" per sh	4.60
1.11	.95	1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.90	2.05	Earnings per sh ^A	2.60
.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.02	1.08	Div'd Decl'd per sh ^B	1.25
1.90	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.00	4.25	Cap'l Spending per sh	5.00
9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	16.55	19.45	Book Value per sh	22.00
11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.50	18.75	Common Shs Outst'g ^C	20.00
13.4	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	20.0
.79	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.37			Relative P/E Ratio	1.35
5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.9%				Avg Ann'l Div'd Yield	2.5%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$317.8 mill. Due in 5 Yrs \$12.0 mill.
 LT Debt \$306.3 mill. LT Interest \$22.0 mill.
 (LT interest earned: 4.8x: total interest coverage: 4.4x) (46% of Cap'l)

Leases, Uncapitalized: Annual rentals \$2.9 mill.

Pension Assets-12/08 \$54.2 mill. Oblig. \$94.5 mill.

Pfd Stock None.

Common Stock 18,499,423 shs. as of 8/5/09
MARKET CAP: \$675 million (Small Cap)

CURRENT POSITION	2007	2008	6/30/09
Cash Assets	1.7	7.3	9.8
Other	43.7	66.9	87.6
Current Assets	63.7	90.6	97.4
Accts Payable	29.1	36.6	39.6
Debt Due	37.8	75.3	11.5
Other	27.4	25.5	37.8
Current Liab.	94.3	137.4	88.9
Fix. Chg. Cov.	314%	293%	440%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	4.5%	5.0%	4.0%
"Cash Flow"	5.5%	6.0%	6.5%
Earnings	3.5%	5.5%	9.5%
Dividends	1.5%	2.0%	4.5%
Book Value	4.5%	5.0%	4.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	64.3	63.0	75.0	66.3	268.6
2007	72.3	79.3	75.8	74.0	301.4
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	93.6	91.8	85.0	350
2010	83.0	99.0	98.0	90.0	370

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	.35	.36	.32	.30	1.33
2007	.40	.42	.44	.35	1.62
2008	.30	.53	.26	.43	1.55
2009	.28	.64	.56	.42	1.90
2010	.30	.65	.60	.50	2.05

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2005	.225	.225	.225	.225	.90
2006	.225	.225	.225	.235	.91
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has roughly 675 employees. Officers & directors own 2.5% of common stock (4/09 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Inc. CA. Addr.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tele.: 909-394-3600. Internet: www.aswater.com.

Recent regulatory changes are fueling strength at American States Water. The water utility provider posted earnings of \$0.64 a share in the second quarter, 21% better than last year, as a more business friendly approach by the California Public Utilities Commission helped sales improve 17%, to \$94 million, despite a decrease in water consumption. Specifically, the adoption of a water rate adjustment mechanism and a modified cost balancing account were \$2.2 million accretive to the top line and boosted share earnings by \$0.07. We suspect that third-quarter results were probably even more impressive, with the bottom line nearly doubling from last year's weak tally. As a result, we've raised our full-year earnings estimate by 12% to \$1.90.

We think there could be some hurdles ahead, however. Comparisons get much tougher beginning with the December quarter and are likely to remain so henceforth. Meanwhile, operating costs appear to be on the rise, with infrastructure and maintenance expenses continuing to mount due to aging water systems. Thus, we look for growth to slow considerably in

the fourth quarter and 2010. **Finances remain a major concern.** Although management paid down roughly \$45 million in debt in the June quarter, it was forced to issue shares to do so. Further debt reduction is highly unlikely going forward, with ongoing financing likely to be used to meet capital requirements. In fact, we look for AWR to tap debt and equity markets in the future in order to comply with increasingly stringent EPA regulations and improve infrastructures. The increased interest rate expense and greater share count that will accompany such maneuverings are likely to dilute future gains, though.

Growth-minded investors can find better options. AWR does not stand out for Timeliness or 3- to 5-year appreciation potential, as infrastructure costs mire future growth rates. Although income-minded investors may be hesitant to jump aboard, given that there has yet to be an announcement about a dividend increase, we are not concerned and suspect that a raise is on the horizon, thus maintaining the history of annual dividend growth.

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢). Next earnings report due early Nov. May not add due to rounding.
 (B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
 (C) In millions, adjusted for split.

Company's Financial Strength B++
 Stock's Price Stability 80
 Price Growth Persistence 70
 Earnings Predictability 70

Andre J. Costanza October 23, 2009
 To subscribe call 1-800-833-0046.

AQUA AMERICA NYSE-WTR

RECENT PRICE **16.65** P/E RATIO **20.1** (Trailing: 22.2 Median: 25.0) RELATIVE P/E RATIO **1.16** DIV'D YLD **3.5%** VALUE LINE

TIMELINESS 3 Lowered 6/26/09
SAFETY 3 Lowered 8/1/03
TECHNICAL 4 Raised 10/16/09
BETA .65 (1.00 = Market)

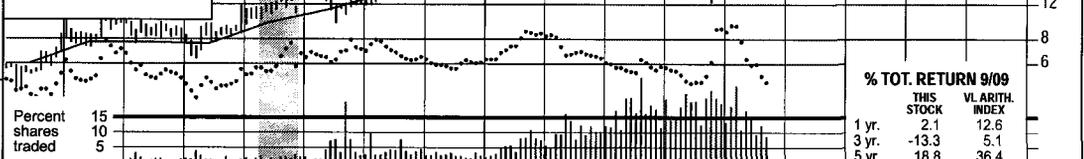
High: 11.5 11.5 12.0 14.8 15.0 16.8 18.5 29.2 29.8 26.6 22.0 21.5
 Low: 7.2 7.6 6.3 9.4 9.6 11.8 14.2 17.5 20.1 18.9 12.2 16.1

LEGENDS
 1.60 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 4-for-3 split 1/98
 5-for-4 split 12/00
 5-for-4 split 12/01
 5-for-4 split 12/03
 4-for-3 split 12/05

2012-14 PROJECTIONS
 Price Gain Ann'l Total
 High 40 (+140%) 26%
 Low 25 (+50%) 13%

Insider Decisions
 N D J F M A M J J
 to Buy 0 0 0 0 0 0 0 0
 Options 0 1 0 1 0 0 0 0
 to Sell 0 1 0 0 0 0 0 0

Institutional Decisions
 4Q2008 1Q2009 2Q2009
 to Buy 131 130 117
 to Sell 131 134 136
 Hld's(000) 60996 63551 61341



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC. 12-14	
1.70	1.82	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	5.00	5.30	Revenues per sh	6.50
.42	.42	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.55	1.65	"Cash Flow" per sh	2.10
.24	.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.82	.90	Earnings per sh ^A	1.25
.21	.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.54	.56	Div'd Decl'd per sh ^B	.65
.47	.46	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.10	2.20	Cap'l Spending per sh	2.75
2.29	2.41	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.05	8.35	Book Value per sh	10.60
59.40	59.77	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.00	136.50	Common Shs Outst'g ^C	138.00
14.4	13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	24.9	24.9	Avg Ann'l P/E Ratio	25.0
.85	.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.50	1.50	Relative P/E Ratio	1.65
5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	2.8%	2.8%	Avg Ann'l Div'd Yield	2.0%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$1255.4 mill. Due in 5 Yrs \$245.0 mill.
 LT Debt \$1227.7 mill. LT Interest \$65.0 mill.
 (LT interest earned: 3.4x; total interest coverage: 3.4x)

Pension Assets-12/08 \$112.2 mill.
 Oblig. \$204.7 mill.

Pfd Stock None
 Common Stock 135,917,740 shares as of 7/21/09

MARKET CAP: \$2.3 billion (Mid Cap)

CURRENT POSITION (\$MILL.)	2007	2008	6/30/09
Cash Assets	14.5	14.9	13.8
Receivables	82.9	84.5	84.9
Inventory (AvgCst)	8.8	9.8	9.7
Other	9.3	11.8	14.1
Current Assets	115.5	121.0	122.5
Accts Payable	45.8	50.0	29.5
Debt Due	80.8	87.9	27.7
Other	56.6	55.3	148.6
Current Liab.	183.2	193.2	205.8
Fix. Chg. Cov.	323%	329%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	8.0%	9.0%	6.5%
"Cash Flow"	9.5%	8.0%	7.5%
Earnings	7.5%	5.5%	10.0%
Dividends	7.0%	8.0%	5.5%
Book Value	9.5%	10.0%	6.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	117.9	131.7	147.0	136.9	533.5
2007	137.3	150.6	165.5	149.1	602.5
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167.3	185	173.2	680
2010	165	185	195	185	730

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	.13	.17	.21	.19	.70
2007	.13	.17	.22	.19	.71
2008	.11	.17	.26	.19	.73
2009	.14	.19	.28	.21	.82
2010	.15	.22	.30	.23	.90

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2005	.098	.098	.098	.107	.40
2006	.107	.107	.115	.115	.44
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135		

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/09; and

Aqua America completed the second quarter on a good note. Despite unfavorable weather conditions and the slow-down in the home building market, the company registered revenue and earnings growth of nearly 11%. Also, a number of rate increases were approved by the courts, and the year-to-date approval of \$27.2 million in upward rate adjustments should help bolster the top and bottom lines over the next few quarters.

The company is likely to build on this momentum in 2010. Indeed, several rate-relief cases should be decided in the latter half of this year, and the more than \$9 million request this year would be accretive to revenues and earnings going into 2010, provided the cases are ruled in Aqua's favor. Additional rate increase petitions for upwards of \$50 million will also be filed during the next few months, notably in Pennsylvania and New Jersey. **Aqua America will likely remain active on the acquisition front.** One of the company's current growth strategies involves purchasing available utilities and making infrastructure improvements in order to procure rate relief judgments.

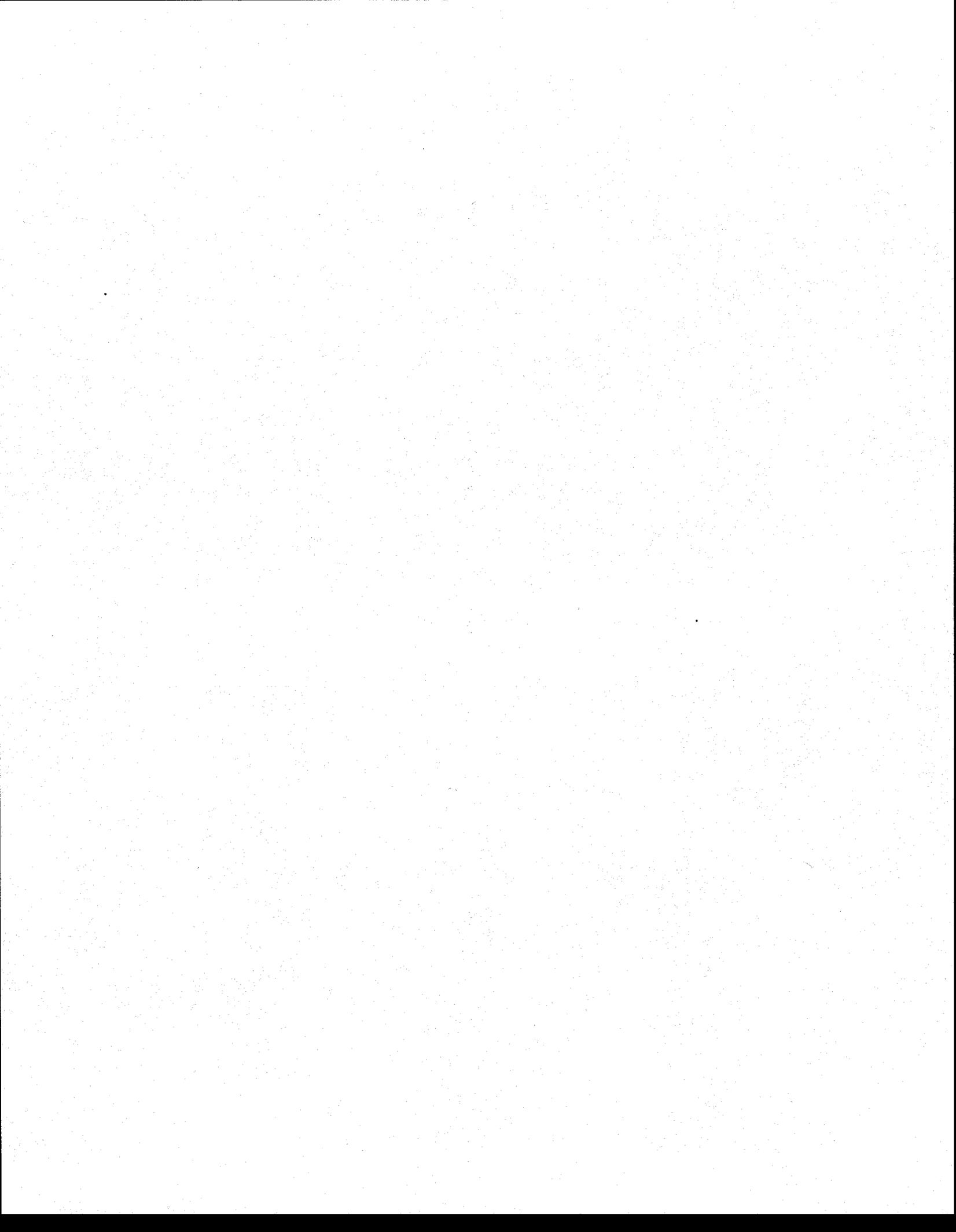
others. Water supply revenues '08: residential, 60%; commercial, 14%; industrial & other, 26%. Officers and directors own 1.3% of the common stock (4/09 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

This should benefit WTR's cost structure, as well as expand its customer base. **A focus will also remain on procuring favorable rate increase judgments over the next few years.** As a portion of capital spending (currently planned to run up to about \$315 million per annum), approximately 10% is earmarked for "compliance spending", which is used for adjustments mandated by regulating agencies. The remaining 90% will likely be used to make improvements to current facilities in order to petition for more rate increases.

The board of directors approved a dividend increase. During its annual strategy session, a 7.4% rise was instituted, and will bring the year-ahead dividend up to \$0.58 a share. **This neutrally ranked stock may appeal to conservative investors.** The probable steady dividend growth and the worthwhile appreciation potential over the 2012-2014 horizon support the appeal of these shares. Also of note are the high marks for Stock Price Stability and Earnings Predictability.

John D. Burke October 23, 2009

(A) Diluted shares. Excl. nonrec. gains (losses): '99, 11%; '00, 2%; '01, 2%; '02, 5%; '03, 4%. Excl. gain from disc. operations: '96, 2%. Next earnings report due early November.	(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).	(C) In millions, adjusted for stock splits.	Company's Financial Strength B+
			Stock's Price Stability 95
			Price Growth Persistence 90
			Earnings Predictability 100



ATTACHMENT B

The Natural Gas Utility Industry has lost some ground since our June review. This group now ranks in the middle of our industry spectrum for Timeliness. The economy has shown signs of life in recent months, which has led most investors to look to more-risky plays as opposed to stable picks like natural gas utilities. However, investors should note that these equities typically offer attractive dividend yields that are backed by steady cash flows.

Economic Environment

No doubt, this sector has been pressured by the dour economic climate. The weakness in the housing market has particularly weighed on results for natural gas utilities. Usage has moderated as customers have curbed their consumption in an effort to rein in expenses. What's more, customer growth has been a concern in recent months. These businesses have also been having a tougher time collecting bills of late, which can also hurt results. Therefore, we suggest interested investors watch these trends in the months ahead as they will probably influence this group's performance.

Regulation

Rate cases are a key theme for companies in this sector. These businesses are regulated by state commissions that determine the return on equity these utilities can achieve. As a result, the performance of these equities remains tied to the current rates these companies have in place. Numerous utilities, at any given time, often have cases pending where they seek better rates from these commissions. Positive or negative news regarding a rate case can have a notable impact on a stock's performance in this industry. Notably, the falling natural gas prices in recent months has helped companies seeking rate relief. Indeed, lower prices favor customers, which makes a new rate for these utilities more palatable. Still, regulatory bodies try to strike a balance between customer and shareholder interests when evaluating a rate case. Interested investors should keep a close eye on stocks that have cases pending when reading the following pages.

Business Strategy

Weather is another element to consider when evalu-

INDUSTRY TIMELINESS: 46 (of 98)

ating this industry's performance. Warmer or colder-than-expected weather can lead to volatile results. Thus, most of these utilities use weather-adjusted rate mechanisms to hedge against this risk. As such, we suggest conservative investors look for stocks that utilize this strategy. Many companies have also been increasingly investing in nonregulated businesses. These ventures are free from the regulatory bodies, and as a result, come with greater risk and reward tradeoff. On point, the utilities with nonregulated operations have generally been feeling the effects of the lower energy prices more so than these competitors without such operations. Also, of note, these nonregulated businesses provide another avenue for these utilities to diversify their income. All told, we expect these ventures to continue to be an important opportunity for this sector over the long term. Another strategy in this industry is conservation. Some governments have been offering these utilities incentives to participate in energy conservation programs. This approach allows these companies to adjust to market conditions without sacrificing profitability.

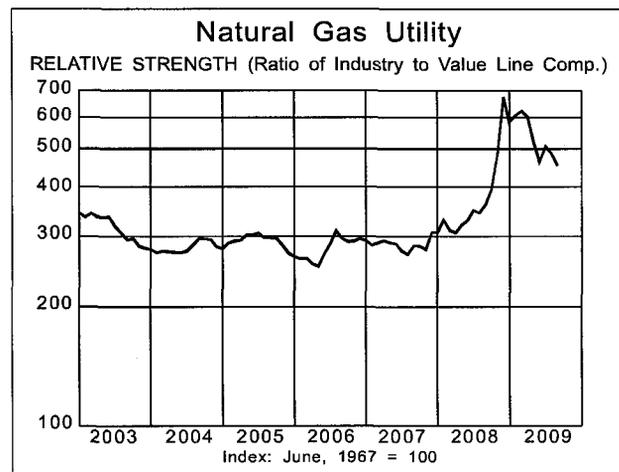
Conclusion

As a group, natural gas utilities will likely remain under pressure in the months ahead due to unfavorable gas prices. As a result, this industry is ranked near the midpoint of our Timeliness spectrum. Still, risk-averse investors may want to consider this group if the economic recovery stalls. Natural gas utilities tend to be a solid defensive play when the stock market is faltering. However, this sector's long-term prospects are uninspiring. Therefore, we recommend patient investors look elsewhere.

All told, investors should study these reports carefully and limit their investments to equities that appear well positioned to weather the difficult operating environment. Additionally, these utilities offer dividend yields that are above the *Value Line* median. Therefore, income-oriented accounts may find stocks with yields that are above the industry average (4.3%) of interest.

Richard Gallagher

Composite Statistics: Natural Gas Utility									
2005	2006	2007	2008	2009	2010			12-14	
36075	38273	38528	44207	45500	47000	Revenues (\$mill)		52750	
1386.0	1553.3	1562.4	1694.2	1775	1850	Net Profit (\$mill)		2150	
36.0%	35.3%	33.9%	35.7%	36.0%	36.0%	Income Tax Rate		36.0%	
3.8%	4.0%	4.1%	3.8%	3.9%	3.9%	Net Profit Margin		4.1%	
51.3%	51.2%	50.4%	50.6%	51.0%	51.0%	Long-Term Debt Ratio		52.0%	
48.4%	48.7%	49.5%	49.4%	48.0%	48.0%	Common Equity Ratio		46.0%	
29218	30847	32263	32729	33250	34750	Total Capital (\$mill)		40000	
30894	32543	33936	35342	36750	38500	Net Plant (\$mill)		46250	
6.5%	6.6%	6.5%	6.8%	6.5%	6.5%	Return on Total Cap'l		7.0%	
9.7%	10.2%	9.8%	10.5%	10.0%	10.5%	Return on Shr. Equity		11.0%	
9.8%	10.2%	9.8%	10.5%	10.0%	10.5%	Return on Com Equity		11.0%	
3.5%	4.0%	3.7%	4.3%	4.0%	4.5%	Retained to Com Eq		5.0%	
65%	61%	62%	59%	60%	62%	All Div'ds to Net Prof		65%	
17.1	15.6	16.6	13.9	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio		13.0	
.91	.84	.88	.83			Relative P/E Ratio		.85	
3.8%	3.9%	3.7%	4.2%			Avg Ann'l Div'd Yield		4.6%	
315%	327%	336%	358%	375%	375%	Fixed Charge Coverage		400%	



AGL RESOURCES NYSE-AGL

RECENT PRICE **33.35**

P/E RATIO **13.1** (Trailing: 10.9 Median: 14.0)

RELATIVE P/E RATIO **0.81**

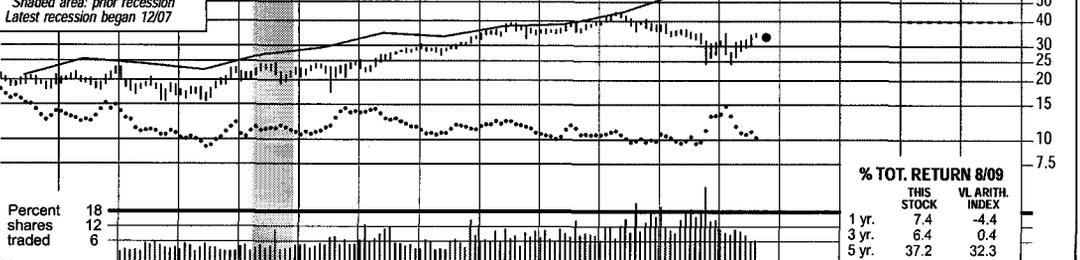
DIV'D YLD **5.2%**

VALUE LINE

TIMELINESS 3 Lowered 6/12/09
SAFETY 2 New 7/27/09
TECHNICAL 5 Lowered 9/11/09
BETA .75 (1.00 = Market)

High: 23.4 23.4 23.2 24.5 25.0 29.3 33.7 39.3 40.1 44.7 39.1 35.0
 Low: 17.7 15.6 15.5 19.0 17.3 21.9 26.5 32.0 34.4 35.2 24.0 24.0

LEGENDS
 --- 1.25 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 Options: Yes
 Shaded area: prior recession
 Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Return
High	55	(+65%)	17%
Low	40	(+20%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	1	0	2	0	0	0	0
to Sell	0	3	1	0	1	0	0	0	0

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	107	110	124
to Sell	111	107	96
Net's(000)	46113	45714	45662

Percent shares traded

	18	12	6
traded	18	12	6

% TOT. RETURN 8/09

	THIS STOCK	VL ARTH INDEX
1 yr.	7.4	-4.4
3 yr.	6.4	0.4
5 yr.	37.2	32.3

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC. 12-14
22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	32.20	34.50	Revenues per sh ^A	38.80
2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.70	4.95	"Cash Flow" per sh	5.40
1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.70	2.90	Earnings per sh ^{A,B}	3.30
1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.64	1.72	1.76	Div'ds Decl'd per sh ^C	1.88
2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	5.15	5.30	Cap'l Spending per sh	5.60
9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	23.10	23.40	Book Value per sh ^D	23.55
49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	78.00	79.00	Common Shs Outst'g ^E	85.00
17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	12.3	12.3	Avg Ann'l P/E Ratio	15.0
1.06	.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.74	.74	.74	Relative P/E Ratio	1.00
5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.0%	5.0%	Avg Ann'l Div'd Yield	3.8%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$2093.0 mill. Due in 5 Yrs \$962.0 mill.
 LT Debt \$1675.0 mill. LT Interest \$90.0 mill.
 (Total interest coverage: 3.9x)

Leases, Uncapitalized Annual rentals \$30.0 mill.
Pension Assets-12/08 \$242.0 mill.
Prd Stock None
Oblig. \$442.0 mill.

Common Stock 77,278,942 shs.
as of 7/24/09
MARKET CAP: \$2.6 billion (Mid Cap)

	2007	2008	6/30/09
Cash Assets	21.0	16.0	12.0
Other	1790.0	2026.0	1304.0
Current Assets	1811.0	2042.0	1316.0
Accts Payable	172.0	202.0	167.0
Debt Due	580.0	866.0	418.0
Other	893.0	915.0	696.0
Current Liab.	1645.0	1983.0	1281.0
Fix. Chg. Cov.	391%	416%	527%

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas and Virginia Natural Gas. The utilities have more than 2.2 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in non-regulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Franklin Resources owns 7.7% of common stock; off/dir. less than 1.0% (3/09 Proxy). Pres. & CEO: John W. Somerhalder II, Inc.; GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08	'09-'14
Revenues	4.0%	15.5%	2.0%	2.0%
"Cash Flow"	6.0%	6.5%	2.5%	2.5%
Earnings	7.0%	8.5%	3.5%	3.5%
Dividends	4.0%	8.0%	2.5%	2.5%
Book Value	7.0%	10.0%	7.5%	7.5%

We do not expect 2009 to be a banner year for AGL Resources. The company reported healthy results in the first quarter. However, performance was less favorable in the recent interim. The Wholesale services business posted an operating loss of \$11 million, while the Retail Energy Operations and Energy Investments units reported lower earnings. On the bright side, the Distribution Operations business posted moderate growth in operating earnings. This was primarily due to higher fees to marketers in Georgia for the storage of natural gas inventory and greater pipeline replacement revenues at Atlanta Gas Light. Overall, revenues and share earnings declined in the June period. Looking forward, comparisons will likely also prove unfavorable for the second half of the year. Thus, we anticipate lower revenues and relatively flat share earnings for full-year 2009.

Subsidiary Atlanta Gas Light has announced a system infrastructure investment project. This \$400 million program will be completed over a 10-year period. Infrastructure improvements include upgrading the utility's distribution system

and its liquefied natural gas facilities. This project will improve system reliability, increase operational flexibility, and allow Atlanta Gas Light to meet its forecasted growth objectives.

Elizabethtown Gas has modified its rate case filing. It had originally requested a \$25 million rate hike, but has since lowered this amount to \$17 million. The proposed increase would become effective at the beginning of 2010. Meanwhile, Atlanta Gas Light has requested to postpone a rate case filing, which had originally been scheduled for November 1st of this year. However, it does plan to file sometime after that (June 1, 2010 at the latest). Virginia Natural Gas and Chattanooga Gas also intend to file rate cases in 2010.

We anticipate higher revenues and share earnings at the company by 2012-2014, on better operating conditions. Moreover, AGL has a healthy dividend yield and earns high marks for Safety, Price Stability, and Earnings Predictability. From the present quotation, **this issue features decent risk-adjusted total return potential.**

Michael Napoli, CPA September 11, 2009

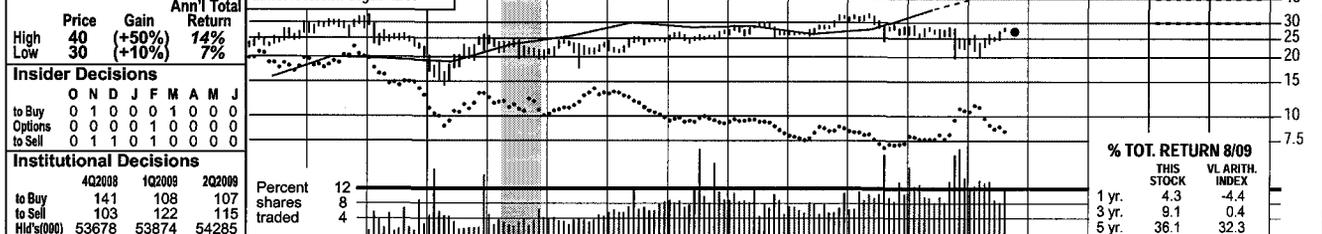
(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
 (B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, (\$0.83); '99, \$0.39; '00, \$0.13; '01, \$0.13; '03, (\$0.07); '08, \$0.13. Next earnings report due late October. (C) Dividends historically paid early March, June, Sept., and Dec. Div'd reinvest. plan available. (D) In-

cludes intangibles. In 2008: \$418 million, \$5.44/share.
 (E) In millions.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 75
Earnings Predictability 90

ATMOS ENERGY CORP. NYSE-ATO

TIMELINESS 3 Lowered 9/11/09	RECENT PRICE 27.06	P/E RATIO 12.1 (Trailing: 11.9; Median: 16.0)	RELATIVE P/E RATIO 0.75	DIV'D YLD 5.0%	VALUE LINE
SAFETY 2 Raised 12/16/05	High: 32.3 Low: 24.8	25.5 27.6 30.0 33.1 33.5 29.3 28.6 20.1			
TECHNICAL 4 Lowered 9/4/09	26.3 25.8 24.5 25.5 27.6 30.0 33.1 33.5 29.3 28.6 20.1				
BETA .65 (1.00 = Market)	24.8 19.6 14.3 19.5 17.6 20.8 23.4 25.0 25.5 23.9 19.7 20.1				



2012-14 PROJECTIONS	Price	Gain	Return	Ann'l Total	High	Low	Options	Insider Decisions	Institutional Decisions	Percent shares traded	% TOT. RETURN 8/09	THIS STOCK	VL ARITH INDEX
12/14	40	+50%	14%		40	30	to Buy 141, to Sell 103, Mid's(000) 53678	to Buy 141, to Sell 103, Mid's(000) 53678	12, 8, 4	1 yr. 4.3, 3 yr. 9.1, 5 yr. 36.1	4.3, 9.1, 36.1	-4.4, 0.4, 32.3	

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC. 12-14
22.09	26.61	35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.52	54.25	68.45	Revenues per sh ^A 86.35
2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.40	4.55	"Cash Flow" per sh 4.80
.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	2.10	2.20	Earnings per sh ^{A,B} 2.50
1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	Div'ds Decl'd per sh ^C 1.40
3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.50	5.75	Cap'l Spending per sh 6.60
12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	22.01	22.60	24.10	24.40	Book Value per sh 26.90
31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.50	93.50	Common Shs Outst'g ^D 110.00
33.0	18.9	15.6	15.2	13.4	15.9	16.1	13.5	15.9	13.6	Bold figures are Value Line estimates	4.8%	Avg Ann'l P/E Ratio 14.0
1.88	1.23	.80	.83	.76	.84	.86	.73	.84	.84	4.8%	4.8%	Relative P/E Ratio .95
4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.2%	4.8%	4.8%	Avg Ann'l Div'd Yield 4.0%
690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	5020	6400	Revenues (\$mill) ^A 9500
25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	195	205	Net Profit (\$mill) 275
35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	35.0%	37.0%	Income Tax Rate 40.5%
3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.9%	3.2%	Net Profit Margin 3.0%
50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	50.0%	50.5%	Long-Term Debt Ratio 49.0%
50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.0%	49.5%	Common Equity Ratio 51.0%
755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4430	4580	Total Capital (\$mill) 5800
965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4365	4575	Net Plant (\$mill) 5850
5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	6.0%	6.0%	Return on Total Cap'l 6.0%
6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	9.0%	9.0%	Return on Shr. Equity 9.5%
6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	9.0%	9.0%	Return on Com Equity 9.5%
NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	3.5%	3.5%	Retained to Com Eq 4.0%
NMF	112%	79%	82%	70%	77%	73%	63%	65%	65%	63%	61%	All Div's to Net Prof 56%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$2169.5 mill. Due in 5 Yrs \$1360.0 mill.
 LT Debt \$2169.4 mill. LT Interest \$115.0 mill.
 (LT interest earned: 2.9x; total interest coverage: 2.8x)
 Leases, Unallocated Annual rentals \$18.4 mill.
 Pfd Stock None
 Pension Assets-9/08 \$341.4 mill.
 Oblig. \$337.6 mill.
 Common Stock 92,272,478 shs. as of 7/31/09
 MARKET CAP: \$2.5 billion (Mid Cap)

CURRENT POSITION (\$MILL.)	2007	2008	6/30/09
Cash Assets	60.7	46.7	125.7
Other	1008.2	1238.4	670.3
Current Assets	1068.9	1285.1	796.0
Accts Payable	355.3	395.4	222.0
Debt Due	154.4	351.3	1.1
Other	410.0	460.4	422.2
Current Liab.	919.7	1207.1	644.3
Fix. Chg. Cov.	405%	450%	446%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	9.5%	14.5%	3.0%
"Cash Flow"	3.5%	5.5%	2.5%
Earnings	2.5%	5.0%	4.0%
Dividends	2.5%	1.5%	1.5%
Book Value	6.5%	7.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$mill.) ^A	Full Fiscal Year
	Dec.31 Mar.31 Jun.30 Sep.30	
2006	2283.8 2033.8 863.2 971.6	6152.4
2007	1602.6 2075.6 1218.2 1002.0	5898.4
2008	1657.5 2484.0 1639.1 1440.7	7221.3
2009	1716.3 1821.4 780.8 701.5	5020
2010	1465 2435 1345 1155	6400

Fiscal Year Ends	EARNINGS PER SHARE ^{A,B,E}	Full Fiscal Year
	Dec.31 Mar.31 Jun.30 Sep.30	
2006	.88 1.10 d.22 .25	2.00
2007	.97 1.20 d.15 d.05	1.94
2008	.82 1.24 d.07 .02	2.00
2009	.83 1.29 .02 d.04	2.10
2010	.90 1.35 d.04 d.01	2.20

Calendar	QUARTERLY DIVIDENDS PAID ^C	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2005	.31 .31 .31 .315	1.25
2006	.315 .315 .315 .32	1.27
2007	.32 .32 .32 .325	1.29
2008	.325 .325 .325 .33	1.31
2009	.33 .33 .33	

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3.2 million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2008 gas volumes: 293 MMcf. Breakdown: 56%, residential; 32%, commercial; 7%, industrial; and 5% other. 2008 depreciation rate 3.5%. Has around 4,560 employees. Officers and directors own approximately 1.9% of common stock (12/08 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Finances are in order. An acquisition caused a mid-decade rise in the debt ratio. But the company has whittled that figure back to normal, if at the cost of some dilution from stock issuances. A reduced level of uncollectible accounts, owing to lower gas prices, is another plus these days. **We believe that more steady, though unexciting, profit growth is in store for the company over the next 3 to 5 years.** The utility is one of the country's biggest natural gas-only distributors, currently serving customers across 12 states. What is more, the unregulated segments, especially pipelines, possess healthy overall prospects. Excluding future acquisitions, annual share-net gains may be in the mid-single-digit range over 2012-2014. **On a risk-adjusted basis, these good-quality shares offer decent total return potential.** The dividend yield is appealing, compared to others in the Value Line Natural Gas Utility universe. Future hikes in the payout, though likely to be gradual, as in previous years, should be well covered by earnings. Meanwhile, the stock is ranked 3 (Average) for Timeliness. *Frederick L. Harris, III September 11, 2009*

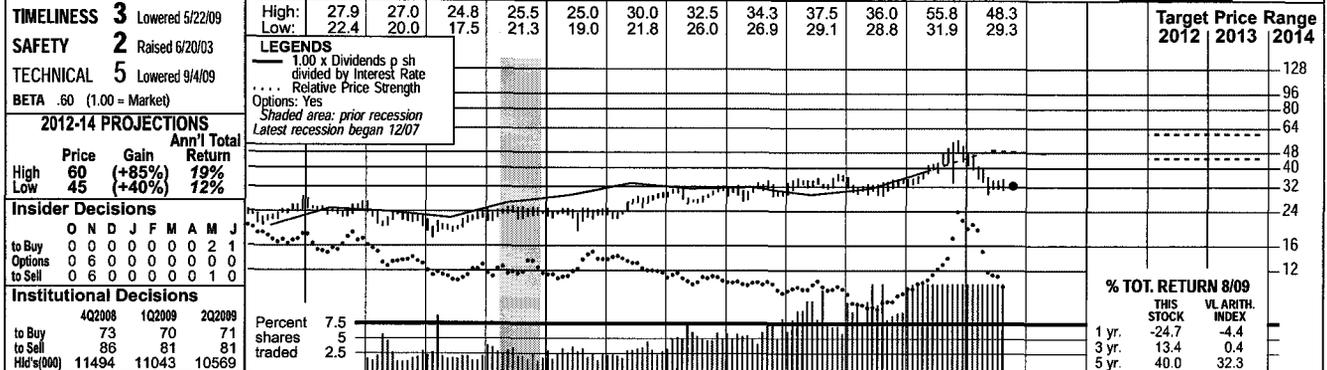
(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '99, d23; '00, 12; '03, d17; '06, d18; '07, d2; Q2 '09, 12. Next egs. rpt. due early Nov. (C) Dividends historically paid in early March, June, Sept., and Dec. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength
 Stock's Price Stability 100
 Price Growth Persistence 50
 Earnings Predictability 85

To subscribe call 1-800-833-0046.

LACLEDE GROUP NYSE-LG

RECENT PRICE **32.61** P/E RATIO **13.8** (Trailing: 10.9 Median: 15.0) RELATIVE P/E RATIO **0.86** DIV'D YLD **4.8%** VALUE LINE



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
32.33	33.43	24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	88.90	91.30	Revenues per sh	111.55
2.81	2.65	2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.90	4.50	"Cash Flow" per sh	5.40
1.61	1.42	1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.95	2.60	Earnings per sh ^A	3.00
1.22	1.22	1.24	1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.57	Div'ds Decl'd per sh ^C	1.70
2.62	2.50	2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.55	2.60	Cap'l Spending per sh	3.40
12.19	12.44	13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.65	23.55	Book Value per sh ^D	28.05
15.59	15.67	17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.50	23.00	Common Shs Outst'g ^E	26.00
13.5	16.4	15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	14.3	14.3	Avg Ann'l P/E Ratio	17.5
.80	1.08	1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.89	.89	.89	Relative P/E Ratio	1.15
5.6%	5.3%	6.3%	5.6%	5.4%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	3.9%	Avg Ann'l Div'd Yield	3.2%

CAPITAL STRUCTURE as of 6/30/09

Total Debt \$522.2 mill.	Due in 5 Yrs \$90.0 mill.	LT Debt \$389.2 mill.	LT Interest \$25.0 mill.
(Total interest coverage: 3.0x)			

Leases, Uncapitalized Annual rentals \$.9 mill.
Pension Assets-9/08 \$248.3 mill.
Oblig. \$308.7 mill.

Pfd Stock None
Common Stock 22,167,303 shs.
as of 7/31/09

MARKET CAP: \$725 million (Small Cap)

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '06-'08 to '12-'14

Revenues	11.5%	14.0%	2.5%
"Cash Flow"	2.0%	6.5%	5.5%
Earnings	3.5%	9.5%	3.5%
Dividends	1.0%	1.5%	2.5%
Book Value	3.5%	5.5%	5.5%

QUARTERLY REVENUES (\$mill.)^A

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	689.2	708.8	330.6	269.0	1997.6
2007	539.6	700.8	457.9	323.3	2021.6
2008	504.0	747.7	505.5	451.8	2209.0
2009	674.3	659.1	309.9	356.7	2000
2010	530	570	520	480	2100

EARNINGS PER SHARE^{A B F}

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	1.23	1.05	.13	d.04	2.37
2007	.89	.97	.43	.03	2.31
2008	.99	1.39	.41	d.14	2.64
2009	1.42	1.40	.31	d.18	2.95
2010	1.03	1.21	.38	d.02	2.60

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.34	.345	.345	.345	1.38
2006	.345	.355	.355	.355	1.41
2007	.365	.365	.365	.365	1.46
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385	.385	1.54

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 630,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2008: 1.08 mill. Revenue mix for regulated operations: residential, 62%; commercial and industrial, 24%; transportation, 1%; other, 13%. Has around 1,807 employees. Officers and directors own approximately 7.2% of common shares (1/09 proxy). Chairman, Chief Executive Officer, and President: Douglas H. Yeager. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

It appears that Laclede Group will generate record earnings in fiscal 2009, which ends on September 30th. The non-regulated gas marketing unit, Laclede Energy Resources, is enjoying a healthy rise in volumes. That has been brought about by significantly increased pipeline capacity and expanded margins on sales of natural gas (reflecting a drop in natural gas prices). Unfortunately, the utility, Laclede Gas, has not performed up to par of late, stemming partly from a rise in operational expenses. Furthermore, last year's results included certain previously unrecognized tax benefits (which amounted to about \$0.07 a share). Nevertheless, consolidated share net may well advance about 12%, to \$2.95 a share, in fiscal 2009.

But fiscal 2010 may be a down year, when measured against the strong profits we anticipate for this year. Moreover, the benefit of sharply lower natural gas prices may not be repeatable. The company's 3- to 5-year prospects look unspectacular. Annual customer growth for the natural gas distribution unit has been only around 1% for some

time, and it appears that trend will continue. This is because the service territory, based in eastern Missouri, is in a mature phase. Laclede Energy Resources has promising expansion possibilities, given its proximity to existing and planned pipelines, as well as opportunities from shale development. But that segment has contributed just a small portion to total profits on a historical basis. A major acquisition could help to offset this, but it appears that such plans are not on management's agenda at this juncture. Consequently, annual earnings-per-share growth could range only between 4% and 5% out to 2012-2014.

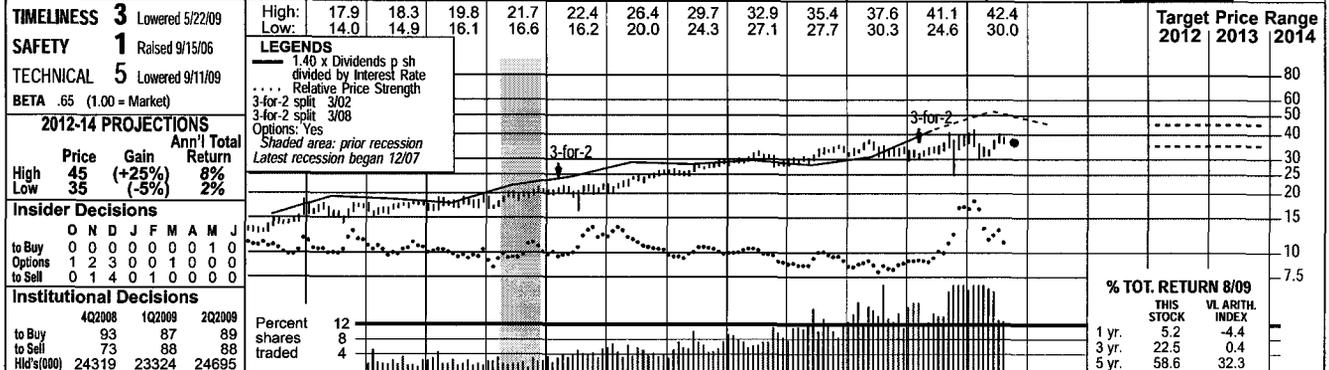
Income-oriented accounts may find the dividend yield modestly appealing. Further increases in the payout will probably be gradual, however. That is largely because of Laclede Gas' unexciting expansion prospects.

Total return potential over the 3- to 5-year horizon looks unexciting, based on the stock's current quotation and assuming minimal growth in the distribution.

Frederick L. Harris, III September 11, 2009

NEW JERSEY RES. NYSE-NJR

RECENT PRICE **36.60** P/E RATIO **14.2** (Trailing: 17.3 Median: 15.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **3.4%** VALUE LINE



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
12.02	12.81	11.36	13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	65.90	81.40	Revenues per sh ^A	85.00
1.42	1.54	1.42	1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.35	3.60	"Cash Flow" per sh	3.70
.76	.84	.86	.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.45	2.70	Earnings per sh ^B	2.80
.68	.68	.68	.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.28	Div'ds Decl'd per sh ^C	1.40
1.54	1.40	1.18	1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.75	1.75	Cap'l Spending per sh	1.80
6.54	6.43	6.47	6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	18.80	20.75	Book Value per sh ^D	27.45
37.84	38.93	40.03	40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	42.50	43.00	Common Shs Outst'g ^E	45.00
15.1	13.0	11.8	13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	11.5	11.5	Avg Ann'l P/E Ratio	14.0
.89	.85	.79	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.77	.77	.77	Relative P/E Ratio	.95
5.8%	6.2%	6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.3%	3.3%	Avg Ann'l Div'd Yield	3.6%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$512.3 mill. Due in 5 Yrs \$175.6 mill.
 LT Debt \$457.7 mill. LT Interest \$16.9 mill.
 Incl. \$8.8 mill. capitalized leases.
 (LT interest earned: 4.8x; total interest coverage: 4.8x)
 Pension Assets-9/08 \$80.6 mill. Oblig. \$102.4 mill.
 Prd Stock None
 Common Stock 42,014,773 shs. as of 8/4/09
 MARKET CAP: \$1.5 billion (Mid Cap)

CURRENT POSITION (\$MILL.)

	2007	2008	6/30/09
Cash Assets	5.1	42.6	77.0
Other	794.8	1067.1	636.5
Current Assets	799.9	1109.7	713.5
Accts Payable	64.4	61.7	49.2
Debt Due	260.8	238.3	54.6
Other	378.1	594.0	475.9
Current Liab.	703.3	894.0	579.7
Fix. Chg. Cov.	461%	450%	450%

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08
Revenues	17.5%	9.0%	1.0%
"Cash Flow"	6.0%	6.0%	4.0%
Earnings	7.5%	7.5%	5.5%
Dividends	4.0%	5.0%	5.5%
Book Value	8.5%	11.5%	9.5%

Fiscal Year Ends

QUARTERLY REVENUES (\$mill.) ^A	Full Fiscal Year				
Dec.31	Mar.31	Jun.30	Sep.30		
2006	1164	1064	536.1	535.5	3299.6
2007	737.4	1029	662.2	593.2	3021.8
2008	811.1	1178	1000	827.1	3816.2
2009	801.3	937.5	441.1	620.1	2800
2010	845	985	790	880	3500

Fiscal Year Ends

EARNINGS PER SHARE ^{A,B}	Full Fiscal Year				
Dec.31	Mar.31	Jun.30	Sep.30		
2006	.82	1.43	d.09	d.29	1.87
2007	.70	.19	.60	.06	1.55 ^F
2008	1.31	1.86	d.10	d.39	2.70
2009	.77	1.71	.03	d.06	2.45
2010	.85	1.75	d.05	.15	2.70

Cal-endar

QUARTERLY DIVIDENDS PAID ^{C,E}	Full Year				
Mar.31	Jun.30	Sep.30	Dec.31		
2005	.227	.227	.227	.227	.91
2006	.24	.24	.24	.24	.96
2007	.253	.253	.253	.253	1.01
2008	.267	.28	.28	.28	1.11
2009	.31	.31	.31	.31	1.24

New Jersey Resources' bottom line has been improving despite weaker top-line results. All of the company's operating segments registered lower volumes during the June period. The NJR Energy Services unit, which typically contributes the lion's share of revenues, was hit the hardest on both a dollar-value and percentage basis. Meantime, the Natural Gas Distribution and Retail segments also registered declines well into the double digits. The bulk of that downturn can be attributed to the lower commodity prices compared to last year, and conservation efforts, as consumers continue to real in spending. Still, the customer base continues to widen. The New Jersey Natural Gas division has added almost 4,200 new customer accounts thus far in 2009 and completed more than 450 natural gas heat conversions. All told, the company registered higher-than-expected earnings for the June interim. But, **We do look for September's share net to fall into negative territory.** The anticipated loss during the fiscal fourth quarter is related to the seasonal nature of the natural gas business. Nonetheless, eco-

and electric utility, 35% off-system and capacity release). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2008 dep. rate: 2.9%. Has 854 empis. Off.dir. own about 1.7% of common (12/09 Proxy). Chrmn., CEO, & Pres.: Laurence M. Downes. Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

conomic headwinds have prompted us to trim a nickel off our 2009 earnings estimate to \$2.45 a share. This would represent a decline of about 9%. However, we view this largely as a technicality, due to last year's difficult comparison and the fact that NJR continues to improve the fundamentals of its business through the expansion of its mid-stream assets and an ever-widening customer base. **Capital projects and infrastructure programs augur well for longer-term prospects.** The Steckman Ridge storage facility has begun accumulating natural gas inventories in preparation for the coming winter. That facility is expected to start making meaningful earnings contributions next year. And the other programs should provide needed jobs, while simultaneously boosting the safety and reliability of the distribution system. **These high-quality shares may appeal to income-oriented accounts.** They don't stand out for appreciation potential for the pull to 2012-2014, compared to most utilities. The main appeal here comes from solid dividend growth prospects.

Bryan J. Fong September 11, 2009

(A) Fiscal year ends Sept. 30th. (B) Diluted earnings. Qty eggs may not sum to total due to change in shares outstanding. Next earnings report due late Oct. (C) Dividends historically paid in early January, April, July, and October. (D) Dividend reinvestment plan available. (E) In millions, adjusted for splits. (F) Restated.

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Company's Financial Strength
 Stock's Price Stability 100
 Price Growth Persistence 65
 Earnings Predictability 45

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N.W. NAT'L GAS NYSE-NWN

RECENT PRICE **41.94** P/E RATIO **14.7** (Trailing: 15.5 Median: 16.0) RELATIVE P/E RATIO **0.91** DIV'D YLD **4.0%** VALUE LINE

TIMELINESS 3 Lowered 7/24/09
SAFETY 1 Raised 3/18/05
TECHNICAL 4 Lowered 9/4/09
BETA .60 (1.00 = Market)

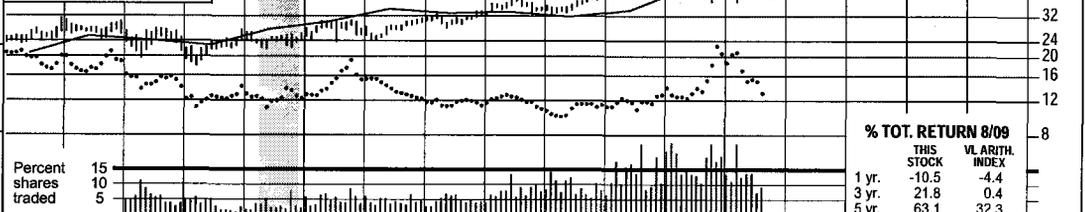
High: 30.8 27.9
 Low: 24.3 19.5

LEGENDS
 1.10 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 3-for-2 split 9/96
 Options: Yes
 Shaded area: prior recession
 Latest recession began 12/07

2012-14 PROJECTIONS
 Price Gain Ann'l Total
 High 70 (+65%) 16%
 Low 55 (+30%) 10%

Insider Decisions
 O N D J F M A M J
 to Buy 0 0 0 0 0 2 0 0 0
 Options 0 1 0 0 0 0 0 0 0
 to Sell 0 2 0 1 0 0 0 1 1

Institutional Decisions
 4Q2008 1Q2009 2Q2009
 to Buy 82 67 78
 to Sell 83 93 69
 Hld's(000) 14907 15126 15387



Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
18.15	18.30	16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	39.60	41.50	48.20
3.74	3.50	3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.60	5.85	6.75
1.74	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.85	2.85	3.45
1.17	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	2.00
3.61	4.23	3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	4.50	4.50	4.50
13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.90	26.10	30.50
19.77	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.50	26.50	28.00
12.9	13.0	12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	18.1	18.1	18.0
.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.11	1.11	1.11	1.20
5.2%	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.1%	3.3%	3.2%

Percent shares traded
 15
 10
 5

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
455.8	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1025	1125	1125	1125	1125	1125	1125	1125	1350
44.9	47.8	50.2	43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.5	75.5	75.5	75.5	75.5	75.5	75.5	75.5	96.5
35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%
9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.3%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	7.2%
46.0%	45.1%	43.0%	47.5%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47%	47%	47%	47%	47%	47%	47%	47%	47%
49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	53%	53%	53%	53%	53%	53%	53%	53%	53%
861.5	887.8	880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1180	1225	1225	1225	1225	1225	1225	1225	1400
895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1600	1600	1600	1600	1600	1600	1600	1600	1900
6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.9%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
74%	70%	67%	79%	72%	69%	63%	59%	52%	59%	56%	56%	56%	56%	56%	56%	56%	56%	56%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$677.6 mill. Due in 5 Yrs \$173.8 mill.
 LT Debt \$587.0 mill. LT Interest \$37.0 mill.

(Total interest coverage: 4.0x)

Pension Assets-12/08 \$163 mill.
 Oblig. \$281 mill.
 Pfd Stock None

Common Stock 26,513,188 shares as of 7/31/09
MARKET CAP \$1.1 billion (Mid Cap)

CURRENT POSITION (\$MILL.)	2007	2008	6/30/09
Cash Assets	6.1	6.9	31.1
Other	268.8	474.1	241.3
Current Assets	274.9	481.0	272.4
Accts Payable	119.7	94.4	50.1
Debt Due	148.1	248.0	30.6
Other	122.1	208.9	148.8
Current Liab.	389.9	551.3	289.5
Fx. Chg. Cov.	408%	393%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Past Est'd '06-'08 to '12-'14
Revenues	9.0%	9.0%	4.0%
"Cash Flow"	3.5%	6.5%	4.5%
Earnings	5.0%	8.0%	5.0%
Dividends	2.0%	3.0%	5.5%
Book Value	3.5%	3.5%	5.0%

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	390.4	171.0	114.9	336.9	1013.2
2007	394.1	183.2	124.2	331.7	1033.2
2008	387.7	191.3	109.7	349.2	1037.9
2009	437.4	149.4	100	338.2	1025
2010	420	215	125	365	1125

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.48	.07	d.35	1.15	2.35
2007	1.77	.10	d.22	1.11	2.76
2008	1.62	.08	d.38	1.25	2.57
2009	1.72	.12	d.31	1.32	2.85
2010	1.72	.11	d.33	1.35	2.85

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.325	.325	.325	.345	1.32
2006	.345	.345	.345	.355	1.39
2007	.355	.355	.355	.375	1.44
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395		

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 662,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system.

Northwest Natural's normal-looking first-half results contained some unusual elements. The company shares in either 20% or 10% of the difference between forecast natural gas costs and the actual outlays in Oregon. In this year's first half, very low gas prices led to an \$11 million profit from the cost-sharing mechanism, versus a \$6 million loss in the prior-year period. The profit, however, was partially offset by considerably higher operating and maintenance expenses, due partly to higher pension expense related to the decline in the stock market and bonuses due to the earnings gain. Meanwhile, the recession cost Northwest 3,000 customers in the June period, dropping its year-to-year customer increase to 0.8%.

Thus, we look for little earnings change through 2010. With natural gas prices likely to rise at least a bit next year, Northwest has opted to share in 10% of the difference between forecast and actual gas costs, likely reducing commodity cost effects. As gas prices are down, however, the company expects that residential rates will drop 15%-20% next year, raising the incentive to convert to gas heat. Moreover,

Owns local underground storage. Rev. breakdown: residential, 55%; commercial, 28%; industrial, gas transportation, and other, 17%. Employs 1,106. Barclays Global owns 6.6% of shares; officers and directors, 1.4% (4/09 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

the company plans to pare 50 to 100 jobs, adding to the 175 it eliminated in the last two years. **Northwest should benefit from a new union contract.** Under the new five-year agreement, union members (about 60% of the workforce) received a 2.3% raise but will get just 1% more per year for years two through five, plus up to 2% for inflation. The company gains extra flexibility, and new hires will not be eligible for the defined benefit pension plan.

New projects could significantly boost earnings by the end of our time horizon. Northwest owns 75% of the Gill Ranch, CA gas storage project and will invest about \$160 million in the project; it should contribute to the bottom line by 2011. The proposed Palomar pipeline would bring a second source of gas to the Portland area; its eastern section could come on line by 2013. NWN's investment would be around \$200 million, plus an equal sum if the western half is built. **These top-quality shares offer decent total-return potential, suitable for conservative accounts.**

(A) Diluted earnings per share. Excludes non-recurring items: '98, \$0.15; '00, \$0.11; '06, (\$0.06); '08, (\$0.03); 1Q '09, 6¢. Next earnings report due early November.

(B) Dividends historically paid in mid-February, May, August, and November.
 ■ Dividend reinvestment plan available.

(C) In millions, adjusted for stock split.

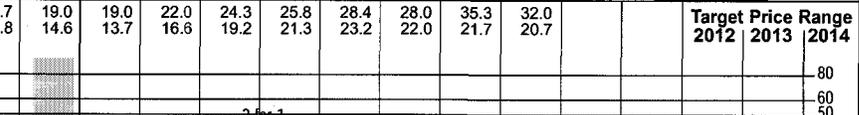
Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	90

PIEDMONT NAT'L GAS NYSE-PNY

RECENT PRICE **24.24** P/E RATIO **14.8** (Trailing: 15.6 Median: 18.0) RELATIVE P/E RATIO **0.92** DIV'D YLD **4.5%** VALUE LINE

TIMELINESS 3 Raised 6/15/07
SAFETY 2 New 7/27/90
TECHNICAL 4 Raised 7/17/09
BETA .65 (1.00 = Market)

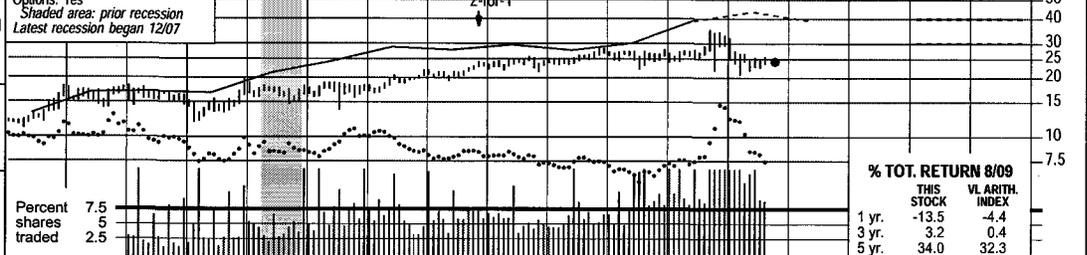
High: 18.1 18.3 19.7 19.0 19.0 22.0 24.3 25.8 28.4 28.0 35.3 32.0
 Low: 13.9 14.3 11.8 14.6 13.7 16.6 19.2 21.3 23.2 22.0 21.7 20.7



2012-14 PROJECTIONS
 Price Gain Return
 High 40 (+65%) 17%
 Low 30 (+25%) 10%

Insider Decisions
 to Buy 0 1 0 1 0 0 0 0 0 0
 Options 0 0 0 0 0 0 0 0 0 0
 to Sell 0 0 1 1 0 0 0 0 0 0

Institutional Decisions
 4Q2008 1Q2009 2Q2009
 to Buy 112 75 78
 to Sell 93 123 96
 Hld's(000) 33160 34611 33567



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
10.57	10.82	8.76	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	26.45	27.25	Revenues per sh ^A	30.00
1.14	1.13	1.25	1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	2.85	2.95	"Cash Flow" per sh	3.15
.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.27	1.40	1.49	1.60	1.70	Earnings per sh ^B	1.90
.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	Div'ds Decl'd per sh ^C	1.23
1.58	1.95	1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	2.40	2.10	Cap'l Spending per sh	2.25
5.45	5.68	6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.70	13.25	Book Value per sh ^D	15.05
52.30	53.15	57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.50	73.50	Common Shs Outst'g ^E	73.00
15.4	15.7	13.8	13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	18.2	18.2	Avg Ann'l P/E Ratio	18.0
.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.15	1.15	1.15	Relative P/E Ratio	1.50
4.3%	4.8%	5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	3.6%

CAPITAL STRUCTURE as of 4/30/09
 Total Debt \$1029.0 mill. Due in 5 Yrs \$150.0 mill.
 LT Debt \$793.5 mill. LT Interest \$55.5 mill.
 (LT interest earned: 4.0x; total interest coverage: 3.7x)

Pension Assets-10/08 \$150.3 mill.
 Oblig. \$143.5 mill.

Pfd Stock None

Common Stock 72,959,779 shs.
 as of 6/2/09
MARKET CAP: \$1.8 billion (Mid Cap)

686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.7	1711.3	1945	2005	2089.1	1945	2005	2089.1	1945	2005	2089.1	Revenues (\$mill) ^A	2190
58.2	64.0	65.5	62.2	74.4	95.2	101.3	97.2	104.4	110.0	115	125	125	125	125	125	125	125	Net Profit (\$mill)	140
39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.4%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	Income Tax Rate	35.0%
8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	6.1%	6.3%	6.1%	6.3%	6.1%	6.3%	6.1%	6.3%	Net Profit Margin	6.4%
46.2%	46.1%	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	47.5%	48.0%	47.5%	48.0%	47.5%	48.0%	47.5%	48.0%	Long-Term Debt Ratio	47.0%
53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	52.5%	52.0%	52.5%	52.0%	52.0%	52.0%	52.0%	52.0%	Common Equity Ratio	53.0%
914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1775	1875	1775	1875	1775	1875	1875	1875	Total Capital (\$mill)	2075
1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2250	2300	2250	2300	2250	2300	2250	2300	Net Plant (\$mill)	2450
8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	Return on Total Cap'l	8.0%
11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	12.5%	13.0%	12.5%	13.0%	12.5%	13.0%	12.5%	13.0%	Return on Shr. Equity	12.5%
11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	12.5%	13.0%	12.5%	13.0%	12.5%	13.0%	12.5%	13.0%	Return on Com Equity	12.5%
3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.0%	4.5%	4.0%	4.5%	4.0%	4.5%	4.0%	4.5%	Retained to Com Eq	4.5%
72%	71%	75%	83%	74%	66%	68%	74%	70%	69%	67%	65%	65%	65%	65%	65%	65%	65%	All Div'ds to Net Prof	65%

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 935,724 customers in North Carolina, South Carolina, and Tennessee. 2008 revenue mix: residential (39%), commercial (24%), industrial (12%), other (25%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 73.5% of revenues. '08 deprec. rate: 3.2%. Estimated plant age: 8.7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,833 employees. Officers & directors own about 1.1% of common stock (1/09 proxy). Chairman, CEO, & President: Thomas E. Skains, Inc. NC. Address: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmonting.com.

CURRENT POSITION (\$MILL.)

	2007	2008	4/30/09
Cash Assets	7.5	7.0	20.7
Other	427.8	593.8	528.0
Current Assets	435.3	600.8	548.7
Accts Payable	143.6	132.3	94.0
Debt Due	195.0	436.5	235.5
Other	75.9	112.7	182.3
Current Liab.	424.5	681.5	511.8
Fix. Chg. Cov.	309%	341%	350%

Piedmont Natural Gas has posted a mixed bag of financial results thus far in 2009. Quarterly sales in the first half declined, year over year, as the weakened economy continued to weigh on both residential and commercial new construction activities. As a result, PNY's regulated utility segment has been experiencing declining customer growth compounded by rising conservation practices at existing accounts. Nonetheless, margins have been widening, thanks largely to lower natural gas costs, which have more than offset the rise in operating expenses. These trends resulted in a 10.6% hike in the April-period bottom line.

As a result, PNY is holding off on construction until 2012, with a potential in-service date of 2015. These moves ought to help the company conserve cash at a time when rising accounts receivable and higher delinquencies are a distinct possibility.

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	7.5%	10.0%	2.5%
"Cash Flow"	5.0%	7.0%	3.0%
Earnings	4.5%	6.5%	5.5%
Dividends	5.0%	4.5%	3.5%
Book Value	5.5%	6.0%	4.0%

Meantime, slumping demand has put the brakes on many of the company's capital projects. Management has opted to defer its pipeline infrastructure enhancement plans that were scheduled to serve the new gas-fired power generation markets of North Carolina. Moreover, construction of the liquid natural gas storage facility in Robeson County, NC has also been put off. Current customer growth projections in that region indicate this facility may not be necessary for a few more

years. As a result, PNY is holding off on construction until 2012, with a potential in-service date of 2015. These moves ought to help the company conserve cash at a time when rising accounts receivable and higher delinquencies are a distinct possibility.

QUARTERLY REVENUES (\$ mill.)^A

Fiscal Year Ends	Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	921.4	483.2	237.9	282.2	1924.7
2007	677.2	531.5	224.4	278.2	1711.3
2008	788.5	634.2	354.7	311.7	2089.1
2009	779.6	455.4	372	338	1945
2010	790	470	390	355	2005

Still, we have raised our earnings estimates for this year and next by a nickel. The main culprit for the disappointing 2009 revenues can be attributed to the slumping commodity prices. This trend masks Piedmont's continued customer growth, a figure that should register at about 1%-1.5% this year. Meantime, lower gas costs should continue to offset the margin tightening associated with diminished volumes. Consequently, annual earnings gains should persist.

Recovery potential for the pull to 2012-2014 is about average for a utility. But the recent dividend hike, and relative stability provided by an ever-increasing customer base, shines a positive light on this good-quality stock.

EARNINGS PER SHARE^{A,B}

Fiscal Year Ends	Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	.94	.57	d.16	d.08	1.27
2007	.94	.69	d.12	d.11	1.40
2008	1.12	.66	d.10	d.18	1.49
2009	1.10	.73	d.10	d.13	1.60
2010	1.12	.75	d.08	d.09	1.70

These neutrally ranked shares have some appeal as an income vehicle. Recovery potential for the pull to 2012-2014 is about average for a utility. But the recent dividend hike, and relative stability provided by an ever-increasing customer base, shines a positive light on this good-quality stock.

Recovery potential for the pull to 2012-2014 is about average for a utility. But the recent dividend hike, and relative stability provided by an ever-increasing customer base, shines a positive light on this good-quality stock.

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.215	.23	.23	.23	.91
2006	.23	.24	.24	.24	.95
2007	.24	.25	.25	.25	.99
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27	.27	1.03

Meantime, slumping demand has put the brakes on many of the company's capital projects. Management has opted to defer its pipeline infrastructure enhancement plans that were scheduled to serve the new gas-fired power generation markets of North Carolina. Moreover, construction of the liquid natural gas storage facility in Robeson County, NC has also been put off. Current customer growth projections in that region indicate this facility may not be necessary for a few more

years. As a result, PNY is holding off on construction until 2012, with a potential in-service date of 2015. These moves ought to help the company conserve cash at a time when rising accounts receivable and higher delinquencies are a distinct possibility.

(A) Fiscal year ends October 31st.
 (B) Diluted earnings. Excl. extraordinary item: '00, '84. Excl. nonrecurring charge: '97, '24.
 Next earnings report due early Nov. Quarters

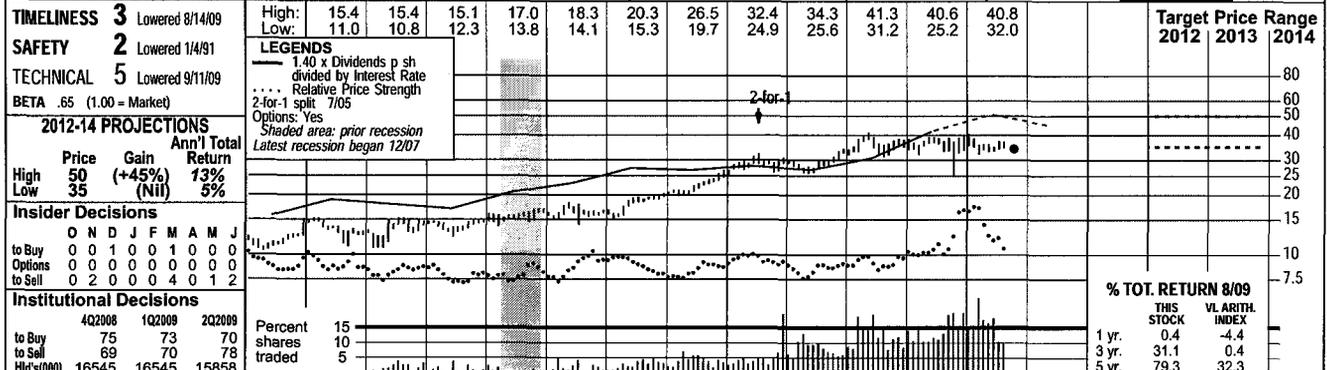
may not add to total due to change in shares outstanding.
 (C) Dividends historically paid mid-January, April, July, October.
 (D) Div'd reinvest. plan available; 5% discount.
 (E) Includes deferred charges. In 2008: \$16.3 million, 22¢/share.
 (F) In millions, adjusted for stock split.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 60
Earnings Predictability 90

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SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE **34.29** P/E RATIO **14.3** (Trailing: 14.8 Median: 14.0) RELATIVE P/E RATIO **0.89** DIV'D YLD **3.6%** VALUE LINE



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	VALUE LINE PUB., INC.	12-14
17.03	17.45	16.50	16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.36	30.85	31.60	Revenues per sh	36.35
1.54	1.35	1.65	1.54	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.48	3.35	3.60	"Cash Flow" per sh	4.20
.78	.61	.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.27	2.40	2.65	Earnings per sh ^A	3.10
.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.20	1.28	Div'ds Decl'd per sh ^B	1.50
1.87	1.93	2.08	2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.51	1.88	2.08	2.35	2.40	Cap'l Spending per sh	2.90
7.17	7.23	7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.33	18.65	19.35	Book Value per sh ^C	22.75
19.61	21.43	21.44	21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	29.73	30.00	31.00	Common Shs Outs't'g ^D	33.00
15.8	16.1	12.2	13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	11.9	17.2	15.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.0
.93	1.06	.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	.95			Relative P/E Ratio	.95
5.9%	7.4%	7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%	3.1%			Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$496.4 mill. Due in 5 Yrs \$228.8 mill.
 LT Debt \$332.7 mill. LT Interest \$16.0 mill.
 (Total interest coverage: 8.4x)

Pension Assets-12/08 \$88.3 mill.
 Oblig. \$142.7 mill.

Pfd Stock none

Common Stock 29,796,232 common shs.
 as of 8/3/09

MARKET CAP: \$1.0 billion (Mid Cap)

CURRENT POSITION (\$MILL.)	2007	2008	6/30/09
Cash Assets	11.7	5.8	6.0
Other	316.6	429.3	351.4
Current Assets	328.3	435.1	357.4
Accts Payable	101.2	120.2	87.9
Debt Due	118.4	237.6	163.7
Other	108.7	142.1	135.7
Current Liab.	328.3	499.9	387.3
Fix. Chg. Cov.	476%	598%	834%

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 340,136 customers in New Jersey's southern counties, which covers about 2,500 square miles and includes Atlantic City. Gas revenue mix '08: residential, 46%; commercial, 23%; cogeneration and electric generation, 6%; industrial, 25%. Non-utility operations

include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 602 employees. Off./dir. control 1.0% of com. shares; Barclays, 7.5%; Keelley Asset Management, 5.6% (3/09 proxy). Chmn. & CEO: Edward Graham. Incorp.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Tel.: 609-561-9000. Internet: www.sjindustries.com.

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Past Est'd '06-'08 to '12-'14
Revenues	6.0%	3.0%	2.0%
"Cash Flow"	8.5%	10.0%	3.5%
Earnings	11.5%	13.0%	5.5%
Dividends	3.5%	6.0%	7.0%
Book Value	9.0%	11.0%	6.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2006	372.6 153.8 154.7 250.3	931.4
2007	368.4 171.7 156.2 260.1	956.4
2008	348.1 135.8 210.4 267.7	962.0
2009	362.2 134.5 150 278.3	925
2010	365 160 170 285	980

Cal-endar	EARNINGS PER SHARE ^A	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2006	1.06 .20 .51 .69	2.46
2007	1.30 .21 d.05 .63	2.09
2008	1.32 .26 .04 .67	2.27
2009	1.46 .15 .05 .74	2.40
2010	1.45 .25 .10 .85	2.65

Cal-endar	QUARTERLY DIVIDENDS PAID ^B	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2005	-- .213 .213 .438	.86
2006	-- .225 .225 .470	.92
2007	-- .245 .245 .515	1.01
2008	-- .270 .270 .568	1.11
2009	-- .298 .298	

South Jersey Industries posted a flat top-line comparison and lower share earnings for the second quarter. Earnings declined moderately at subsidiary South Jersey Gas in the recent interim. Lower interest payments were more than offset by higher pension expense and an increase in other operating costs at this business. Meanwhile, significantly cooler temperatures during the period resulted in lower air conditioning demand and reduced earnings at the on-site energy production business, Marina Energy. The Asset Management and Marketing business also posted an earnings decline for the quarter.

results from the nonutility operations, as well.

The company has attractive prospects for the coming years. Customer growth at South Jersey Gas has continued at a steady clip, despite weakness in the broader economy. Natural gas remains the fuel of choice in the markets served by the utility, and SJG continues to see significant interest in conversions from other fuel sources to natural gas. Its recent gas main extension project, along with aggressive marketing efforts, should benefit the utility going forward. We anticipate solid

South Jersey Gas has filed with the New Jersey Board of Public Utilities to reduce rates by 20.2%. The approval of the Basic Gas Supply Service (BGSS) petition would allow customers to realize significant savings, and provide an incentive for homeowners to switch from oil to natural gas. The BGSS clause allows South Jersey to pass along increases and decreases in gas costs directly to consumers. The company's ability to secure lower-priced gas has allowed it to provide customers with the lower rates.

Shares of South Jersey Industries have slipped one notch in Timeliness, and are now neutrally ranked for year-ahead performance. Looking further out, we anticipate higher revenues and share earnings at the company by 2012-2014. Moreover, SJI scores high marks for Safety, Price Stability, and Earnings Predictability. But from the present quotation, this issue has below-average, though reasonably well-defined, total return potential for the coming years.

(A) Based on GAAP EPS through 2006, economic earnings thereafter. GAAP EPS: '07, \$2.10; '08, \$2.58. Excl. nonrecr. gain (loss): '01, \$0.13; '08, \$0.31. Excl. gain (losses) from discount. ops.: '99, (\$0.02); '00, (\$0.04); '01, (\$0.02); '02, (\$0.04); '03, (\$0.09); '05, (\$0.02); '06, (\$0.02); '07, \$0.01. Earnings may not sum due to rounding. Next eps. report due in November. (B) Div'ds paid early Apr., Jul., Oct., and late Dec. = Div. reinvest. plan avail. (C) Incl. regulatory assets. In 2008: \$270.4 mill., \$9.10 per sh. (D) In millions, adj. for split.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 90
Earnings Predictability 80

SOUTHWEST GAS NYSE-SWX

RECENT PRICE **23.98** P/E RATIO **13.5** (Trailing: 16.3 Median: 19.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **4.1%** VALUE LINE

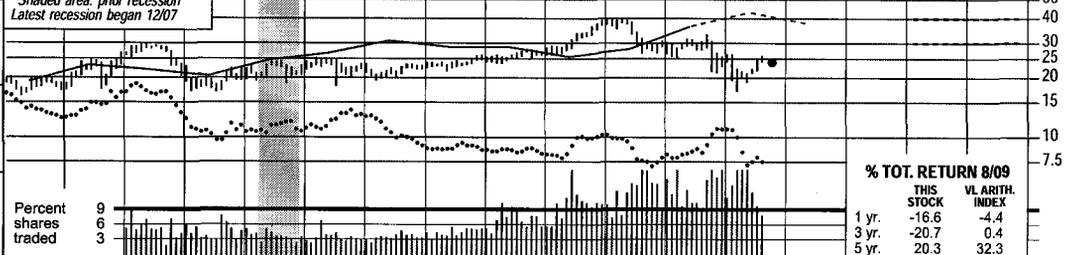
TIMELINESS 3 Raised 5/23/08
SAFETY 3 Lowered 1/4/91
TECHNICAL 4 Lowered 7/24/09
 BETA .75 (1.00 = Market)

High: 26.9 29.5 23.0 24.7 25.3 23.6 26.2 28.1 39.4 39.9 33.3 26.4
 Low: 17.3 20.4 16.9 18.6 18.1 19.3 21.5 23.5 26.0 26.5 21.1 17.1

LEGENDS
 1.50 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 Options: Yes
 Shaded area: prior recession
 Latest recession began 12/07

2012-14 PROJECTIONS
 Ann'l Total
 Price Gain Return
 High 40 (+65%) 17%
 Low 30 (+25%) 10%

Insider Decisions
 O N D J F M A M J
 to Buy 1 1 0 0 0 3 0 0 0 0
 Options 0 0 0 0 0 0 0 0 0 0
 to Sell 0 0 0 0 0 0 0 0 1



Institutional Decisions
 4Q2008 1Q2009 2Q2009
 to Buy 83 83 86
 to Sell 75 71 71
 Mid's(000) 32362 32859 32802

Percent shares traded: 9, 6, 3

% TOT. RETURN 8/09
 THIS STOCK VL ARITH INDEX
 1 yr. -16.6 -4.4
 3 yr. -20.7 0.4
 5 yr. 20.3 32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14	
25.68	28.16	23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	39.55	41.50	Revenues per sh	52.00	
3.24	5.09	2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	5.95	6.15	"Cash Flow" per sh	7.30	
.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.75	1.90	Earnings per sh ^A	2.30	
.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.86	.90	.95	1.00	Div'ds Decl'd per sh ^B	1.15
5.43	6.64	6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	5.50	5.95	Cap'l Spending per sh	7.20	
15.96	16.38	14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	25.25	26.05	Book Value per sh	28.00	
21.00	21.28	24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.50	47.00	Common Shs Outst'g ^C	50.00	
26.5	14.0	NMF	69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0	
1.57	.92	NMF	4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22			Relative P/E Ratio	1.00	
4.4%	4.7%	5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%			Avg Ann'l Div'd Yield	3.3%	
CAPITAL STRUCTURE as of 6/30/09																				
Total Debt \$1228.0 mill. Due in 5 Yrs \$566.1 mill. LT Debt \$1222.9 mill. LT Interest \$85.0 mill. (Total interest coverage: 2.2x) Leases, Uncapitalized Annual rentals \$6.0 mill. Pension Assets-12/08 \$342.9 mill. Pfd Stock None Oblig. \$558.9 mill.																				
Common Stock 44,822,466 shs. as of 7/30/09																				
MARKET CAP: \$1.1 billion (Mid Cap)																				
CURRENT POSITION (\$MILL.)																				
Cash Assets	32.0	26.4	26.8																	
Other	470.5	411.7	232.5																	
Current Assets	502.5	438.1	259.3																	
Accts Payable	220.7	191.4	68.0																	
Debt Due	47.1	62.8	5.1																	
Other	260.1	255.7	303.0																	
Current Liab.	527.9	509.9	376.1																	
Fix. Chg. Cov.	229%	224%	233%																	

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08	'06-'08
Revenues	6.0%	4.5%	4.5%	1.0%
"Cash Flow"	4.5%	3.5%	3.5%	
Earnings	7.0%	9.0%	4.5%	
Dividends	0.5%	1.0%	5.0%	
Book Value	4.5%	5.0%	3.5%	

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	676.9	430.9	351.8	565.1	2024.7
2007	793.7	426.6	371.5	560.3	2152.1
2008	813.6	447.3	374.4	509.4	2144.7
2009	689.9	387.6	275	447.5	1800
2010	730	410	310	500	1950

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	1.11	.02	d.26	1.11	1.98
2007	1.17	d.01	d.22	1.01	1.95
2008	1.14	d.06	d.38	.71	1.39
2009	1.12	d.01	d.35	.99	1.75
2010	1.15	Nil	d.30	1.05	1.90

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205	.205	.82
2007	.205	.215	.215	.215	.85
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238		

Southwest Gas reported unfavorable top-line performance for the second quarter. The recent recession stymied customer growth and resulted in lower usage. On the bright side, rate relief in Arizona and California (discussed below) supported results. Consequently, the company's share loss of \$0.01 compared favorably with the prior-year tally. Losses are common during the second and third quarters, owing to the seasonal nature of the business. Looking forward, we expect lower revenue and a normal-sized share loss for the third quarter. Earnings comparisons ought to improve in the fourth quarter, assuming a better operating environment and greater cost control. Overall, we anticipate lower revenue and higher share earnings for Southwest in full-year 2009. Bottom-line growth may well continue next year.

The company is awaiting a rate case decision from the state of Nevada. Southwest is seeking a \$30.5 million rate increase to compensate it for higher operating costs in that state. The request asks that the new rates take effect at the beginning of November. The company is also

seeking an improvement in rate design. Specifically, SWX wants to implement a decoupled rate structure that would allow it more freedom in pursuing customer conservation opportunities. This follows recent prior rate case settlements in California and Arizona.

Investors should be mindful of several caveats. Warmer-than-normal temperatures during the winter months can hurt performance at Southwest Gas. In addition, the company will probably incur greater operating costs as it continues to expand, and profitability may suffer if rate relief cannot keep up with rising expenses. **The pace of customer growth should pick up in the future.** That's assuming economic conditions in Southwest's service areas improve in the coming years. As a result, we anticipate higher revenues and share earnings at the company by 2012-2014. Moreover, income-oriented investors may find the stock's prospects for dividend growth attractive. But from the present quotation, this neutrally ranked equity features about-average total return potential for a utility.

Michael Napoli, CPA September 11, 2009

(A) Based on avg. shares outstanding thru '96, then diluted. Excl. nonrec. gains (losses): '93, 8¢; '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Incl. asset writedown: '93, 44¢. Excl. loss from disc. ops.: '95, 75¢. Totals may not sum due to rounding. Next egs. report due early November. (B) Dividends historically paid early March, June, September, December. † Div'd reinvestment and stock purchase plan avail. (C) In millions.

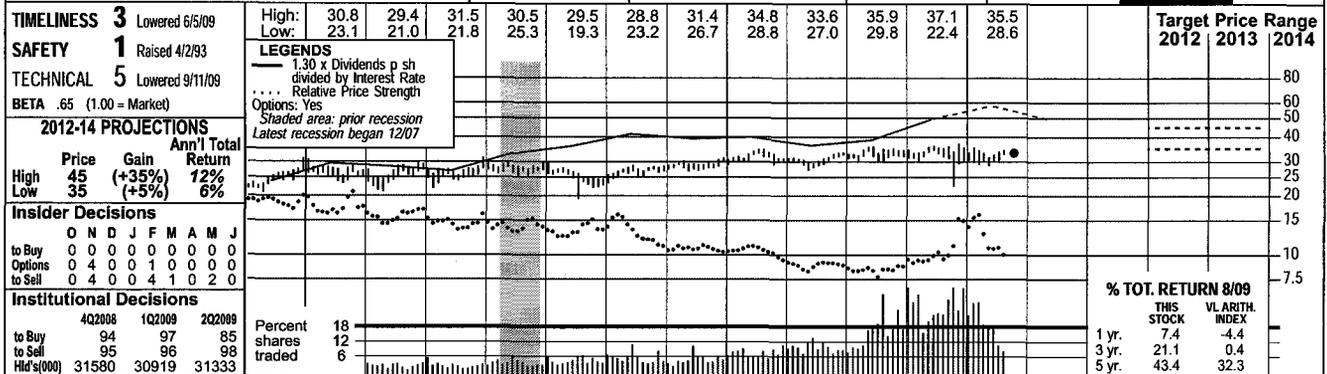
Company's Financial Strength
 Stock's Price Stability 100
 Price Growth Persistence 65
 Earnings Predictability 70

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WGL HOLDINGS NYSE-WGL

RECENT PRICE **33.30** P/E RATIO **13.2** (Trailing: 13.1 Median: 15.0) RELATIVE P/E RATIO **0.82** DIV'D YLD **4.4%** VALUE LINE



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
21.55	21.69	19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.20	54.25	Revenues per sh ^A	57.60
2.25	2.43	2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.89	3.89	4.34	4.40	4.45	"Cash Flow" per sh	4.70
1.31	1.42	1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.10	2.44	2.50	2.55	Earnings per sh ^B	2.70
1.09	1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.51	Div'ds Decl'd per sh ^C	1.63
2.43	2.84	2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	3.00	3.00	Cap'l Spending per sh	2.50
11.04	11.51	11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	22.00	23.05	Book Value per sh ^D	26.20
41.50	42.19	42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.00	50.00	Common Shs Outst'g ^E	50.00
15.6	14.0	12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	Bold figures are Value Line estimates	13.7	Avg Ann'l P/E Ratio	15.0
.92	.92	.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.82	.85	.85	.85	Relative P/E Ratio	1.00
5.3%	5.6%	6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	4.2%	4.2%	Avg Ann'l Div'd Yield	4.0%
CAPITAL STRUCTURE as of 6/30/09						972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	2660	2715	Revenues (\$mill) ^A	2880
Total Debt \$728.7 mill. Due in 5 Yrs \$264.5 mill.						68.8	84.6	89.9	55.7	112.3	98.0	104.8	96.0	102.9	122.9	125	130	Net Profit (\$mill)	135
LT Debt \$624.1 mill. LT Interest \$37.4 mill.						36.0%	36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	37.0%	37.0%	Income Tax Rate	38.0%
(LT interest earned: 5.9x; total interest coverage: 5.2x)						7.1%	8.2%	6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.7%	4.8%	Net Profit Margin	4.7%
Pension Assets-9/08 \$588.2 mill.						41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	36.5%	35.5%	Long-Term Debt Ratio	34.0%
Oblig. \$590.5 mill.						56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	62.0%	63.0%	Common Equity Ratio	64.5%
Preferred Stock \$28.2 mill. Pfd. Div'd \$1.3 mill.						1218.5	1299.2	1400.8	1462.5	1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	1780	1830	Total Capital (\$mill)	2040
Common Stock 50,141,229 shs. as of 7/31/09						1402.7	1460.3	1519.7	1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2325	2420	Net Plant (\$mill)	2720
MARKET CAP: \$1.7 billion (Mid Cap)						7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.0%	8.0%	Return on Total Cap'l	8.0%
CURRENT POSITION						9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.5%	11.0%	Return on Shr. Equity	10.5%
(\$MILL.)						9.9%	11.7%	11.2%	7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	12.0%	11.5%	Return on Com Equity	11.0%
Cash Assets						1.8%	3.7%	3.8%	NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	4.5%	4.5%	Retained to Com Eq	4.0%
Other						82%	69%	67%	112%	56%	65%	62%	69%	66%	57%	59%	59%	All Div'ds to Net Prof	60%
Current Assets						BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,053,032 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. American Century Inv. own 7.1% of common stock; Off.dlr. less than 1% (1/09 proxy). Chrmn. & CEO: J.H. DeGraffenreid, Inc.: D.C. and VA. Addr.: 1100 H St., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.													
Accts Payable						WGL Holdings posted a mixed bag of financial results for the off-peak June period. Top-line volumes fell approximately 8% over that time frame. This stemmed from weakness at the regulated utility segment, which has been dealing with lower natural gas consumption and some equipment cost issues. On a brighter note, the retail energy marketing division got a boost to its revenues and earnings contributions from higher natural gas and electricity margins. On the efficiency front, management has been performing well. Operating expenses declined 90 basis points versus the year-ago period. This stemmed from lower labor and benefits expenses. All told, the bottom line advanced nicely.													
Debt Due						We look for the company to register a mid-single-digit earnings hike this year. The decent gains experienced earlier in 2009 will probably be offset by a larger share deficit in the fiscal fourth quarter. Despite the widening margins and solid performance from the retail energy and design build segments, demand at the mainstay regulated utility business may be soft. Also, the September period is historically and seasonally slow for WGL. Nonetheless, considering all that happened in the past year, the company appears to be in solid shape. The LNG peaking facility is going to take longer than expected to be completed and put into service. That project will be used to support customer growth and maintain the pressure requirements of the distribution system in Chilum, MD. It was planned to be in service by the 2012-2013 winter heating season, but due to regulatory and legal issues, the following year is more likely. These top-quality shares may appeal to income-oriented accounts, as they offer an attractive dividend yield. Typically, too, they proved much less volatile than the broader market during the recent turmoil. This partly stems from WGL's large government business in the DC metro area, which has been less affected by the economic downturn. These benefits are evident in the equity's top-notch Safety rank, and high mark for Price Stability. But appreciation potential is subpar for the pull to 2012-2014.													
Other						Bryan J. Fong September 11, 2009													
Current Liab.																			
Fix. Chg. Cov.																			

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	902.9	1064.5	346.9	323.6	2637.9
2007	732.9	1119.9	467.5	325.7	2646.0
2008	751.6	1020.0	464.7	391.9	2628.2
2009	821.5	1040.9	427.0	370.6	2660
2010	830	1050	445	390	2715

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	.93	1.17	d.01	d.15	1.94
2007	.92	1.27	.22	d.31	2.10
2008	.96	1.66	.06	d.24	2.44
2009	1.03	1.65	.11	d.29	2.50
2010	1.04	1.66	.12	d.27	2.55

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.325	.333	.333	.333	1.32
2006	.333	.338	.338	.338	1.34
2007	.34	.34	.34	.34	1.36
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37		

(A) Fiscal years end Sept. 30th.
 (B) Based on diluted shares. Excludes non-recurring losses: '01, (13¢); '02, (34¢); '07, (4¢); discontinued operations: '06, (15¢). Ctlty eggs.
 (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
 (D) Includes deferred charges and intangibles. '08: \$291.3 million, \$5.81/sh.
 (E) In millions, adjusted for stock split.

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ATTACHMENT C



AMERICAN STS WTR CO (NYSE)					Scottrade
AWR	35.93	▼-0.15	(-0.42%)	Vol. 52,852	16:01 ET

American States is a public utility company engaged principally in the purchase, production, distribution and sale of water. The company also distributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

General Information

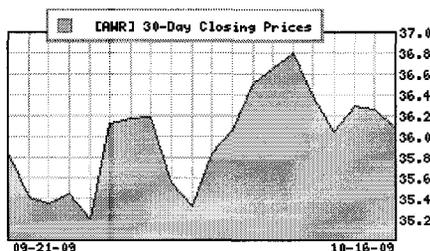
AMER STATES WTR
 630 East Foothill Boulevard
 San Dimas, CA 91773-1212
 Phone: 909 394-3600
 Fax: 909 394-0711
 Web: www.gswater.com
 Email: investorinfo@aswater.com

Industry: **UTIL-WATER**
 Sector: **SPLY**
 Utilities

Fiscal Year End: **December**
 Last Reported Quarter: **09/30/09**
 Next EPS Date: **11/05/2009**

Price and Volume Information

Zacks Rank
 Yesterday's Close: **36.08**
 52 Week High: **38.79**
 52 Week Low: **27.00**
 Beta: **0.36**
 20 Day Moving Average: **55,833.50**
 Target Price Consensus: **40.33**



% Price Change

4 Week: **-0.28**
 12 Week: **-1.23**
 YTD: **9.40**

% Price Change Relative to S&P 500

4 Week: **-2.05**
 12 Week: **-11.08**
 YTD: **-9.15**

Share Information

Shares Outstanding (millions): **18.50**
 Market Capitalization (millions): **667.44**
 Short Ratio: **6.71**
 Last Split Date: **06/10/2002**

Dividend Information

Dividend Yield: **2.77%**
 Annual Dividend: **\$1.00**
 Payout Ratio: **0.00**
 Change in Payout Ratio: **0.00**
 Last Dividend Payout / Amount: **08/07/2009 / \$0.25**

EPS Information

Current Quarter EPS Consensus Estimate: **0.55**
 Current Year EPS Consensus Estimate: **1.82**
 Estimated Long-Term EPS Growth Rate: **4.00**
 Next EPS Report Date: **11/05/2009**

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): **1.67**
 30 Days Ago: **1.67**
 60 Days Ago: **2.33**
 90 Days Ago: **1.67**

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 19.85	vs. Previous Year: 18.52%	vs. Previous Year: 16.49%
Trailing 12 Months: 21.10	vs. Previous Quarter: 128.57%	vs. Previous Quarter: 17.52%
PEG Ratio: 4.96		
Price Ratios	ROE	ROA
Price/Book: 1.87	09/30/09: 09/30/09	09/30/09: -

Price/Cash Flow	9.59	06/30/09	9.40	06/30/09	2.83
Price / Sales	-	03/31/09	9.02	03/31/09	2.68
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	1.10	06/30/09	1.08	06/30/09	8.83
03/31/09	0.82	03/31/09	0.80	03/31/09	8.51
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	10.59	06/30/09	10.59	06/30/09	19.31
03/31/09	9.75	03/31/09	9.75	03/31/09	18.01
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	51.08	06/30/09	0.87	06/30/09	46.39
03/31/09	52.72	03/31/09	0.98	03/31/09	49.56



CALIFORNIA WTR SVC GROUP (NYSE)

Scottrade

CWT 40.11 ▲0.55 (1.39%) Vol. 144,240 16:02 ET

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

General Information

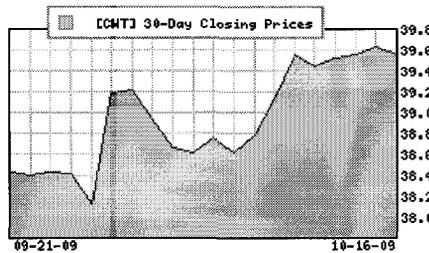
CALIF WATER SVC
 1720 North First Street
 San Jose, CA 95112
 Phone: 408 367-8200
 Fax: 408 437-9185
 Web: www.calwatergroup.com
 Email: klichtenberg@calwater.com

Industry: UTIL-WATER
 SPLY
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 10/28/2009

Price and Volume Information

Zacks Rank
 Yesterday's Close 39.56
 52 Week High 48.28
 52 Week Low 29.13
 Beta 0.47
 20 Day Moving Average 99,815.65
 Target Price Consensus 47



% Price Change

4 Week 1.57
 12 Week 5.07
 YTD -14.80

% Price Change Relative to S&P 500

4 Week -0.24
 12 Week -5.40
 YTD -29.24

Share Information

Shares Outstanding (millions) 20.75
 Market Capitalization (millions) 820.67
 Short Ratio 5.48
 Last Split Date 01/26/1998

Dividend Information

Dividend Yield 2.98%
 Annual Dividend \$1.18
 Payout Ratio 0.00
 Change in Payout Ratio 0.00
 Last Dividend Payout / Amount 08/06/2009 / \$0.29

EPS Information

Current Quarter EPS Consensus Estimate 1.05
 Current Year EPS Consensus Estimate 2.10
 Estimated Long-Term EPS Growth Rate 8.20
 Next EPS Report Date 10/28/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell) 2.00
 30 Days Ago 2.00
 60 Days Ago 2.00
 90 Days Ago 1.83

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 18.86	vs. Previous Year 20.83%	vs. Previous Year 10.50%
Trailing 12 Months: 18.75	vs. Previous Quarter 383.33%	vs. Previous Quarter: 34.70%
PEG Ratio 2.31		

Price Ratios		ROE		ROA	
Price/Book	2.02	09/30/09		-	09/30/09
Price/Cash Flow	10.25	06/30/09		10.94	06/30/09
Price / Sales	-	03/31/09		10.58	03/31/09
					3.14
Current Ratio		Quick Ratio		Operating Margin	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	1.23	06/30/09		1.18	06/30/09
03/31/09	0.56	03/31/09		0.52	03/31/09
					10.12
					9.92
Net Margin		Pre-Tax Margin		Book Value	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	16.26	06/30/09		16.26	06/30/09
03/31/09	15.95	03/31/09		15.95	03/31/09
					19.56
					19.28
Inventory Turnover		Debt-to-Equity		Debt to Capital	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	38.87	06/30/09		0.95	06/30/09
03/31/09	36.94	03/31/09		0.72	03/31/09
					48.59
					41.82



SOUTHWEST WATER CO (NASDAQ)					Scottrade
SWWC	5.41	-0.02	(0.37%)	Vol. 48,024	16:00 ET

Southwest Water Company provides a broad range of utility and utility management services and serves people from coast to coast. Through its various subsidiaries, Southwest operates and manages water and wastewater treatment facilities along with providing utility submetering and billing and collection services.

General Information

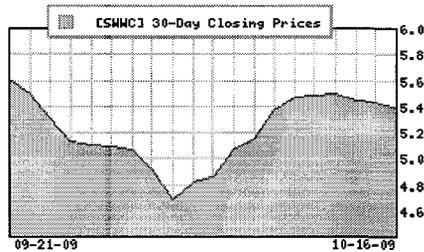
SOUTHWEST WATER
 One Wilshire Building 624 South Grand Avenue
 Suite 2900
 Los Angeles, CA 90017-3782
 Phone: 213 929-1800
 Fax: 626-915-1558
 Web: www.southwestwater.com
 Email: swwc@swwc.com

Industry: UTIL-WATER
 SPLY
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 12/19/2009

Price and Volume Information

Zacks Rank
 Yesterday's Close: 5.39
 52 Week High: 9.96
 52 Week Low: 2.67
 Beta: 0.60
 20 Day Moving Average: 125,904.65
 Target Price Consensus: 8.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.77	4 Week	-6.47
12 Week	2.86	12 Week	-7.39
YTD	67.39	YTD	39.01

Share Information

Shares Outstanding (millions): 24.88
 Market Capitalization (millions): 134.09
 Short Ratio: 3.17
 Last Split Date: 12/28/2005

Dividend Information

Dividend Yield: 1.86%
 Annual Dividend: \$0.10
 Payout Ratio: 0.00
 Change in Payout Ratio: 0.00
 Last Dividend Payout / Amount: 07/23/2009 / \$0.03

EPS Information

Current Quarter EPS Consensus Estimate: 0.08
 Current Year EPS Consensus Estimate: 0.17
 Estimated Long-Term EPS Growth Rate: -
 Next EPS Report Date: 12/19/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 2.20
 30 Days Ago: 2.50
 60 Days Ago: 2.50
 90 Days Ago: 2.50

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 31.10	vs. Previous Year: -25.00%	vs. Previous Year: -8.15%
Trailing 12 Months: -	vs. Previous Quarter: -%	vs. Previous Quarter: 0.05%
PEG Ratio: -		

Price Ratios **ROE** **ROA**

Price/Book	1.20	09/30/09	-	09/30/09	-
Price/Cash Flow	3.06	06/30/09	-27.86	06/30/09	-6.36
Price / Sales	-	03/31/09	-25.95	03/31/09	-6.30
Current Ratio				Operating Margin	
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	-	06/30/09	-	06/30/09	-15.64
03/31/09	1.33	03/31/09	1.33	03/31/09	-15.27
Net Margin				Book Value	
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	-	06/30/09	-	06/30/09	-
03/31/09	-20.42	03/31/09	-20.42	03/31/09	4.48
Inventory Turnover				Debt to Equity	
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	-	06/30/09	-	06/30/09	-
03/31/09	-	03/31/09	1.78	03/31/09	63.88



AQUA AMERICA INC (NYSE)				Scottrade
WTR	16.70	▲ 0.05	(0.30%)	Vol. 1,076,433
				16:00 ET

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

General Information

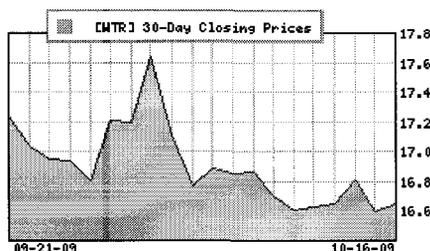
AQUA AMER INC
 762 W Lancaster Avenue
 Bryn Mawr, PA 19010-3489
 Phone: 610 527-8000
 Fax: 610-645-1061
 Web: www.suburbanwater.com
 Email: ir.aquaamerica.com

Industry: UTIL-WATER
 SPLY
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 11/04/2009

Price and Volume Information

Zacks Rank
 Yesterday's Close: 16.65
 52 Week High: 22.00
 52 Week Low: 14.00
 Beta: 0.15
 20 Day Moving Average: 922,590.00
 Target Price Consensus: 22.14



% Price Change

4 Week: -3.81
 12 Week: -7.71
 YTD: -19.14

% Price Change Relative to S&P 500

4 Week: -5.53
 12 Week: -16.91
 YTD: -32.85

Share Information

Shares Outstanding (millions): 135.92
 Market Capitalization (millions): 2,263.03
 Short Ratio: 22.71
 Last Split Date: 12/02/2005

Dividend Information

Dividend Yield: 3.24%
 Annual Dividend: \$0.54
 Payout Ratio: 0.00
 Change in Payout Ratio: 0.00
 Last Dividend Payout / Amount: 08/13/2009 / \$0.14

EPS Information

Current Quarter EPS Consensus Estimate: 0.26
 Current Year EPS Consensus Estimate: 0.81
 Estimated Long-Term EPS Growth Rate: 7.50
 Next EPS Report Date: 11/04/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 1.80
 30 Days Ago: 1.80
 60 Days Ago: 1.80
 90 Days Ago: 1.89

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 20.63	vs. Previous Year: 11.76%	vs. Previous Year: 11.00%
Trailing 12 Months: 21.35	vs. Previous Quarter: 35.71%	vs. Previous Quarter: 8.32%
PEG Ratio: 2.75		

Price Ratios

ROE

ROA

Price/Book	2.10	09/30/09	-	09/30/09	-
Price/Cash Flow	11.68	06/30/09	9.95	06/30/09	3.04
Price / Sales	-	03/31/09	9.77	03/31/09	2.99
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	0.60	06/30/09	0.55	06/30/09	15.97
03/31/09	0.60	03/31/09	0.55	03/31/09	15.87
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	26.47	06/30/09	26.47	06/30/09	7.94
03/31/09	26.37	03/31/09	26.37	03/31/09	7.86
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	39.75	06/30/09	1.14	06/30/09	53.25
03/31/09	31.95	03/31/09	1.15	03/31/09	53.52



AGL RESOURCES INC (NYSE)					Scottrade
AGL	37.27	▲0.41	(1.11%)	Vol. 181,647	16:03 ET

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

General Information

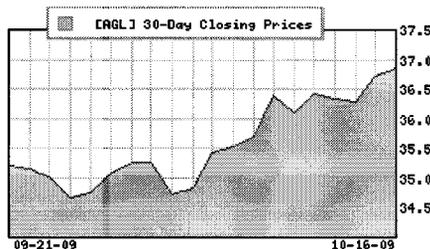
AGL RESOURCES
 Ten Peachtree Place NE
 Atlanta, GA 30309
 Phone: 404 584-4000
 Fax: 404 584-3945
 Web: www.aglresources.com
 Email: scave@aglresources.com

Industry: UTIL-GAS DISTR
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 10/29/2009

Price and Volume Information

Zacks Rank 
 Yesterday's Close: 36.86
 52 Week High: 37.29
 52 Week Low: 24.02
 Beta: 0.41
 20 Day Moving Average: 254,161.84
 Target Price Consensus: 36.29

**% Price Change**

4 Week: 4.98
 12 Week: 8.00
 YTD: 17.58

% Price Change Relative to S&P 500

4 Week: 3.11
 12 Week: -2.77
 YTD: -2.36

Share Information

Shares Outstanding (millions): 77.28
 Market Capitalization (millions): 2,848.50
 Short Ratio: 3.66
 Last Split Date: 12/04/1995

Dividend Information

Dividend Yield: 4.67%
 Annual Dividend: \$1.72
 Payout Ratio: 0.00
 Change in Payout Ratio: 0.00
 Last Dividend Payout / Amount: 08/12/2009 / \$0.43

EPS Information

Current Quarter EPS Consensus Estimate: 0.22
 Current Year EPS Consensus Estimate: 2.70
 Estimated Long-Term EPS Growth Rate: 4.70
 Next EPS Report Date: 10/29/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 2.20
 30 Days Ago: 2.20
 60 Days Ago: 2.20
 90 Days Ago: 2.20

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 13.65	vs. Previous Year: -13.33%	vs. Previous Year: -15.09%
Trailing 12 Months: 12.05	vs. Previous Quarter: -83.23%	vs. Previous Quarter: -62.11%
PEG Ratio: 2.93		
Price Ratios	ROE	ROA
Price/Book: 1.62	09/30/09	09/30/09
Price/Cash Flow:	06/30/09	06/30/09

Price / Sales	7.87		13.60		3.68
	-	03/31/09	13.92	03/31/09	3.66
Current Ratio		Quick Ratio		Operating Margin	
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	1.03	06/30/09	0.61	06/30/09	8.63
03/31/09	1.06	03/31/09	0.80	03/31/09	8.53
Net Margin		Pre-Tax Margin		Book Value	
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	17.12	06/30/09	17.12	06/30/09	22.79
03/31/09	14.84	03/31/09	14.84	03/31/09	22.87
Inventory Turnover		Debt-to-Equity		Debt to Capital	
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	3.70	06/30/09	0.95	06/30/09	48.78
03/31/09	3.45	03/31/09	0.95	03/31/09	48.72



ATMOS ENERGY CORP (NYSE)					Scottrade
ATO	29.30	▲0.40	(1.38%)	Vol. 447,120	16:00 ET

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

General Information

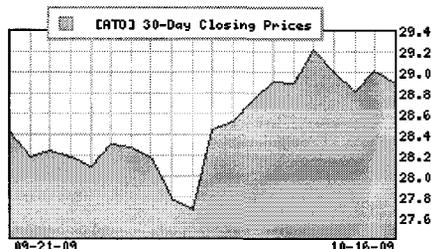
ATMOS ENERGY CP
 Three Lincoln Centre 5430 Lbj Freeway
 Suite 1800
 Dallas, TX 75240
 Phone: 972-934-9227
 Fax: 972-855-3040
 Web: www.atmosenergy.com
 Email: InvestorRelations@atmosenergy.com

Industry: UTIL-GAS DISTR
 Sector: Utilities

Fiscal Year End: September
 Last Reported Quarter: 09/30/09
 Next EPS Date: 11/10/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	28.90
52 Week High	29.50
52 Week Low	20.07
Beta	0.52
20 Day Moving Average	1,292,367.25
Target Price Consensus	29.2



% Price Change

4 Week	1.37
12 Week	7.08
YTD	21.94

% Price Change Relative to S&P 500

4 Week	-0.44
12 Week	-3.60
YTD	1.26

Share Information

Shares Outstanding (millions)	92.27
Market Capitalization (millions)	2,666.66
Short Ratio	2.98
Last Split Date	05/17/1994

Dividend Information

Dividend Yield	4.57%
Annual Dividend	\$1.32
Payout Ratio	0.00
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	08/21/2009 / \$0.33

EPS Information

Current Quarter EPS Consensus Estimate	-0.08
Current Year EPS Consensus Estimate	2.11
Estimated Long-Term EPS Growth Rate	5.00
Next EPS Report Date	11/10/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	2.83
30 Days Ago	2.57
60 Days Ago	2.57
90 Days Ago	2.57

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 13.33	vs. Previous Year 14.29%	vs. Previous Year -52.37%
Trailing 12 Months: 13.63	vs. Previous Quarter -104.51%	vs. Previous Quarter: -57.13%
PEG Ratio 2.67		

Price Ratios		ROE		ROA	
Price/Book	1.21	09/30/09		-	09/30/09
Price/Cash Flow	6.88	06/30/09		9.14	06/30/09
Price / Sales	-	03/31/09		9.16	03/31/09
					2.93
Current Ratio		Quick Ratio		Operating Margin	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	1.24	06/30/09		0.74	06/30/09
03/31/09	1.15	03/31/09		0.90	03/31/09
					2.91
Net Margin		Pre-Tax Margin		Book Value	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	5.55	06/30/09		5.55	06/30/09
03/31/09	4.61	03/31/09		4.61	03/31/09
					23.82
					23.70
Inventory Turnover		Debt-to-Equity		Debt to Capital	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	11.62	06/30/09		0.99	06/30/09
03/31/09	11.66	03/31/09		1.00	03/31/09
					49.75
					49.89

**LACLEDE GROUP INC (NYSE)**

Scotttrade

LG	32.37	▲0.12	(0.37%)	Vol. 98,711	16:02 ET
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The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

General Information

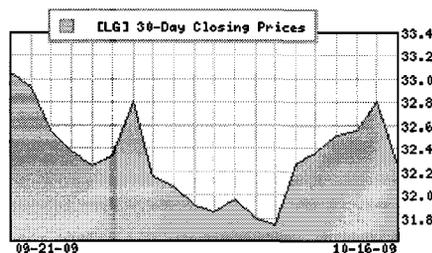
LACLEDE GRP INC
720 Olive Street
St. Louis, MO 63101
Phone: 314-342-0500
Fax: 314-421-1979
Web: www.thelacledegroup.com
Email: mkullman@lacledegas.com

Industry: UTIL-GAS DISTR
Sector: Utilities

Fiscal Year End: September
Last Reported Quarter: 09/30/09
Next EPS Date: 10/22/2009

Price and Volume Information

Zacks Rank 
Yesterday's Close: 32.25
52 Week High: 55.81
52 Week Low: 29.26
Beta: 0.02
20 Day Moving Average: 91,660.35
Target Price Consensus: 35

**% Price Change**

4 Week	-2.89	% Price Change Relative to S&P 500	4 Week	-4.62
12 Week	-6.82	12 Week	-16.11	
YTD	-31.15	YTD	-42.82	

Share Information

Shares Outstanding (millions): 22.17
Market Capitalization (millions): 714.89
Short Ratio: 2.51
Last Split Date: 03/08/1994

Dividend Information

Dividend Yield: 4.78%
Annual Dividend: \$1.54
Payout Ratio: 0.00
Change in Payout Ratio: 0.00
Last Dividend Payout / Amount: 09/09/2009 / \$0.38

EPS Information

Current Quarter EPS Consensus Estimate: -0.18
Current Year EPS Consensus Estimate: 2.89
Estimated Long-Term EPS Growth Rate: 3.00
Next EPS Report Date: 10/22/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 3.25
30 Days Ago: 3.25
60 Days Ago: 3.25
90 Days Ago: 3.25

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 12.90	vs. Previous Year: -26.19%	vs. Previous Year: -38.68%
Trailing 12 Months: 10.79	vs. Previous Quarter: -77.86%	vs. Previous Quarter: -52.97%
PEG Ratio: 4.30		
Price Ratios	ROE	ROA
Price/Book: 1.35	09/30/09	09/30/09

Price/Cash Flow	7.50	06/30/09	12.78	06/30/09	3.71
Price / Sales	-	03/31/09	13.53	03/31/09	3.89
Current Ratio			Operating Margin		
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	1.24	06/30/09	0.98	06/30/09	3.14
03/31/09	1.17	03/31/09	0.99	03/31/09	2.97
Net Margin			Book Value		
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	4.81	06/30/09	4.81	06/30/09	23.97
03/31/09	4.46	03/31/09	4.46	03/31/09	24.11
Inventory Turnover			Debt to Equity		
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	10.99	06/30/09	0.73	06/30/09	42.30
03/31/09	11.65	03/31/09	0.73	03/31/09	42.17



NEW JERSEY RES (NYSE)					Scottrade
NJR	36.84	▲ 0.41	(1.13%)	Vol. 122,499	16:01 ET

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

General Information

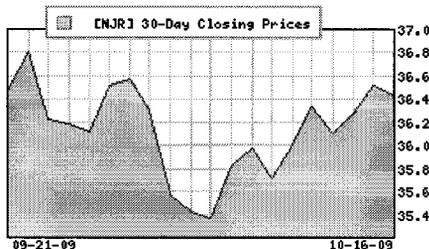
NJ RESOURCES
 1415 Wyckoff Road
 Wall, NJ 07719
 Phone: 732-938-1489
 Fax: 732 938-3154
 Web: www.njresources.com
 Email: investcont@njresources.com

Industry: UTIL-GAS DISTR
 Sector: Utilities

Fiscal Year End: September
 Last Reported Quarter: 09/30/09
 Next EPS Date: 11/05/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	36.43
52 Week High	42.37
52 Week Low	29.95
Beta	0.13
20 Day Moving Average	200,753.91
Target Price Consensus	42



% Price Change

4 Week	-1.09
12 Week	-8.19
YTD	-7.42

% Price Change Relative to S&P 500

4 Week	-2.85
12 Week	-17.34
YTD	-23.12

Share Information

Shares Outstanding (millions)	42.01
Market Capitalization (millions)	1,530.61
Short Ratio	9.89
Last Split Date	03/04/2008

Dividend Information

Dividend Yield	3.40%
Annual Dividend	\$1.24
Payout Ratio	0.00
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	09/11/2009 / \$0.31

EPS Information

Current Quarter EPS Consensus Estimate	-0.12
Current Year EPS Consensus Estimate	2.39
Estimated Long-Term EPS Growth Rate	6.50
Next EPS Report Date	11/05/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	1.50
30 Days Ago	1.50
60 Days Ago	1.67
90 Days Ago	1.67

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 14.21	vs. Previous Year 130.00%	vs. Previous Year -55.91%
Trailing 12 Months: 17.35	vs. Previous Quarter -98.24%	vs. Previous Quarter: -52.96%
PEG Ratio: 2.19		

Price Ratios		ROE		ROA	
Price/Book	2.13	09/30/09		-	09/30/09
Price/Cash Flow	11.50	06/30/09		12.20	06/30/09
Price / Sales	-	03/31/09		11.73	03/31/09
					3.25
Current Ratio		Quick Ratio		Operating Margin	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	1.23	06/30/09		0.88	06/30/09
03/31/09	1.17	03/31/09		1.07	03/31/09
					2.37
Net Margin		Pre-Tax Margin		Book Value	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	5.66	06/30/09		5.66	06/30/09
03/31/09	5.26	03/31/09		5.26	03/31/09
					17.11
					17.90
Inventory Turnover		Debt-to-Equity		Debt to Capital	
09/30/09	-	09/30/09		-	09/30/09
06/30/09	9.78	06/30/09		0.63	06/30/09
03/31/09	10.09	03/31/09		0.61	03/31/09
					38.82
					37.74



NICOR INC (NYSE)				Scottrade	
GAS	38.91	* 0.58	(1.51%)	Vol. 245,400	16:01 ET

Nicor Inc. is a holding company and is a member of the Standard & Poor's 500 Index. Its primary business is Nicor Gas, one of the nation's largest natural gas distribution companies. Nicor owns Tropical Shipping, a containerized shipping business serving the Caribbean region and the Bahamas. In addition, the company owns and has an equity interest in several energy-related businesses.

General Information

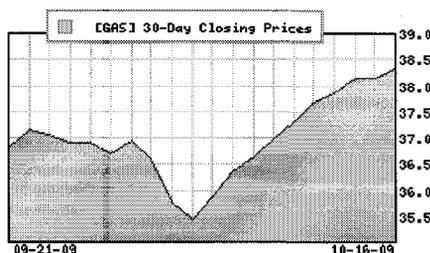
NICOR INC
 1844 Ferry Road
 Naperville, IL 60563-9600
 Phone: 630-305-9500
 Fax: 630-983-9328
 Web: www.nicor.com
 Email: None

Industry: UTIL-GAS DISTR
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 11/09/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	38.33
52 Week High	47.60
52 Week Low	27.50
Beta	0.34
20 Day Moving Average	305,082.34
Target Price Consensus	38.75



% Price Change

4 Week	3.29
12 Week	4.13
YTD	10.33

% Price Change Relative to S&P 500

4 Week	1.45
12 Week	-6.25
YTD	-8.37

Share Information

Shares Outstanding (millions)	45.22
Market Capitalization (millions)	1,733.36
Short Ratio	5.75
Last Split Date	04/27/1993

Dividend Information

Dividend Yield	4.85%
Annual Dividend	\$1.86
Payout Ratio	0.00
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	09/28/2009 / \$0.47

EPS Information

Current Quarter EPS Consensus Estimate	0.09
Current Year EPS Consensus Estimate	2.57
Estimated Long-Term EPS Growth Rate	4.20
Next EPS Report Date	11/09/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	2.67
30 Days Ago	2.67
60 Days Ago	3.00
90 Days Ago	3.00

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 14.90	vs. Previous Year -21.87%	vs. Previous Year -36.04%
Trailing 12 Months: 15.09	vs. Previous Quarter -47.92%	vs. Previous Quarter: -59.70%
PEG Ratio: 3.52		
Price Ratios	ROE	ROA
Price/Book: 1.72	09/30/09	09/30/09

Price/Cash Flow	5.60	06/30/09	11.78	06/30/09	2.59
Price / Sales	-	03/31/09	12.46	03/31/09	2.67
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	0.76	06/30/09	0.73	06/30/09	3.81
03/31/09	0.78	03/31/09	0.77	03/31/09	3.70
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	5.46	06/30/09	5.46	06/30/09	22.25
03/31/09	5.21	03/31/09	5.21	03/31/09	22.16
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	14.05	06/30/09	0.50	06/30/09	33.12
03/31/09	15.05	03/31/09	0.45	03/31/09	30.91



NORTHWEST NAT GAS CO (NYSE)					Scottrade
NWN	44.47	-1.08	(2.49%)	Vol. 111,785	16:03 ET

NW Natural is principally engaged in the distribution of natural gas. The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

General Information

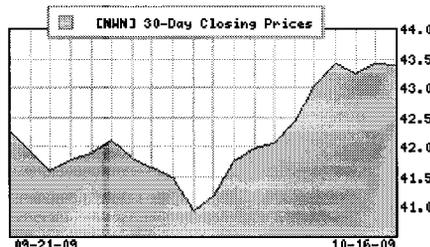
NORTHWEST NAT G
 220 NW Second Avenue
 Portland, OR 97209
 Phone: 503 226-4211
 Fax: 503 273-4824
 Web: www.nwnatural.com
 Email: Bob.Hess@nwnatural.com

Industry: UTIL-GAS DISTR
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 11/03/2009

Price and Volume Information

Zacks Rank 
 Yesterday's Close: 43.39
 52 Week High: 52.39
 52 Week Low: 37.71
 Beta: 0.25
 20 Day Moving Average: 123,685.30
 Target Price Consensus: 51.25

**% Price Change**

4 Week: 1.90
 12 Week: -4.24
 YTD: -1.90

% Price Change Relative to S&P 500

4 Week: 0.09
 12 Week: -13.78
 YTD: -18.53

Share Information

Shares Outstanding (millions): 26.51
 Market Capitalization (millions): 1,150.40
 Short Ratio: 14.44
 Last Split Date: 09/09/1996

Dividend Information

Dividend Yield: 3.64%
 Annual Dividend: \$1.58
 Payout Ratio: 0.00
 Change in Payout Ratio: 0.00
 Last Dividend Payout / Amount: 07/29/2009 / \$0.40

EPS Information

Current Quarter EPS Consensus Estimate: -0.36
 Current Year EPS Consensus Estimate: 2.70
 Estimated Long-Term EPS Growth Rate: 6.00
 Next EPS Report Date: 11/03/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 1.50
 30 Days Ago: 1.50
 60 Days Ago: 1.50
 90 Days Ago: 1.50

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 16.06	vs. Previous Year: 0.00%	vs. Previous Year: -22.06%
Trailing 12 Months: 15.61	vs. Previous Quarter: -93.30%	vs. Previous Quarter: -65.92%
PEG Ratio: 2.68		

Price Ratios**ROE****ROA**

Price/Book	1.75	09/30/09	-	09/30/09	-
Price/Cash Flow	8.10	06/30/09	11.51	06/30/09	3.26
Price / Sales	-	03/31/09	11.69	03/31/09	3.37
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	0.94	06/30/09	0.67	06/30/09	7.03
03/31/09	1.03	03/31/09	0.80	03/31/09	6.78
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	11.19	06/30/09	11.19	06/30/09	24.80
03/31/09	10.81	03/31/09	10.81	03/31/09	25.05
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	8.96	06/30/09	0.89	06/30/09	47.18
03/31/09	10.10	03/31/09	0.88	03/31/09	46.93

**PIEDMONT NAT GAS INC (NYSE)**

Scotttrade

PNY 24.62 ▲0.43 (1.78%) Vol. 318,583

16:02 ET

Piedmont Natural Gas Co., Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

General Information

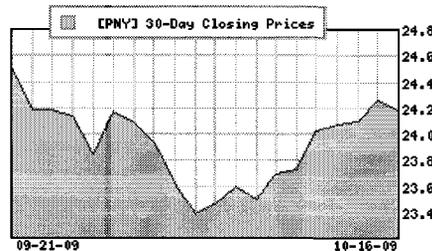
PIEDMONT NAT GA
4720 Piedmont Row Drive
Charlotte, NC 28210
Phone: 704 364-3120
Fax: 704-365-3849
Web: www.piedmontng.com
Email: investorrelations@piedmontng.com

Industry: UTIL-GAS DISTR
Sector: Utilities

Fiscal Year End: October
Last Reported Quarter: 07/31/09
Next EPS Date: 01/04/2010

Price and Volume Information

Zacks Rank 
Yesterday's Close: 24.19
52 Week High: 34.19
52 Week Low: 20.68
Beta: 0.18
20 Day Moving Average: 370,152.69
Target Price Consensus: 27.42

**% Price Change**

4 Week: -1.06
12 Week: -3.20
YTD: -23.62

% Price Change Relative to S&P 500

4 Week: -2.83
12 Week: -12.85
YTD: -36.57

Share Information

Shares Outstanding (millions): 73.11
Market Capitalization (millions): 1,768.56
Short Ratio: 7.66
Last Split Date: 11/01/2004

Dividend Information

Dividend Yield: 4.46%
Annual Dividend: \$1.08
Payout Ratio: 0.00
Change in Payout Ratio: 0.00
Last Dividend Payout / Amount: 09/22/2009 / \$0.27

EPS Information

Current Quarter EPS Consensus Estimate: -0.14
Current Year EPS Consensus Estimate: 1.58
Estimated Long-Term EPS Growth Rate: 7.00
Next EPS Report Date: 01/04/2010

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 2.20
30 Days Ago: 2.20
60 Days Ago: 2.33
90 Days Ago: 2.00

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 15.35	vs. Previous Year: 0.00%	vs. Previous Year: -49.20%
Trailing 12 Months: -	vs. Previous Quarter: -113.70%	vs. Previous Quarter: -60.43%
PEG Ratio: 2.19		

Price Ratios		ROE		ROA	
Price/Book	1.86	07/31/09		12.13	07/31/09
Price/Cash Flow	8.55	04/30/09		12.17	04/30/09
Price / Sales	1.02	01/31/09		11.70	01/31/09
Current Ratio		Quick Ratio		Operating Margin	
07/31/09	0.99	07/31/09		0.76	07/31/09
04/30/09	1.07	04/30/09		0.88	04/30/09
01/31/09	0.99	01/31/09		0.76	01/31/09
Net Margin		Pre-Tax Margin		Book Value	
07/31/09	12.89	07/31/09		12.89	07/31/09
04/30/09	11.58	04/30/09		11.58	04/30/09
01/31/09	8.66	01/31/09		8.66	01/31/09
Inventory Turnover		Debt-to-Equity		Debt to Capital	
07/31/09	10.20	07/31/09		0.84	07/31/09
04/30/09	10.05	04/30/09		0.82	04/30/09
01/31/09	10.50	01/31/09		0.83	01/31/09

**SOUTH JERSEY INDS INC (NYSE)**

Scottrade

SJI 37.42 ▲0.51 (1.38%) Vol. 190,790

16:03 ET

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

General Information**SOUTH JERSEY IN**

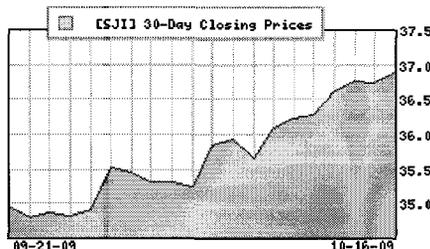
1 South Jersey Plaza
Folsom, NJ 08037
Phone: 609 561-9000
Fax: 609 561-8225
Web: www.sjindustries.com
Email: investorrelations@sjindustries.com

Industry: UTIL-GAS DISTR
Sector: Utilities

Fiscal Year End: December
Last Reported Quarter: 09/30/09
Next EPS Date: 11/05/2009

Price and Volume Information

Zacks Rank 
Yesterday's Close: 36.91
52 Week High: 40.78
52 Week Low: 29.27
Beta: 0.22
20 Day Moving Average: 173,099.16
Target Price Consensus: 45.2

**% Price Change**

4 Week: 5.16
12 Week: -0.03
YTD: -7.38

% Price Change Relative to S&P 500

4 Week: 3.28
12 Week: -9.99
YTD: -23.08

Share Information

Shares Outstanding (millions): 29.80
Market Capitalization (millions): 1,099.77
Short Ratio: 4.85
Last Split Date: 07/01/2005

Dividend Information

Dividend Yield: 3.22%
Annual Dividend: \$1.19
Payout Ratio: 0.00
Change in Payout Ratio: 0.00
Last Dividend Payout / Amount: 09/08/2009 / \$0.30

EPS Information

Current Quarter EPS Consensus Estimate: 0.06
Current Year EPS Consensus Estimate: 2.40
Estimated Long-Term EPS Growth Rate: 9.60
Next EPS Report Date: 11/05/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell): 1.60
30 Days Ago: 1.60
60 Days Ago: 1.75
90 Days Ago: 2.40

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 15.36	vs. Previous Year: -42.31%	vs. Previous Year: -1.00%
Trailing 12 Months: 15.91	vs. Previous Quarter: -89.73%	vs. Previous Quarter: -62.87%
PEG Ratio: 1.60		

Price Ratios**ROE****ROA**

Price/Book	2.04	09/30/09	-	09/30/09	-
Price/Cash Flow	10.62	06/30/09	13.17	06/30/09	4.06
Price / Sales	-	03/31/09	14.14	03/31/09	4.30
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	0.92	06/30/09	0.64	06/30/09	7.13
03/31/09	0.93	03/31/09	0.74	03/31/09	7.43
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	17.54	06/30/09	17.54	06/30/09	18.11
03/31/09	14.51	03/31/09	14.51	03/31/09	18.20
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	5.74	06/30/09	0.62	06/30/09	38.14
03/31/09	5.73	03/31/09	0.61	03/31/09	38.07



SOUTHWEST GAS CORP (NYSE)					Scottrade
SWX	25.41	▲ 0.05	(0.20%)	Vol. 255,762	16:01 ET

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing, transporting, and distributing natural gas in portions of Arizona, Nevada, and California. The Company also engaged in financial services activities, through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

General Information

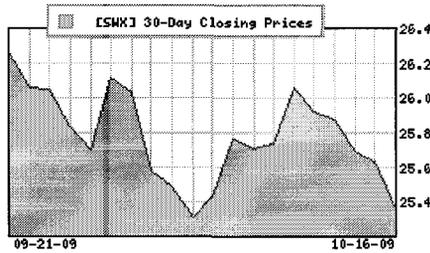
SOUTHWEST GAS
 5241 Spring Mountain Road
 P.O. Box 98510
 Las Vegas, NV 89193-8510
 Phone: 702 876-7237
 Fax: 702-876-7037
 Web: www.swgas.com
 Email: None

Industry: UTIL-GAS DISTR
 Sector: Utilities

Fiscal Year End: December
 Last Reported Quarter: 09/30/09
 Next EPS Date: 11/04/2009

Price and Volume Information

Zacks Rank	
Yesterday's Close	25.36
52 Week High	26.84
52 Week Low	17.08
Beta	0.70
20 Day Moving Average	175,584.09
Target Price Consensus	28.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.65	4 Week	-5.36
12 Week	6.33	12 Week	-4.27
YTD	0.56	YTD	-16.50

Share Information

Shares Outstanding (millions)	44.82
Market Capitalization (millions)	1,136.69
Short Ratio	5.56
Last Split Date	N/A

Dividend Information

Dividend Yield	3.75%
Annual Dividend	\$0.95
Payout Ratio	0.00
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	08/13/2009 / \$0.24

EPS Information

Current Quarter EPS Consensus Estimate	-0.36
Current Year EPS Consensus Estimate	1.84
Estimated Long-Term EPS Growth Rate	7.00
Next EPS Report Date	11/04/2009

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	2.60
30 Days Ago	2.60
60 Days Ago	2.60
90 Days Ago	2.60

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.78	vs. Previous Year	116.67%	vs. Previous Year	-13.34%
Trailing 12 Months:	17.37	vs. Previous Quarter	-99.11%	vs. Previous Quarter:	-43.81%
PEG Ratio	1.97				
Price Ratios		ROE		ROA	
Price/Book	1.05	09/30/09		09/30/09	-

Price/Cash Flow	4.30	06/30/09	5.70	06/30/09	1.63
Price / Sales	-	03/31/09	5.45	03/31/09	1.56
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	0.69	06/30/09	0.69	06/30/09	3.07
03/31/09	0.82	03/31/09	0.82	03/31/09	2.81
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	5.35	06/30/09	5.35	06/30/09	24.16
03/31/09	5.09	03/31/09	5.09	03/31/09	24.40
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	-	06/30/09	1.04	06/30/09	50.97
03/31/09	-	03/31/09	1.05	03/31/09	51.33

**WGL HLDGS INC (NYSE)**

Scotttrade

WGL 34.35 ▲ 0.45 (1.33%) Vol. 242,795

16:00 ET

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

General Information

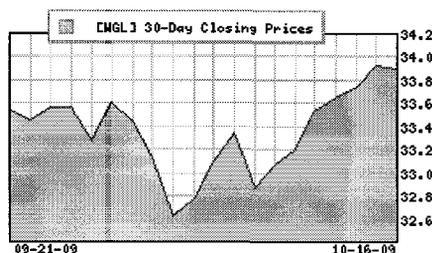
WGL HLDGS INC
101 Constitution Avenue NW
Washington, DC 20080
Phone: 703 750-2000
Fax: 703 750-4828
Web: www.wglholdings.com
Email: madams@washgas.com

Industry: UTIL-GAS DISTR
Sector: Utilities

Fiscal Year End: September
Last Reported Quarter: 09/30/09
Next EPS Date: 11/05/2009

Price and Volume Information

Zacks Rank 
Yesterday's Close: 33.90
52 Week High: 37.08
52 Week Low: 25.34
Beta: 0.21
20 Day Moving Average: 247,161.59
Target Price Consensus: 35.5

**% Price Change**

4 Week: -0.21
12 Week: 1.62
YTD: 3.70

% Price Change Relative to S&P 500

4 Week: -1.98
12 Week: -8.51
YTD: -13.88

Share Information

Shares Outstanding (millions): 50.14
Market Capitalization (millions): 1,699.78
Short Ratio: 12.58
Last Split Date: 05/02/1995

Dividend Information

Dividend Yield: 4.34%
Annual Dividend: \$1.47
Payout Ratio: 0.00
Change in Payout Ratio: 0.00
Last Dividend Payout / Amount: 10/07/2009 / \$0.37

EPS Information

Current Quarter EPS Consensus Estimate: -0.31
Current Year EPS Consensus Estimate: 2.45
Estimated Long-Term EPS Growth Rate: 5.00
Next EPS Report Date: 11/05/2009

Consensus Recommendations

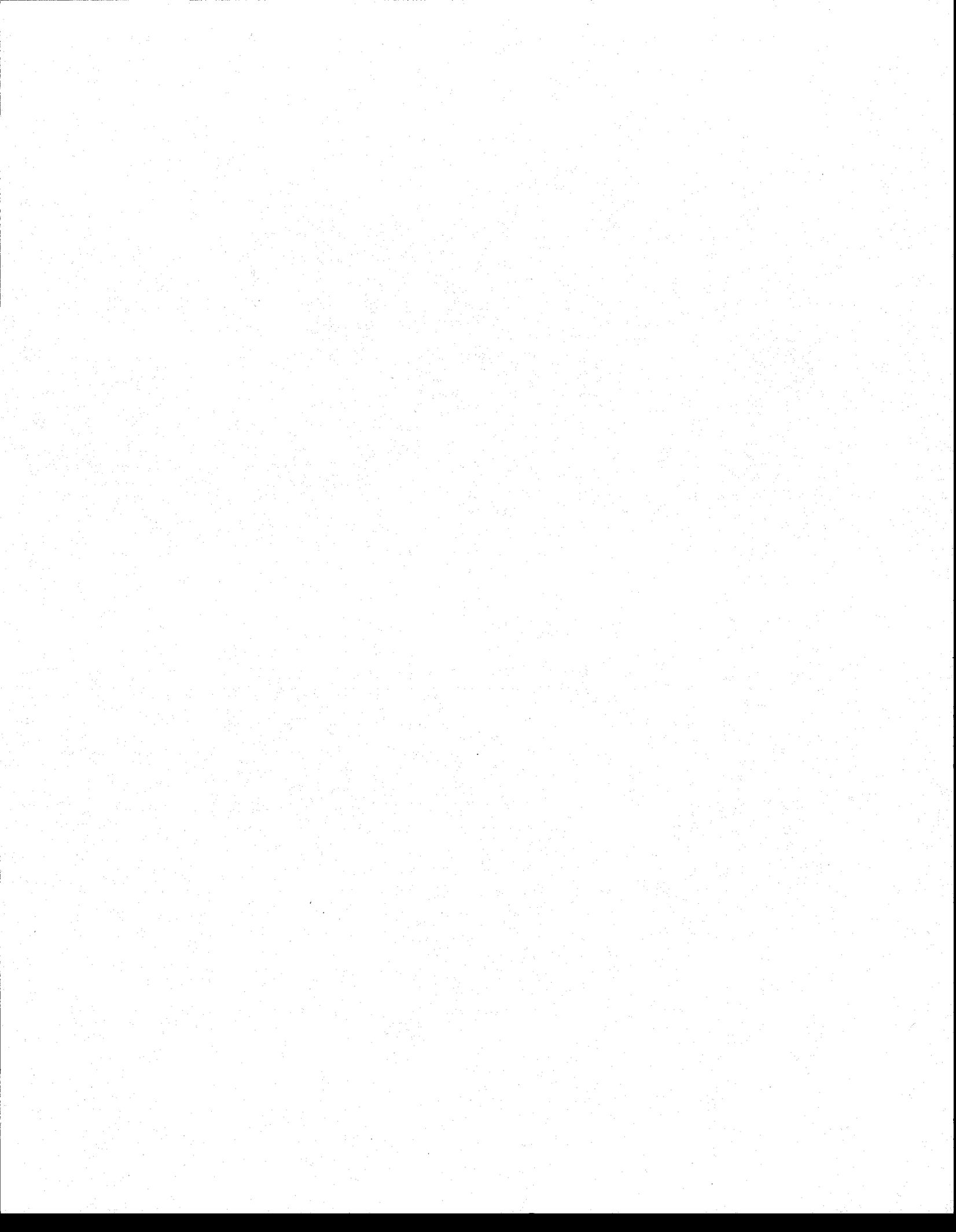
Current (1=Strong Buy, 5=Strong Sell): 2.50
30 Days Ago: 2.50
60 Days Ago: 2.50
90 Days Ago: 2.50

Fundamental Ratios

P/E	EPS Growth	Sales Growth
Current FY Estimate: 13.89	vs. Previous Year: 83.33%	vs. Previous Year: -8.09%
Trailing 12 Months: 13.19	vs. Previous Quarter: -93.33%	vs. Previous Quarter: -58.97%
PEG Ratio: 2.78		

Price Ratios**ROE****ROA**

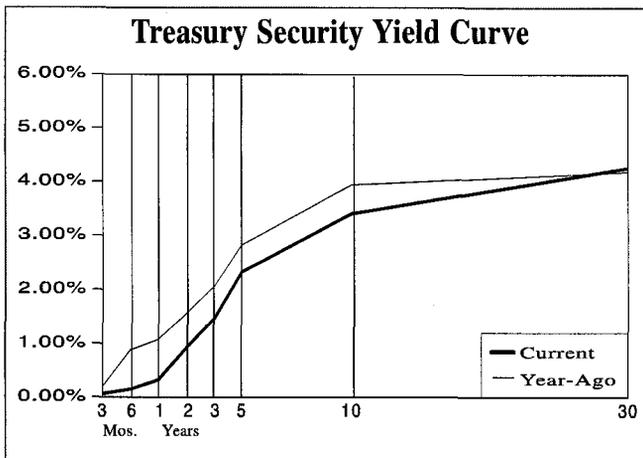
Price/Book	1.50	09/30/09	-	09/30/09	-
Price/Cash Flow	7.87	06/30/09	11.67	06/30/09	3.84
Price / Sales	-	03/31/09	11.60	03/31/09	3.75
Current Ratio			Quick Ratio		Operating Margin
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	1.17	06/30/09	0.82	06/30/09	5.26
03/31/09	1.20	03/31/09	1.04	03/31/09	5.08
Net Margin			Pre-Tax Margin		Book Value
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	7.81	06/30/09	7.81	06/30/09	22.56
03/31/09	7.58	03/31/09	7.58	03/31/09	22.89
Inventory Turnover			Debt-to-Equity		Debt to Capital
09/30/09	-	09/30/09	-	09/30/09	-
06/30/09	9.10	06/30/09	0.55	06/30/09	34.99
03/31/09	8.22	03/31/09	0.57	03/31/09	35.81



ATTACHMENT D

Selected Yields

	Recent (10/14/09)	3 Months Ago (7/15/09)	Year Ago (10/15/08)		Recent (10/14/09)	3 Months Ago (7/15/09)	Year Ago (10/15/08)
TAXABLE							
Market Rates				Mortgage-Backed Securities			
Discount Rate	0.50	0.50	1.75	GNMA 6.5%	3.65	3.41	6.06
Federal Funds	0.00-0.25	0.00-0.25	1.50	FHLMC 6.5% (Gold)	2.47	2.75	5.96
Prime Rate	3.25	3.25	4.50	FNMA 6.5%	2.21	2.59	5.91
30-day CP (A1/P1)	0.16	0.33	4.47	FNMA ARM	2.56	2.98	3.87
3-month LIBOR	0.28	0.51	4.55	Corporate Bonds			
Bank CDs				Financial (10-year) A	5.45	6.62	8.19
6-month	0.39	0.58	1.73	Industrial (25/30-year) A	5.48	6.12	7.03
1-year	0.63	0.85	2.27	Utility (25/30-year) A	5.65	5.97	6.67
5-year	2.24	1.92	3.48	Utility (25/30-year) Baa/BBB	6.22	7.19	7.03
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	0.07	0.18	0.21	Canada	3.53	3.49	3.76
6-month	0.15	0.27	0.88	Germany	3.23	3.37	4.12
1-year	0.32	0.47	1.07	Japan	1.31	1.34	1.59
5-year	2.33	2.51	2.82	United Kingdom	3.50	3.80	4.71
10-year	3.41	3.60	3.95	Preferred Stocks			
10-year (inflation-protected)	1.46	1.85	3.07	Utility A	5.96	5.95	6.57
30-year	4.26	4.49	4.19	Financial A	7.00	7.67	7.33
30-year Zero	4.39	4.60	4.04	Financial Adjustable A	5.49	5.49	5.49



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.06	4.71	5.47				
25-Bond Index (Revs)	4.69	5.70	5.97				
General Obligation Bonds (GOs)							
1-year Aaa	0.37	0.40	2.15				
1-year A	0.80	1.10	2.25				
5-year Aaa	1.90	2.07	3.70				
5-year A	2.10	3.47	3.75				
10-year Aaa	3.05	2.98	4.86				
10-year A	3.45	4.50	5.06				
25/30-year Aaa	4.10	4.59	5.99				
25/30-year A	4.65	6.10	6.37				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	4.90	5.95	6.17				
Electric AA	4.95	6.00	6.12				
Housing AA	5.40	6.40	6.60				
Hospital AA	5.60	6.35	6.65				
Toll Road Aaa	5.00	5.95	6.15				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	10/7/09	9/23/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	918434	854614	63820	796002	800839	706471
Borrowed Reserves	288565	307300	-18735	331341	421671	519593
Net Free/Borrowed Reserves	629869	547314	82555	464661	379168	186878

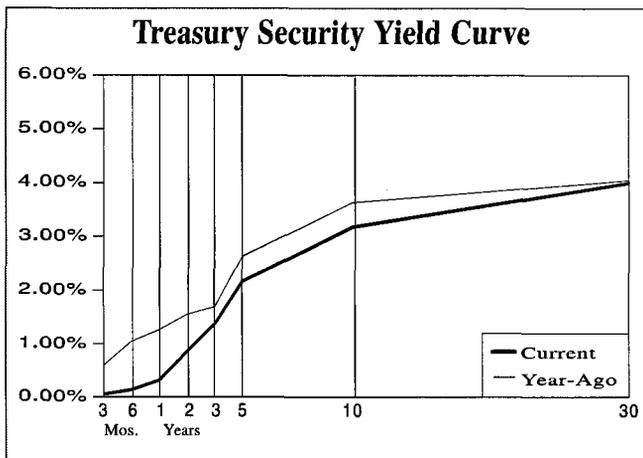
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	9/28/09	9/21/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1653.6	1639.8	13.8	0.2%	13.0%	10.9%
M2 (M1+savings+small time deposits)	8357.3	8309.8	47.5	0.4%	0.7%	5.5%

Selected Yields

	Recent (10/07/09)	3 Months Ago (7/08/09)	Year Ago (10/08/08)		Recent (10/07/09)	3 Months Ago (7/08/09)	Year Ago (10/08/08)
TAXABLE							
Market Rates							
Discount Rate	0.50	0.50	1.75				
Federal Funds	0.00-0.25	0.00-0.25	1.50				
Prime Rate	3.25	3.25	4.50				
30-day CP (A1/P1)	0.16	0.36	4.55				
3-month LIBOR	0.28	0.53	4.52				
Bank CDs							
6-month	0.40	0.65	1.73				
1-year	0.64	0.86	2.27				
5-year	2.24	1.94	3.48				
U.S. Treasury Securities							
3-month	0.06	0.18	0.61				
6-month	0.14	0.25	1.05				
1-year	0.32	0.44	1.26				
5-year	2.17	2.23	2.63				
10-year	3.18	3.31	3.64				
10-year (inflation-protected)	1.42	1.76	2.66				
30-year	4.00	4.19	4.05				
30-year Zero	4.10	4.31	3.97				
Mortgage-Backed Securities							
GNMA 6.5%	3.44	3.71	5.82				
FHLMC 6.5% (Gold)	2.38	2.99	5.70				
FNMA 6.5%	2.33	2.83	5.62				
FNMA ARM	2.56	2.98	3.84				
Corporate Bonds							
Financial (10-year) A	5.46	6.53	7.34				
Industrial (25/30-year) A	5.28	5.82	6.66				
Utility (25/30-year) A	5.44	5.71	6.58				
Utility (25/30-year) Baa/BBB	5.95	6.85	6.93				
Foreign Bonds (10-Year)							
Canada	3.29	3.28	3.59				
Germany	3.12	3.28	3.80				
Japan	1.27	1.30	1.39				
United Kingdom	3.39	3.62	4.30				
Preferred Stocks							
Utility A	6.29	7.59	6.99				
Financial A	6.89	6.57	8.54				
Financial Adjustable A	5.48	5.48	5.48				



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	3.94	4.83	5.36				
25-Bond Index (Revs)	4.69	5.75	5.69				
General Obligation Bonds (GOs)							
1-year Aaa	0.37	0.43	2.18				
1-year A	0.87	0.93	2.25				
5-year Aaa	1.57	1.96	3.34				
5-year A	2.77	2.40	3.44				
10-year Aaa	2.57	3.09	4.31				
10-year A	3.77	3.45	4.51				
25/30-year Aaa	3.81	4.59	5.35				
25/30-year A	5.01	5.05	5.70				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	4.85	5.55	5.80				
Electric AA	4.90	5.65	5.90				
Housing AA	5.20	5.80	6.00				
Hospital AA	5.20	5.90	6.10				
Toll Road Aaa	4.85	5.60	5.95				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	9/9/09	8/26/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	823187	794531	28656	754073	773681	643433
Borrowed Reserves	320295	327647	-7352	369408	467326	513721
Net Free/Borrowed Reserves	502892	466884	36008	384665	306355	129711

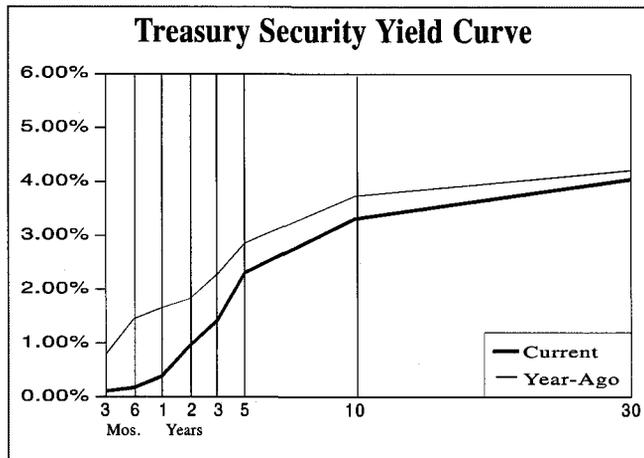
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	9/21/09	9/14/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1639.8	1670.9	-31.1	-6.8%	11.4%	11.3%
M2 (M1+savings+small time deposits)	8310.3	8318.3	-8.0	-3.5%	-1.1%	5.2%

Selected Yields

	Recent (9/30/09)	3 Months Ago (6/30/09)	Year Ago (10/01/08)		Recent (9/30/09)	3 Months Ago (6/30/09)	Year Ago (10/01/08)
TAXABLE							
Market Rates				Mortgage-Backed Securities			
Discount Rate	0.50	0.50	2.25	GNMA 6.5%	3.63	3.77	5.64
Federal Funds	0.00-0.25	0.00-0.25	2.00	FHLMC 6.5% (Gold)	2.82	3.23	5.63
Prime Rate	3.25	3.25	5.00	FNMA 6.5%	2.60	3.07	5.54
30-day CP (A1/P1)	0.18	0.41	3.05	FNMA ARM	2.62	2.53	3.88
3-month LIBOR	0.29	0.60	4.15	Corporate Bonds			
Bank CDs				Financial (10-year) A	5.61	6.87	7.25
6-month	0.40	0.65	1.61	Industrial (25/30-year) A	5.31	5.96	6.52
1-year	0.64	0.86	2.14	Utility (25/30-year) A	5.40	5.79	6.46
5-year	2.27	1.92	3.77	Utility (25/30-year) Baa/BBB	5.73	6.88	6.61
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	0.11	0.18	0.80	Canada	3.31	3.36	3.71
6-month	0.17	0.34	1.45	Germany	3.22	3.39	4.00
1-year	0.38	0.48	1.66	Japan	1.30	1.36	1.51
5-year	2.31	2.56	2.86	United Kingdom	3.59	3.69	4.43
10-year	3.31	3.53	3.74	Preferred Stocks			
10-year (inflation-protected)	1.53	1.80	2.25	Utility A	5.77	6.10	6.53
30-year	4.05	4.33	4.22	Financial A	6.61	7.75	7.78
30-year Zero	4.13	4.41	4.22	Financial Adjustable A	5.48	5.48	5.48



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.04	4.79	5.23				
25-Bond Index (Revs)	4.86	5.77	5.56				
General Obligation Bonds (GOs)							
1-year Aaa	0.37	0.40	2.10				
1-year A	0.80	1.10	2.20				
5-year Aaa	1.57	2.07	3.32				
5-year A	2.00	3.47	3.37				
10-year Aaa	2.57	3.23	4.23				
10-year A	2.95	4.75	4.43				
25/30-year Aaa	3.92	4.66	5.29				
25/30-year A	4.45	6.18	5.67				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	4.70	6.05	5.45				
Electric AA	4.75	6.10	5.40				
Housing AA	5.10	6.50	5.90				
Hospital AA	5.25	6.45	5.95				
Toll Road Aaa	4.75	6.05	5.40				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	9/23/09	9/9/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	854633	823202	31431	763053	790331	675003
Borrowed Reserves	307300	320295	-12995	347846	444263	518826
Net Free/Borrowed Reserves	547333	502907	44426	415208	346068	156178

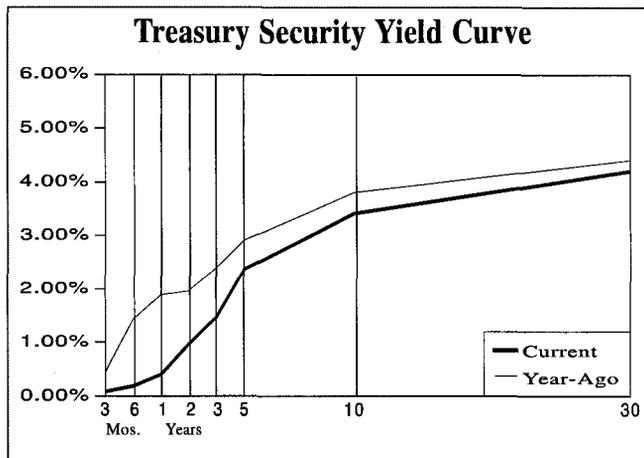
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	9/14/09	9/7/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1668.5	1666.8	1.7	3.0%	13.4%	16.7%
M2 (M1+savings+small time deposits)	8303.3	8307.2	-3.9	-3.9%	-1.4%	7.6%

Selected Yields

	Recent (9/23/09)	3 Months Ago (6/24/09)	Year Ago (9/24/08)		Recent (9/23/09)	3 Months Ago (6/24/09)	Year Ago (9/24/08)
TAXABLE							
Market Rates				Mortgage-Backed Securities			
Discount Rate	0.50	0.50	2.25	GNMA 6.5%	3.77	3.79	5.56
Federal Funds	0.00-0.25	0.00-0.25	2.00	FHLMC 6.5% (Gold)	2.57	3.28	5.43
Prime Rate	3.25	3.25	5.00	FNMA 6.5%	2.36	3.06	5.34
30-day CP (A1/P1)	0.21	0.44	2.85	FNMA ARM	2.62	2.53	3.86
3-month LIBOR	0.29	0.60	3.48	Corporate Bonds			
Bank CDs				Financial (10-year) A	5.68	6.75	7.14
6-month	0.40	0.65	1.61	Industrial (25/30-year) A	5.47	6.07	6.53
1-year	0.64	0.87	2.14	Utility (25/30-year) A	5.58	5.89	6.50
5-year	2.27	1.92	3.77	Utility (25/30-year) Baa/BBB	6.14	7.30	6.74
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	0.09	0.18	0.46	Canada	3.42	3.45	3.66
6-month	0.19	0.31	1.43	Germany	3.37	3.42	4.16
1-year	0.40	0.46	1.89	Japan	1.35	1.39	1.49
5-year	2.37	2.71	2.91	United Kingdom	3.75	3.70	4.57
10-year	3.42	3.69	3.81	Preferred Stocks			
10-year (inflation-protected)	1.60	1.88	1.99	Utility A	6.08	6.05	6.85
30-year	4.20	4.43	4.41	Financial A	6.55	8.21	8.04
30-year Zero	4.30	4.50	4.39	Financial Adjustable A	5.47	5.47	5.47



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.20	4.86	5.03				
25-Bond Index (Revs)	4.98	5.78	5.44				
General Obligation Bonds (GOs)							
1-year Aaa	0.40	0.40	2.15				
1-year A	0.90	0.90	2.25				
5-year Aaa	1.61	2.17	3.10				
5-year A	3.01	2.60	3.20				
10-year Aaa	2.65	3.27	4.02				
10-year A	4.15	3.63	4.22				
25/30-year Aaa	4.03	4.70	5.13				
25/30-year A	5.60	5.15	5.45				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	5.35	5.80	5.55				
Electric AA	5.40	5.90	5.60				
Housing AA	5.80	6.10	5.90				
Hospital AA	5.80	6.05	5.95				
Toll Road Aaa	5.35	5.85	5.65				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	9/9/09	8/26/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	823201	794546	28655	754077	773683	643434
Borrowed Reserves	320295	327647	-7352	369408	467326	513721
Net Free/Borrowed Reserves	502906	466899	36007	384669	306357	129712

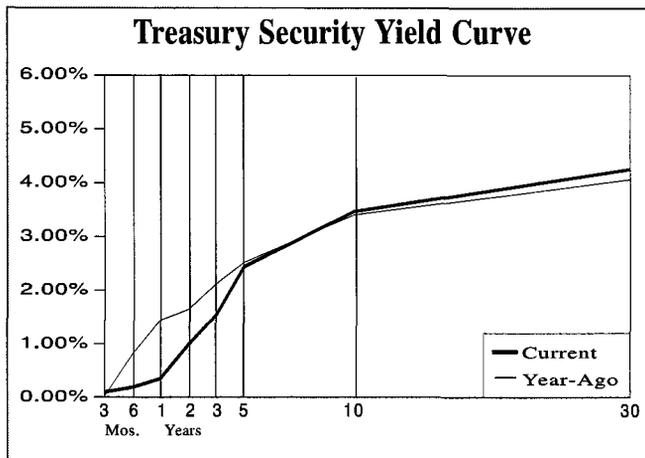
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	9/7/09	8/31/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1667.2	1635.6	31.6	9.2%	11.6%	18.0%
M2 (M1+savings+small time deposits)	8306.2	8293.6	12.6	-3.0%	-0.5%	8.0%

Selected Yields

	Recent (9/16/09)	3 Months Ago (6/17/09)	Year Ago (9/17/08)		Recent (9/16/09)	3 Months Ago (6/17/09)	Year Ago (9/17/08)
TAXABLE							
Market Rates				Mortgage-Backed Securities			
Discount Rate	0.50	0.50	2.25	GNMA 6.5%	3.57	4.00	5.43
Federal Funds	0.00-0.25	0.00-0.25	2.00	FHLMC 6.5% (Gold)	2.71	3.13	5.33
Prime Rate	3.25	3.25	5.00	FNMA 6.5%	2.47	2.96	5.24
30-day CP (A1/P1)	0.21	0.42	2.50	FNMA ARM	2.62	2.53	3.86
3-month LIBOR	0.29	0.61	3.06	Corporate Bonds			
Bank CDs				Financial (10-year) A	5.74	6.70	6.79
6-month	0.40	0.66	1.61	Industrial (25/30-year) A	5.55	6.13	6.08
1-year	0.65	0.87	2.26	Utility (25/30-year) A	5.59	5.95	5.94
5-year	2.30	1.92	4.10	Utility (25/30-year) Baa/BBB	6.21	7.54	6.51
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	0.10	0.16	0.04	Canada	3.38	3.44	3.44
6-month	0.19	0.31	0.81	Germany	3.34	3.48	4.02
1-year	0.35	0.47	1.44	Japan	1.33	1.47	1.50
5-year	2.44	2.68	2.52	United Kingdom	3.69	3.79	4.41
10-year	3.47	3.69	3.41	Preferred Stocks			
10-year (inflation-protected)	1.60	1.92	1.74	Utility A	6.29	5.47	6.56
30-year	4.26	4.51	4.07	Financial A	6.73	8.72	8.77
30-year Zero	4.37	4.60	4.11	Financial Adjustable A	5.47	5.47	5.47



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.33	4.86	4.54				
25-Bond Index (Revs)	5.33	5.76	5.09				
General Obligation Bonds (GOs)							
1-year Aaa	0.40	0.40	1.73				
1-year A	0.90	1.10	1.83				
5-year Aaa	1.71	2.25	2.79				
5-year A	2.15	3.65	2.84				
10-year Aaa	2.78	3.33	3.59				
10-year A	3.15	4.85	3.79				
25/30-year Aaa	4.10	4.72	4.94				
25/30-year A	4.56	6.24	5.32				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	4.85	6.30	5.05				
Electric AA	4.90	6.35	5.00				
Housing AA	5.30	6.65	5.40				
Hospital AA	5.35	6.60	5.45				
Toll Road Aaa	4.90	6.30	5.00				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	9/9/09	8/26/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	823201	794546	28655	754077	773683	643434
Borrowed Reserves	320295	327647	-7352	369408	467326	513721
Net Free/Borrowed Reserves	502906	466899	36007	384669	306357	129712

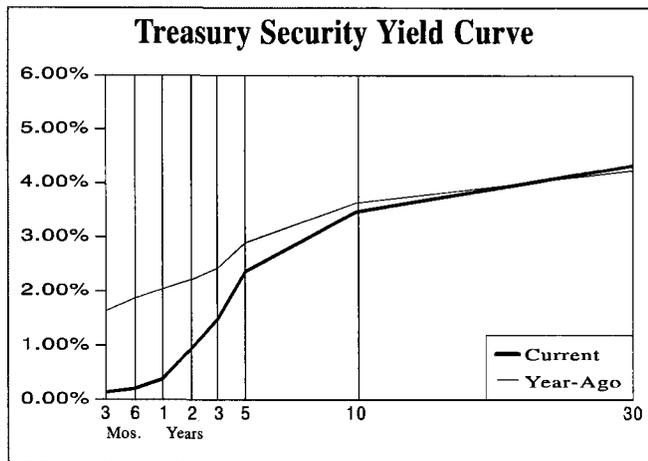
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	8/31/09	8/24/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1635.7	1639.0	-3.3	9.9%	9.6%	17.6%
M2 (M1+savings+small time deposits)	8293.7	8282.4	11.3	-3.4%	0.1%	7.6%

Selected Yields

	Recent (9/02/09)	3 Months Ago (6/10/09)	Year Ago (9/10/08)		Recent (9/02/09)	3 Months Ago (6/10/09)	Year Ago (9/10/08)
TAXABLE							
Market Rates							
Discount Rate	0.50	0.50	2.25				
Federal Funds	0.00-0.25	0.00-0.25	2.00				
Prime Rate	3.25	3.25	5.00				
30-day CP (A1/P1)	0.21	0.34	3.00				
3-month LIBOR	0.30	0.64	2.82				
Bank CDs							
6-month	0.42	0.66	1.60				
1-year	0.72	0.87	2.26				
5-year	2.30	1.92	4.15				
U.S. Treasury Securities							
3-month	0.14	0.17	1.64				
6-month	0.20	0.31	1.86				
1-year	0.38	0.53	2.04				
5-year	2.37	2.92	2.90				
10-year	3.47	3.95	3.63				
10-year (inflation-protected)	1.63	1.86	1.61				
30-year	4.33	4.76	4.23				
30-year Zero	4.46	4.84	4.27				
Mortgage-Backed Securities							
GNMA 6.5%	3.77	4.26	5.31				
FHLMC 6.5% (Gold)	2.90	3.07	5.36				
FNMA 6.5%	2.72	2.91	5.20				
FNMA ARM	2.62	2.53	3.86				
Corporate Bonds							
Financial (10-year) A	6.04	6.82	6.51				
Industrial (25/30-year) A	5.63	6.50	6.08				
Utility (25/30-year) A	5.65	6.28	6.04				
Utility (25/30-year) Baa/BBB	6.40	7.76	6.49				
Foreign Bonds (10-Year)							
Canada	3.42	3.64	3.46				
Germany	3.42	3.69	4.07				
Japan	1.33	1.55	1.52				
United Kingdom	3.76	3.92	4.46				
Preferred Stocks							
Utility A	5.84	7.62	6.12				
Financial A	6.62	8.63	7.33				
Financial Adjustable A	5.54	5.46	5.46				



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.37	4.71	4.62				
25-Bond Index (Revs)	5.43	5.63	5.15				
General Obligation Bonds (GOs)							
1-year Aaa	0.40	0.40	1.58				
1-year A	1.10	0.90	1.68				
5-year Aaa	1.76	2.14	2.69				
5-year A	3.16	2.57	2.79				
10-year Aaa	2.88	3.21	3.48				
10-year A	4.40	3.57	3.68				
25/30-year Aaa	4.21	4.72	4.53				
25/30-year A	5.75	5.16	4.77				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	5.50	5.85	4.87				
Electric AA	5.55	5.95	4.92				
Housing AA	6.05	6.25	5.13				
Hospital AA	6.05	6.20	5.15				
Toll Road Aaa	5.50	6.00	4.95				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	8/26/09	8/12/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	794546	708501	86045	756262	762985	613021
Borrowed Reserves	327647	340534	-12887	394750	486512	508084
Net Free/Borrowed Reserves	466899	367967	98932	361513	276473	104936

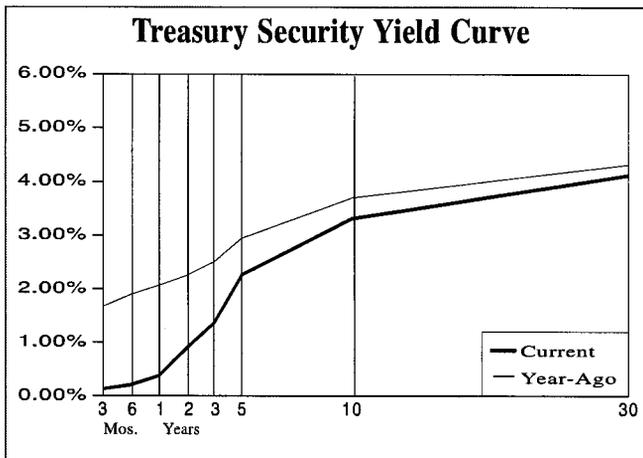
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	8/24/09	8/17/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1639.0	1656.3	-17.3	9.4%	12.4%	18.0%
M2 (M1+savings+small time deposits)	8282.4	8310.5	-28.1	-4.3%	0.5%	7.6%

Selected Yields

	Recent (9/02/09)	3 Months Ago (6/3/09)	Year Ago (9/03/08)		Recent (9/02/09)	3 Months Ago (6/3/09)	Year Ago (9/03/08)
TAXABLE							
Market Rates				Mortgage-Backed Securities			
Discount Rate	0.50	0.50	2.25	GNMA 6.5%	3.92	3.37	5.60
Federal Funds	0.00-0.25	0.00-0.25	2.00	FHLMC 6.5% (Gold)	3.07	2.89	5.67
Prime Rate	3.25	3.25	5.00	FNMA 6.5%	2.85	2.78	5.48
30-day CP (A1/P1)	0.23	0.28	2.88	FNMA ARM	2.62	2.53	3.89
3-month LIBOR	0.33	0.64	2.81	Corporate Bonds			
Bank CDs				Financial (10-year) A	5.79	6.82	6.69
6-month	0.42	0.70	1.60	Industrial (25/30-year) A	5.43	6.35	6.11
1-year	0.72	0.92	2.26	Utility (25/30-year) A	5.45	6.17	6.13
5-year	2.25	1.92	4.15	Utility (25/30-year) Baa/BBB	6.14	7.83	6.54
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	0.13	0.12	1.68	Canada	3.33	3.36	3.48
6-month	0.21	0.25	1.90	Germany	3.23	3.57	4.14
1-year	0.38	0.44	2.07	Japan	1.32	1.55	1.47
5-year	2.27	2.42	2.95	United Kingdom	3.55	3.79	4.50
10-year	3.31	3.54	3.70	Preferred Stocks			
10-year (inflation-protected)	1.74	1.63	1.64	Utility A	6.37	6.10	6.16
30-year	4.12	4.45	4.32	Financial A	5.94	8.35	6.97
30-year Zero	4.22	4.53	4.37	Financial Adjustable A	5.53	5.53	5.53



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.53	4.61	4.68				
25-Bond Index (Revs)	5.99	5.53	5.17				
General Obligation Bonds (GOs)							
1-year Aaa	0.40	0.40	1.58				
1-year A	0.90	1.13	1.68				
5-year Aaa	1.80	2.02	2.74				
5-year A	2.24	3.45	2.84				
10-year Aaa	2.93	3.01	3.55				
10-year A	3.30	4.55	3.75				
25/30-year Aaa	4.36	4.64	4.69				
25/30-year A	4.82	6.16	5.07				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	5.30	6.20	4.85				
Electric AA	5.40	6.25	4.80				
Housing AA	5.55	6.55	5.15				
Hospital AA	5.60	6.50	5.25				
Toll Road Aaa	5.35	6.30	4.80				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	8/26/09	8/12/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	794546	708501	86045	756262	762985	613020
Borrowed Reserves	327647	340534	-12887	394750	486512	508084
Net Free/Borrowed Reserves	466899	367967	98932	361512	276473	104936

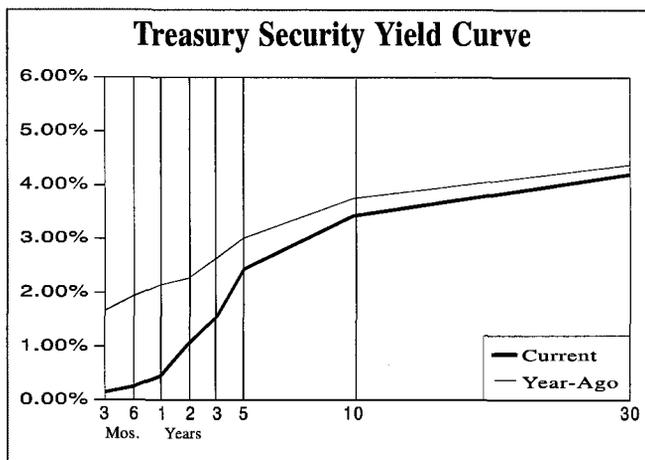
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	8/17/09	8/10/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1658.2	1663.6	-5.4	17.9%	13.1%	19.9%
M2 (M1+savings+small time deposits)	8312.4	8318.3	-5.9	-1.5%	1.1%	8.1%

Selected Yields

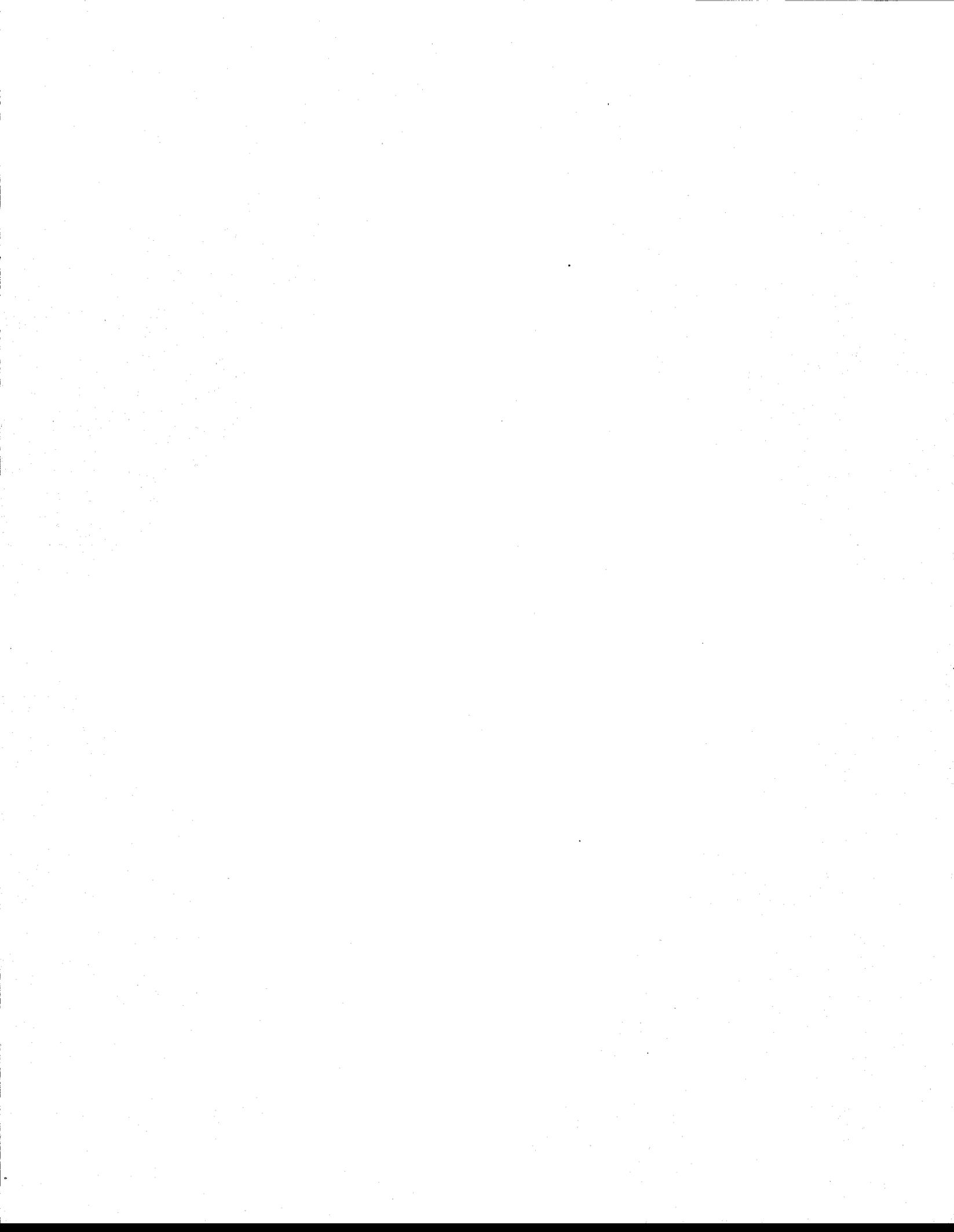
	Recent (8/26/09)	3 Months Ago (5/27/09)	Year Ago (8/27/08)		Recent (8/26/09)	3 Months Ago (5/27/09)	Year Ago (8/27/08)
TAXABLE							
Market Rates							
Discount Rate	0.50	0.50	2.25	Mortgage-Backed Securities			
Federal Funds	0.00-0.25	0.00-0.25	2.00	GNMA 6.5%	3.95	3.34	5.62
Prime Rate	3.25	3.25	5.00	FHLMC 6.5% (Gold)	2.95	2.61	5.66
30-day CP (A1/P1)	0.24	0.31	2.84	FNMA 6.5%	2.73	2.28	5.56
3-month LIBOR	0.37	0.67	2.81	FNMA ARM	2.75	2.78	4.02
Bank CDs							
6-month	0.48	0.69	1.60	Corporate Bonds			
1-year	0.72	0.92	2.26	Financial (10-year) A	6.13	7.00	6.60
5-year	2.25	1.92	4.15	Industrial (25/30-year) A	5.52	6.61	6.18
U.S. Treasury Securities							
3-month	0.15	0.16	1.67	Utility (25/30-year) A	5.53	6.44	6.15
6-month	0.25	0.29	1.94	Utility (25/30-year) Baa/BBB	6.17	8.01	6.57
1-year	0.45	0.47	2.15	Foreign Bonds (10-Year)			
5-year	2.44	2.44	3.01	Canada	3.40	3.57	3.53
10-year	3.43	3.74	3.76	Germany	3.24	3.63	4.17
10-year (inflation-protected)	1.70	1.81	1.51	Japan	1.32	1.48	1.45
30-year	4.20	4.63	4.38	United Kingdom	3.55	3.75	4.51
30-year Zero	4.29	4.74	4.44	Preferred Stocks			
				Utility A	6.34	6.08	6.16
				Financial A	5.99	8.28	7.08
				Financial Adjustable A	5.52	5.53	5.53



TAX-EXEMPT							
Bond Buyer Indexes							
20-Bond Index (GOs)	4.58	4.44	4.64				
25-Bond Index (Revs)	5.62	5.42	5.15				
General Obligation Bonds (GOs)							
1-year Aaa	0.40	0.42	1.56				
1-year A	1.10	1.15	1.66				
5-year Aaa	1.81	1.87	2.79				
5-year A	3.21	3.29	2.89				
10-year Aaa	2.96	2.84	3.60				
10-year A	4.48	4.40	3.80				
25/30-year Aaa	4.54	4.41	4.71				
25/30-year A	6.05	5.89	4.95				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	5.80	5.94	5.05				
Electric AA	5.85	6.04	5.10				
Housing AA	6.35	6.34	5.25				
Hospital AA	6.35	6.29	5.30				
Toll Road Aaa	5.80	6.09	5.10				

Federal Reserve Data

BANK RESERVES								
<i>(Two-Week Period; in Millions, Not Seasonally Adjusted)</i>								
Recent Levels				Average Levels Over the Last...				
	8/12/09	7/29/09	Change	12 Wks.	26 Wks.	52 Wks.		
Excess Reserves	708499	728888	-20389	768051	749904	583661		
Borrowed Reserves	340534	347217	-6683	427197	503204	502158		
Net Free/Borrowed Reserves	367965	381671	-13706	340854	246700	81504		
MONEY SUPPLY								
<i>(One-Week Period; in Billions, Seasonally Adjusted)</i>								
Recent Levels				Growth Rates Over the Last...				
	8/10/09	8/3/09	Change	3 Mos.	6 Mos.	12 Mos.		
M1 (Currency+demand deposits)	1663.8	1677.2	-13.4	17.9%	12.1%	18.7%		
M2 (M1+savings+small time deposits)	8318.3	8323.9	-5.6	-0.7%	1.6%	7.9%		



GLOBAL UTILITIES
DOCKET NO. SW-02445A-09-0077 ET AL.
TABLE OF CONTENTS TO SCHEDULES WAR

<u>SCHEDULE #</u>	
WAR - 1	COST OF CAPITAL SUMMARY
WAR - 2	DCF COST OF EQUITY CAPITAL
WAR - 3	DIVIDEND YIELD CALCULATION
WAR - 4	DIVIDEND GROWTH RATE CALCULATION
WAR - 5	DIVIDEND GROWTH COMPONENTS
WAR - 6	GROWTH RATE COMPARISON
WAR - 7	CAPM COST OF EQUITY CAPITAL
WAR - 8	ECONOMIC INDICATORS - 1990 TO PRESENT
WAR - 9	CAPITAL STRUCTURES OF SAMPLE COMPANIES

WEIGHTED AVERAGE COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTED	(C) RUCO RECOMMENDED	(D) CAPITAL RATIO	(E) COST RATE	(F) WEIGHTED COST RATE
1	SHORT-TERM DEBT	\$ -	\$ -	\$ -	0.00%	0.00%	
2	LONG-TERM DEBT	118,466,992	-	118,466,992	37.89%	6.44%	2.44%
3	COMMON EQUITY	194,182,956	-	194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITALIZATION	\$ 312,649,948	\$ -	\$ 312,649,948	100.00%		

5 WEIGHTED AVERAGE COST OF CAPITAL

7.41%

REFERENCES:

- COLUMN (A): COMPANY SCHEDULE D-1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): LINES 1, 2 AND 3 DIVIDED BY LINE 4
- COLUMN (E): SCHEDULE WAR-1, PAGES 2 AND 3
- COLUMN (F): COLUMN (D) x COLUMN (E)

WEIGHTED COST OF DEBT

LINE NO.	SYSTEM	(A) COMPANY PROPOSED	(B) RUCO ADJUSTED	(C) RUCO RECOMMENDED	(D) CAPITAL RATIO	(E) COST RATE	(F) WEIGHTED COST RATE
1	PALO VERDE UTILITIES COMPANY	\$ 76,564,739	\$ -	\$ 76,564,739	39.43%	6.34%	2.50%
2	SANTA CRUZ WATER COMPANY	65,933,751	-	65,933,751	33.95%	6.57%	2.23%
3	VALENCIA WATER COMPANY, TOWN DIVISION	15,338,454	-	15,338,454	7.90%	6.73%	0.53%
4	VALENCIA WATER COMPANY, GREATER BUCKEYE DIVISION	1,967,920	-	1,967,920	1.01%	6.38%	0.06%
5	WATER UTILITY OF GREATER TONOPAH, INC.	33,241,352	-	33,241,352	17.12%	6.30%	1.08%
6	WILLOW VALLEY WATER COMPANY, INC.	1,136,740	-	1,136,740	0.59%	5.48%	0.03%
7	TOTALS	\$ 194,182,956	\$ -	\$ 194,182,956	100.00%		

8 WEIGHTED COST OF DEBT

6.44%

REFERENCES:

- COLUMN (A): COMPANY SCHEDULE D-1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): LINES 1, 2 AND 3 DIVIDED BY LINE 4
- COLUMN (E): COMPANY SCHEDULE D-1
- COLUMN (F): COLUMN (D) x COLUMN (E)

COST OF COMMON EQUITY CALCULATION

LINE NO.				
1	<u>DCF METHODOLOGY</u>			
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.94%	SCHEDULE WAR-2, COLUMN (C), LINE 5	
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.50%	SCHEDULE WAR-2, COLUMN (C), LINE 13	
4	AVERAGE OF DCF ESTIMATES	9.72%	(LINE 2 + LINE 3) ÷ 2	
5	<u>CAPM METHODOLOGY</u>			
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	5.92%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5	
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	5.25%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13	
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	7.49%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5	
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	6.51%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13	
10	AVERAGE OF CAPM ESTIMATES	6.29%	(SUM OF LINES 6 THRU 9) ÷ 4	
11	AVERAGE OF DCF AND CAPM ESTIMATES	8.01%	(SUM OF LINES 4 AND 10) ÷ 2	

GLOBAL UTILITIES
 TEST YEAR ENDED DECEMBER 31, 2008
 DCF COST OF EQUITY CAPITAL

DOCKET NO. SW-02445A-09-0077 ET
 SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	2.83%	+	9.03%	=	11.86%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.09%	+	6.70%	=	9.79%
3	SWWC	SOUTHWEST WATER COMPANY	1.96%	+	7.20%	=	9.16%
4	WTR	AQUA AMERICA, INC.	3.18%	+	5.78%	=	8.96%
5		WATER COMPANY AVERAGE					9.94%
6	AGL	AGL RESOURCES, INC.	4.93%	+	5.95%	=	10.87%
7	ATO	ATMOS ENERGY CORP.	4.69%	+	4.42%	=	9.10%
8	LG	LACLEDE GROUP, INC.	4.72%	+	5.12%	=	9.84%
9	NJR	NEW JERSEY RESOURCES CORPORATION	3.42%	+	5.68%	=	9.10%
10	GAS	NICOR, INC.	5.10%	+	5.18%	=	10.28%
11	NWN	NORTHWEST NATURAL GAS CO.	3.74%	+	4.95%	=	8.69%
12	PNY	PIEDMONT NATURAL GAS COMPANY	4.51%	+	4.75%	=	9.27%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	3.39%	+	7.88%	=	11.28%
14	SWX	SOUTHWEST GAS CORPORATION	3.76%	+	4.00%	=	7.77%
15	WGL	WGL HOLDINGS, INC.	4.47%	+	4.38%	=	8.85%
16		NATURAL GAS LDC AVERAGE					9.50%

REFERENCES:
 COLUMN (A): SCHEDULE WAR - 3, COLUMN C
 COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
 COLUMN (C): COLUMN (A) + COLUMN (B)

GLOBAL UTILITIES
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND YIELD CALCULATION

DOCKET NO. SW-02445A-09-0077 ET AL.
 SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	+	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	\$1.00	+	\$35.29	=	2.83%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.18	÷	38.22	=	3.09%
3	SWWC	SOUTHWEST WATER COMPANY	0.10	÷	5.11	=	1.96%
4	WTR	AQUA AMERICA, INC.	0.54	+	16.96	=	3.18%
5		WATER COMPANY AVERAGE					2.77%
6	AGL	AGL RESOURCES, INC.	\$1.72	÷	\$34.92	=	4.93%
7	ATO	ATMOS ENERGY CORP.	1.32	÷	28.16	=	4.69%
8	LG	LACLEDE GROUP, INC.	1.54	÷	32.64	=	4.72%
9	NJR	NEW JERSEY RESOURCES CORPORATION	1.24	+	36.30	=	3.42%
10	GAS	NICOR, INC.	1.86	÷	36.45	=	5.10%
11	NWN	NORTHWEST NATURAL GAS CO.	1.58	÷	42.28	=	3.74%
12	PNY	PIEDMONT NATURAL GAS COMPANY	1.08	+	23.94	=	4.51%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	1.19	+	35.11	=	3.39%
14	SWX	SOUTHWEST GAS CORPORATION	0.95	+	25.29	=	3.76%
15	WGL	WGL HOLDINGS, INC.	1.48	÷	33.10	=	4.47%
16		NATURAL GAS LDC AVERAGE					4.27%

REFERENCES:
 COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's).
 COLUMN (B): EIGHT WEEK AVERAGE OF CLOSING PRICES FROM 08/24/2009 TO 10/16/2009
 STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE - HISTORICAL QUOTES (www.bigcharts.com).
 COLUMN (C): COLUMN (A) / COLUMN (B)

GLOBAL UTILITIES
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. SW-02445A-09-0077 ET AL.
 SCHEDULE WAR - 4
 PAGE 1 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWR	AMERICAN STATES WATER CO.	6.20%	+	2.83%	=	9.03%
2	CWT	CALIFORNIA WATER SERVICE GROUP	6.00%	+	0.70%	=	6.70%
3	SWWC	SOUTHWEST WATER COMPANY	7.15%	+	0.05%	=	7.20%
4	WTR	AQUA AMERICA, INC.	5.50%	+	0.28%	=	5.78%
5	WATER COMPANY AVERAGE						7.18%
6	AGL	AGL RESOURCES, INC.	5.50%	+	0.45%	=	5.95%
7	ATO	ATMOS ENERGY CORP.	4.10%	+	0.32%	=	4.42%
8	LG	LACLEDE GROUP, INC.	4.50%	+	0.62%	=	5.12%
9	NJR	NEW JERSEY RESOURCES CORPORATION	5.10%	+	0.58%	=	5.68%
10	GAS	NICOR, INC.	5.10%	+	0.08%	=	5.18%
11	NWN	NORTHWEST NATURAL GAS CO.	4.60%	+	0.35%	=	4.95%
12	PNY	PIEDMONT NATURAL GAS COMPANY	4.75%	+	0.00%	=	4.75%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	7.00%	+	0.88%	=	7.88%
14	SWX	SOUTHWEST GAS CORPORATION	4.00%	+	0.00%	=	4.00%
15	WGL	WGL HOLDINGS, INC.	4.35%	+	0.03%	=	4.38%
16	NATURAL GAS LDC AVERAGE						5.23%

REFERENCES:
 COLUMN (A): TESTIMONY, WAR
 COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
 COLUMN (C): COLUMN (A) + COLUMN (B)

GLOBAL UTILITIES
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. SW-02445A-09-0077 ET AL.
 SCHEDULE WAR - 4
 PAGE 2 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	(B) $x \{ [((M + B) + 1) + 2] - 1 \}$	(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	5.00%	$x \{ [((2.13) + 1) + 2] - 1 \}$	= 2.83%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.50%	$x \{ [((1.94) + 1) + 2] - 1 \}$	= 0.70%
3	SWWC	SOUTHWEST WATER COMPANY	1.10%	$x \{ [((1.09) + 1) + 2] - 1 \}$	= 0.05%
4	WTR	AQUA AMERICA, INC.	0.50%	$x \{ [((2.11) + 1) + 2] - 1 \}$	= 0.28%
5	WATER COMPANY AVERAGE				0.96%
6	AGL	AGL RESOURCES, INC.	1.75%	$x \{ [((1.51) + 1) + 2] - 1 \}$	= 0.45%
7	ATO	ATMOS ENERGY CORP.	3.75%	$x \{ [((1.17) + 1) + 2] - 1 \}$	= 0.32%
8	LG	LACLEDE GROUP, INC.	3.25%	$x \{ [((1.38) + 1) + 2] - 1 \}$	= 0.62%
9	NJR	NEW JERSEY RESOURCES CORPORATION	1.25%	$x \{ [((1.93) + 1) + 2] - 1 \}$	= 0.58%
10	GAS	NICOR, INC.	0.25%	$x \{ [((1.65) + 1) + 2] - 1 \}$	= 0.08%
11	NWN	NORTHWEST NATURAL GAS CO.	1.00%	$x \{ [((1.70) + 1) + 2] - 1 \}$	= 0.35%
12	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	$x \{ [((1.88) + 1) + 2] - 1 \}$	= 0.00%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	2.00%	$x \{ [((1.88) + 1) + 2] - 1 \}$	= 0.88%
14	SWX	SOUTHWEST GAS CORPORATION	2.50%	$x \{ [((1.00) + 1) + 2] - 1 \}$	= 0.00%
15	WGL	WGL HOLDINGS, INC.	0.10%	$x \{ [((1.50) + 1) + 2] - 1 \}$	= 0.03%
16	NATURAL GAS LDC AVERAGE				0.33%

REFERENCES:
 COLUMN (A): TESTIMONY, WAR
 COLUMN (B): VALUE LINE INVESTMENT SURVEY
 - RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC'S)
 COLUMN (C): COLUMN (A) x COLUMN (B)

GLOBAL UTILITIES
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-02445A-09-0077 ET AL.
 SCHEDULE WAR - 5
 PAGE 1 OF 4

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	(B) RETURN ON BOOK EQUITY (f)	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	2004	0.1524	6.60%	1.01%	15.01	16.75	
2			2005	0.3182	8.50%	2.70%	15.72	16.80	
3			2006	0.3158	8.10%	2.56%	16.64	17.05	
4			2007	0.4074	9.30%	3.79%	17.53	17.23	
5			2008	0.3548	8.60%	3.05%	17.95	17.30	
6			GROWTH 2004 - 2008			2.62%	5.00%		0.81%
7			2009	0.4632	10.00%	4.63%		18.50	6.94%
8			2010	0.4732	10.50%	4.97%		18.75	4.11%
9			2012-14	0.5192	12.00%	6.23%	4.00%	20.00	2.94%
10									
11	CWT	CALIFORNIA WATER SERVICE GROUP	2004	0.2260	9.00%	2.03%	15.66	18.37	
12			2005	0.2245	9.30%	2.09%	15.79	18.39	
13			2006	0.1418	6.80%	0.96%	18.15	20.66	
14			2007	0.2267	8.10%	1.84%	18.50	20.67	
15			2008	0.3842	9.90%	3.80%	19.44	20.72	
16			GROWTH 2004 - 2008			2.15%	6.50%		3.06%
17			2009	0.4381	11.50%	5.04%		21.00	1.35%
18			2010	0.4591	10.50%	4.82%		21.50	1.86%
19			2012-14	0.4943	12.00%	5.93%	3.00%	22.50	1.66%
20									
21	SWWC	SOUTHWEST WATER COMPANY	2004	0.2174	3.60%	0.78%	6.17	20.36	
22			2005	0.4118	5.00%	2.06%	6.49	22.33	
23			2006	0.4750	5.60%	2.66%	6.98	23.80	
24			2007	0.2581	3.20%	0.83%	6.54	24.27	
25			2008	-5.0000	0.80%	NMFE	4.55	24.90	
26			GROWTH 2004 - 2008			1.58%	7.00%		5.16%
27			2009	0.9333	3.00%	2.80%		25.00	0.40%
28			2010	0.9667	6.00%	5.80%		25.50	1.20%
29			2012-14	0.9000	8.00%	7.20%	-	26.50	1.25%
30									
31	WTR	AQUA AMERICA, INC.	2004	0.4219	10.70%	4.51%	5.89	127.18	
32			2005	0.4366	11.20%	4.89%	6.30	128.97	
33			2006	0.3714	10.00%	3.71%	6.96	132.33	
34			2007	0.3239	9.70%	3.14%	7.32	133.40	
35			2008	0.3014	9.30%	2.80%	7.82	135.37	
36			GROWTH 2004 - 2008			3.81%	10.00%		1.57%
37			2009	0.3415	10.50%	3.59%		136.00	0.47%
38			2010	0.3778	11.00%	4.16%		136.50	0.42%
39			2012-14	0.4800	11.50%	5.52%	6.50%	138.00	0.39%

REFERENCES:
 COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2009
 COLUMN (C): COLUMN (A) x COLUMN (B)
 COLUMN (D): LINES 6, 16, 26 & 36: SIMPLE AVERAGE GROWTH, 2004 - 2008
 COLUMN (E): VALUE LINE INVESTMENT SURVEY
 COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-02445A-09-0077 ET AL.
SCHEDULE WAR - 5
PAGE 2 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	(B) RETURN ON BOOK EQUITY (c) =	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AGL	AGL RESOURCES, INC.	2004	0.4956	11.00%	5.45%	18.06	76.70	
2			2005	0.4758	12.90%	6.14%	19.29	77.70	
3			2006	0.4559	13.20%	6.02%	20.71	77.70	
4			2007	0.3971	12.70%	5.04%	21.74	76.40	
5			2008	0.3801	12.60%	4.79%	21.48	76.90	
6			[GROWTH 2004 - 2008			5.49%	10.00%		0.07%
7			2009	0.3630	11.50%	4.17%		78.00	1.43%
8			2010	0.3931	12.50%	4.91%		79.00	1.36%
9			2012-14	0.4303	14.00%	6.02%	1.50%	85.00	2.02%
10									
11	ATO	ATMOS ENERGY CORP.	2004	0.2278	7.60%	1.73%	18.05	62.80	
12			2005	0.2791	8.50%	2.37%	19.90	80.54	
13			2006	0.3700	9.80%	3.63%	20.16	81.74	
14			2007	0.3402	8.70%	2.96%	22.01	89.33	
15			2008	0.3500	8.80%	3.08%	22.60	90.81	
16			[GROWTH 2004 - 2008			2.75%	7.50%		9.66%
17			2009	0.3714	9.00%	3.34%		92.50	1.86%
18			2010	0.3909	9.00%	3.52%		93.50	1.47%
19			2012-14	0.4400	9.50%	4.18%	4.00%	110.00	3.91%
20									
21	LG	LACLEDE GROUP, INC.	2004	0.2582	10.10%	2.61%	16.96	20.98	
22			2005	0.2789	10.90%	3.04%	17.31	21.17	
23			2006	0.4083	12.50%	5.12%	18.85	21.36	
24			2007	0.3723	11.60%	4.32%	19.79	21.65	
25			2008	0.4356	11.80%	5.14%	22.12	21.99	
26			[GROWTH 2004 - 2008			4.04%	5.50%		1.18%
27			2009	0.4814	12.00%	5.78%		22.50	2.32%
28			2010	0.3962	11.00%	4.36%		23.00	2.27%
29			2012-14	0.4333	11.00%	4.77%	5.50%	26.00	3.41%
30									
31	NJR	NEW JERSEY RESOURCES CORPORATION	2004	0.4882	15.30%	7.47%	11.25	41.61	
32			2005	0.4859	17.00%	8.26%	10.60	41.32	
33			2006	0.4866	12.60%	6.13%	15.00	41.44	
34			2007	0.3484	10.10%	3.52%	15.50	41.61	
35			2008	0.5889	15.70%	9.25%	17.28	42.06	
36			[GROWTH 2004 - 2008			6.93%	11.50%		0.27%
37			2009	0.4939	13.00%	6.42%		42.50	1.05%
38			2010	0.5259	13.00%	6.84%		43.00	1.11%
39			2012-14	0.5000	10.00%	5.00%	9.50%	45.00	1.36%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 09/11/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008
COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (E): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-02445A-09-0077 ET AL.
SCHEDULE WAR - 5
PAGE 3 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	(B) RETURN ON BOOK EQUITY (c) =	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	GAS	NICOR, INC.	2004	0.1622	13.10%	2.12%	16.99	44.10	
2			2005	0.1806	12.50%	2.26%	18.36	44.18	
3			2006	0.3519	14.70%	5.17%	19.43	44.90	
4			2007	0.3779	14.30%	5.40%	20.58	45.90	
5			2008	0.2928	12.30%	3.60%	21.55	45.13	
6			[GROWTH 2004 - 2008			3.71%	4.00%		0.58%
7			2009	0.2706	11.50%	3.11%		45.50	0.82%
8			2010	0.3474	12.50%	4.34%		45.50	0.41%
9			2012-14	0.4277	12.00%	5.13%	4.50%	45.50	0.16%
10									
11	NWN	NORTHWEST NATURAL GAS CO.	2004	0.3011	8.90%	2.68%	20.64	27.55	
12			2005	0.3744	9.90%	3.71%	21.28	27.58	
13			2006	0.4085	10.90%	4.45%	22.01	27.24	
14			2007	0.4783	12.50%	5.98%	22.52	26.41	
15			2008	0.4086	10.90%	4.45%	23.71	26.50	
16			[GROWTH 2004 - 2008			4.25%	3.50%		-0.97%
17			2009	0.4386	11.00%	4.82%		26.50	0.00%
18			2010	0.4105	11.00%	4.52%		26.50	0.00%
19			2012-14	0.4203	11.00%	4.62%	5.00%	28.00	1.11%
20									
21	PNY	PIEDMONT NATURAL GAS COMPANY	2004	0.3307	11.10%	3.67%	11.15	76.67	
22			2005	0.3106	11.50%	3.57%	11.53	76.70	
23			2006	0.2520	11.00%	2.77%	11.83	74.61	
24			2007	0.2929	11.90%	3.49%	11.99	73.23	
25			2008	0.3087	12.40%	3.83%	12.11	73.26	
26			[GROWTH 2004 - 2008			3.47%	6.00%		-1.13%
27			2009	0.3313	12.50%	4.14%		73.50	0.33%
28			2010	0.3471	13.00%	4.51%		73.50	0.16%
29			2012-14	0.3526	12.50%	4.41%	4.00%	73.00	-0.07%
30									
31	SJI	SOUTH JERSEY INDUSTRIES, INC.	2004	0.4810	12.50%	6.01%	12.41	27.76	
32			2005	0.4971	12.40%	6.16%	13.50	28.98	
33			2006	0.6260	16.30%	10.20%	15.11	29.33	
34			2007	0.5167	12.80%	6.61%	16.25	29.61	
35			2008	0.5110	13.10%	6.69%	17.33	29.73	
36			[GROWTH 2004 - 2008			7.14%	11.00%		1.73%
37			2009	0.5000	12.50%	6.25%		30.00	0.91%
38			2010	0.5170	13.50%	6.98%		31.00	2.11%
39			2012-14	0.5161	13.50%	6.97%	6.00%	33.00	2.11%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 09/11/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (D): VALUE LINE INVESTMENT SURVEY
- RATES & REPORTS DATED 09/11/2009
COLUMN (E): VALUE LINE INVESTMENT SURVEY
- RATES & REPORTS DATED 09/11/2009
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GLOBAL UTILITIES
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-02445A-09-0077 ET AL.
 SCHEDULE WAR - 5
 PAGE 4 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	(B) RETURN ON BOOK EQUITY (r) =	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	SWX	SOUTHWEST GAS CORPORATION	2004	0.5060	8.30%	4.20%	19.18	36.79	
2			2005	0.3440	6.40%	2.20%	19.10	39.33	
3			2006	0.5859	8.90%	5.21%	21.58	41.77	
4			2007	0.5590	8.50%	4.75%	22.98	42.81	
5			2008	0.3525	5.90%	2.08%	23.49	44.19	
6			GROWTH 2004 - 2008			3.69%	5.00%		4.69%
7			2009	0.4571	7.00%	3.20%		45.50	2.96%
8			2010	0.4737	7.50%	3.55%		47.00	3.13%
9			2012-14	0.5000	8.00%	4.00%	3.50%	50.00	2.50%
10									
11	WGL	WGL HOLDINGS, INC.	2004	0.3434	11.70%	4.02%	16.95	48.67	
12			2005	0.3803	11.70%	4.45%	17.80	48.65	
13			2006	0.3041	10.30%	3.13%	18.86	48.89	
14			2007	0.3476	10.40%	3.62%	19.83	49.45	
15			2008	0.4221	11.60%	4.90%	20.99	49.92	
16			GROWTH 2004 - 2008			4.02%	4.50%		0.64%
17			2009	0.4120	12.00%	4.94%		50.00	0.16%
18			2010	0.4078	11.50%	4.69%		50.00	0.08%
19			2012-14	0.3963	11.00%	4.38%	4.50%	50.00	0.03%

REFERENCES:

COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
 - RATINGS & REPORTS DATED 09/11/2009
 COLUMN (C): COLUMN (A) x COLUMN (B)
 COLUMN (E): LINES 6 & 16, SIMPLE AVERAGE GROWTH, 2004 - 2008

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2008
GROWTH RATE COMPARISON

DOCKET NO. SW-02445A-09-0077 ET AL.
SCHEDULE WAR - 6

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A)		(B)		(C)		(D)		(E)		(F)		
		ZACKS EPS	(br) + (sv)	ZACKS EPS		VALUE LINE PROJECTED DPS	BVPS	EPS	VALUE LINE HISTORIC DPS	BVPS	VALUE LINE & ZACKS AVGS.	EPS	5 - YEAR COMPOUND HISTORY DPS	BVPS
1	AWR	4.00%	9.03%	4.00%	9.50%	4.50%	4.00%	5.50%	2.00%	5.00%	4.93%	10.23%	2.96%	4.57%
2	CWT	8.20%	6.70%	4.75%	4.75%	2.50%	3.50%	7.00%	0.50%	6.50%	4.71%	6.81%	0.87%	5.55%
3	SWWC	-	7.20%	12.00%	10.00%	-22.50%	-	#####	8.50%	7.00%	-1.00%	-35.42%	7.46%	-7.33%
4	WTR	7.50%	5.78%	10.00%	10.00%	5.50%	6.50%	5.50%	8.00%	10.00%	7.57%	3.34%	8.35%	7.34%
5				9.06%		-2.50%	4.67%	2.00%	4.75%	7.13%		-3.76%	4.91%	2.53%
6	AVERAGES	7.18%	6.57%	3.74%	4.63%	4.05%	1.23%							

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A)		(B)		(C)		(D)		(E)		(F)		
		ZACKS EPS	(br) + (sv)	ZACKS EPS		VALUE LINE PROJECTED DPS	BVPS	EPS	VALUE LINE HISTORIC DPS	BVPS	VALUE LINE & ZACKS AVGS.	EPS	5 - YEAR COMPOUND HISTORY DPS	BVPS
1	AGL	4.70%	5.95%	3.50%	3.50%	2.50%	1.50%	8.50%	8.00%	10.00%	5.53%	4.41%	9.94%	4.43%
2	ATO	5.00%	4.42%	4.00%	4.00%	1.50%	4.00%	5.00%	1.50%	7.50%	4.07%	6.07%	1.60%	5.78%
3	LG	3.00%	5.12%	3.50%	3.50%	2.50%	5.50%	9.50%	1.50%	5.50%	4.43%	9.74%	2.50%	6.87%
4	NJR	6.50%	5.68%	5.50%	5.50%	5.50%	9.50%	7.50%	5.00%	11.50%	7.29%	12.26%	6.28%	11.33%
5	GAS	4.20%	5.18%	2.50%	2.50%	-	4.50%	1.00%	0.50%	4.00%	2.78%	4.33%	0.00%	6.12%
6	NWN	6.00%	4.95%	5.00%	5.00%	5.50%	5.00%	8.00%	3.00%	3.50%	5.14%	8.42%	3.99%	3.53%
7	PNY	7.00%	4.75%	5.50%	5.50%	3.50%	4.00%	6.50%	4.50%	6.00%	5.29%	4.07%	4.92%	2.09%
8	SJI	9.60%	7.88%	5.50%	5.50%	7.00%	6.00%	13.00%	6.00%	11.00%	8.30%	9.48%	7.86%	8.71%
9	SWX	7.00%	4.00%	4.50%	4.50%	5.00%	3.50%	9.00%	1.00%	5.00%	5.00%	-4.34%	2.35%	5.20%
10	WGL	5.00%	4.38%	4.00%	4.00%	3.00%	4.50%	4.00%	1.50%	4.50%	3.79%	5.36%	2.05%	5.49%
11				4.35%		4.00%	4.80%	7.20%	3.25%	6.85%		5.98%	4.15%	5.95%
12	AVERAGES	5.23%	5.80%	4.38%	5.77%	5.16%	5.36%							

REFERENCES:

- COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
- COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
- COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2008 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC'S)
- COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2008 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC'S)
- COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 10 (NATURAL GAS)
- COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2008 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC'S)

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	(A)				(B) EXPECTED RETURN
		$k = r_f$	$+ [\beta$	$x (r_m - r_f)] =$		
1	AWR	$k = 2.46%$	$+ [0.80$	$x (9.60% - 5.40%)] =$	5.82%	
2	CWT	$k = 2.46%$	$+ [0.75$	$x (9.60% - 5.40%)] =$	5.61%	
3	SWWC	$k = 2.46%$	$+ [1.10$	$x (9.60% - 5.40%)] =$	7.08%	
4	WTR	$k = 2.46%$	$+ [0.65$	$x (9.60% - 5.40%)] =$	5.19%	
5	WATER COMPANY AVERAGE		0.83		5.92%	
6	AGL	$k = 2.46%$	$+ [0.75$	$x (9.60% - 5.40%)] =$	5.61%	
7	ATO	$k = 2.46%$	$+ [0.65$	$x (9.60% - 5.40%)] =$	5.19%	
8	LG	$k = 2.46%$	$+ [0.60$	$x (9.60% - 5.40%)] =$	4.98%	
9	NJR	$k = 2.46%$	$+ [0.65$	$x (9.60% - 5.40%)] =$	5.19%	
10	GAS	$k = 2.46%$	$+ [0.70$	$x (9.60% - 5.40%)] =$	5.40%	
11	NWN	$k = 2.46%$	$+ [0.60$	$x (9.60% - 5.40%)] =$	4.98%	
12	PNY	$k = 2.46%$	$+ [0.65$	$x (9.60% - 5.40%)] =$	5.19%	
13	SJI	$k = 2.46%$	$+ [0.65$	$x (9.60% - 5.40%)] =$	5.19%	
14	SWX	$k = 2.46%$	$+ [0.75$	$x (9.60% - 5.40%)] =$	5.61%	
15	WGL	$k = 2.46%$	$+ [0.65$	$x (9.60% - 5.40%)] =$	5.19%	
16	NATURAL GAS LDC AVERAGE		0.67		5.25%	

REFERENCES:

COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
 r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
 β = THE BETA COEFFICIENT OF A GIVEN SECURITY
 r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 09/04/2009 THROUGH 10/23/2009 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2008 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PERIOD. THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2009 YEARBOOK.

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	(A) $k = r_f + [\beta (r_m - r_f)]$	(B) EXPECTED RETURN
1	AWR	$k = 2.46\% + [0.80 \times (11.70\% - 5.60\%)] =$	7.34%
2	CWT	$k = 2.46\% + [0.75 \times (11.70\% - 5.60\%)] =$	7.03%
3	SWWC	$k = 2.46\% + [1.10 \times (11.70\% - 5.60\%)] =$	9.17%
4	WTR	$k = 2.46\% + [0.65 \times (11.70\% - 5.60\%)] =$	6.42%
5	WATER COMPANY AVERAGE	0.83	7.49%
6	AGL	$k = 2.46\% + [0.75 \times (11.70\% - 5.60\%)] =$	7.03%
7	ATO	$k = 2.46\% + [0.65 \times (11.70\% - 5.60\%)] =$	6.42%
8	LG	$k = 2.46\% + [0.60 \times (11.70\% - 5.60\%)] =$	6.12%
9	NJR	$k = 2.46\% + [0.65 \times (11.70\% - 5.60\%)] =$	6.42%
10	GAS	$k = 2.46\% + [0.70 \times (11.70\% - 5.60\%)] =$	6.73%
11	NWN	$k = 2.46\% + [0.60 \times (11.70\% - 5.60\%)] =$	6.12%
12	PNY	$k = 2.46\% + [0.65 \times (11.70\% - 5.60\%)] =$	6.42%
13	SJI	$k = 2.46\% + [0.65 \times (11.70\% - 5.60\%)] =$	6.42%
14	SWX	$k = 2.46\% + [0.75 \times (11.70\% - 5.60\%)] =$	7.03%
15	WGL	$k = 2.46\% + [0.65 \times (11.70\% - 5.60\%)] =$	6.42%
16	NATURAL GAS LDC AVERAGE	0.67	6.51%

REFERENCES:

COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
 r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
 β = THE BETA COEFFICIENT OF A GIVEN SECURITY
 r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEYS "SELECTION & OPINIONS" PUBLICATION FROM 09/04/2009 THROUGH 10/23/2009 WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2008 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURES. DURING THE SAME PERIOD THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION; 2009 YEARBOOK.

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2008
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. SW-02445A-09-0077 ET AL.
SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 \$)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	3.40%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	1.61%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	1.01%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	1.37%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	3.15%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.00%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.58%	1.30%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	CURRENT	-1.40%	-1.00%	3.25%	0.50%	0.00% - 0.25%	7.00%	4.26%	5.65%	6.22%

REFERENCES:

COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
 COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE
 COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
 COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 10/23/2009
 COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 10/23/2009
 COLUMN (H) THROUGH (I): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS
 COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL
 COLUMN (H) THROUGH (I): 2003, MERGENT NEWS REPORTS

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2008
CAPITAL STRUCTURES OF SAMPLE COMPANIES

DOCKET NO. SW-02445A-09-0077 ET AL.
SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES

LINE NO.	AWR	PCT.	CWT	PCT.	SWWC	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
1	\$ 266.5	46.2%	\$ 287.5	41.6%	\$ 190.6	62.6%	\$ 1,248.1	54.1%	\$ 498.2	51.4%
2										
3	0.0	0.0%	0.0	0.0%	0.5	0.2%	0.0	0.0%	0.1	0.0%
4										
5	310.5	53.8%	402.9	58.4%	113.3	37.2%	1,058.4	45.9%	471.3	48.6%
6										
7	\$ 577.0	100%	\$ 690.4	100%	\$ 304.4	100%	\$ 2,306.5	100%	\$ 969.6	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES

LINE NO.	AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	GAS	PCT.
1	\$ 1,675.0	50.3%	\$ 2,119.8	50.8%	\$ 389.2	44.4%	\$ 455.1	38.5%	\$ 448.0	31.5%
2										
3	0.0	0.0%	0.0	0.0%	0.5	0.1%	0.0	0.0%	0.6	0.0%
4										
5	1,652.0	49.7%	2,052.5	49.2%	486.5	55.5%	727.0	61.5%	973.1	68.4%
6										
7	\$ 3,327.0	100%	\$ 4,172.3	100%	\$ 876.2	100%	\$ 1,182.1	100%	\$ 1,421.7	100%
8										
9										
10										
11										
12										
13										
14	\$ 512.0	44.9%	\$ 794.3	47.2%	\$ 332.8	39.2%	\$ 1,185.5	51.0%	\$ 603.7	38.5%
15										
16	0.0	0.0%	0.0	0.0%	0.0	0.0%	100.0	4.3%	28.2	1.8%
17										
18	628.4	55.1%	887.2	52.8%	515.3	60.8%	1,037.8	44.7%	935.1	59.7%
19										
20	\$ 1,140.4	100%	\$ 1,681.5	100%	\$ 848.1	100%	\$ 2,323.3	100%	\$ 1,567.0	100%
21										
22										
23										
24										
25										
26	\$ 851.5	45.9%								
27										
28	12.9	0.7%								
29										
30	989.5	53.4%								
31										
32	\$ 1,854.0	100%								

NATURAL GAS LDC AVERAGE	PCT.	WATER & LDC AVERAGE	PCT.
\$ 851.5	45.9%	\$ 674.9	47.8%
12.9	0.7%	6.5	0.5%
989.5	53.4%	730.4	51.7%
\$ 1,854.0	100%	\$ 1,411.7	100%

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS

GLOBAL UTILITIES

DOCKET NO. SW-02445A-09-0077 ET AL.

DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 26, 2009

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17		
18	COST OF CAPITAL	17

1 **INTRODUCTION**

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

3 A. My name is Rodney L. Moore. I am a Public Utilities Analyst V with the
4 Residential Utility Consumer Office ("RUCO"), located at 1110 West
5 Washington Street, Suite 220, Phoenix, Arizona 85007.

6
7 Q. Please state your educational background and qualifications in the utility
8 regulation field.

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

12
13 Q. Please state the purpose of your testimony.

14 A. The purpose of my testimony is to present RUCO's recommendations
15 regarding Global Utilities ("Company") application for an increase in its
16 water and wastewater rates. The test year utilized by the Company in
17 connection with the preparation of this application is the 12-month period
18 that ended December 31, 2008 ("Test Year").

19
20
21
22
23

1 **BACKGROUND**

2 Q. Please describe your work effort on this project.

3 A. I obtained and reviewed data and performed analytical procedures
4 necessary to understand the Company's filing as it relates to the rate
5 base, operating income and revenue requirements. My recommendations
6 are based on these analyses. Procedures performed include the in-house
7 formulation and analysis of three sets of data requests, and the review
8 and analysis of Company responses to Commission Staff data requests
9 and other intervenors.

10

11 The Company's filing consists of an application for increases in rates and
12 charges for six Utilities:

- 13 1. Global Water – Palo Verde Utilities Company ("PVUC");
- 14 2. Global Water – Santa Cruz Water Company ("SCWC");
- 15 3. Valencia Water Company – Town Division ("VWC Town Div.");
- 16 4. Valencia Water Company – Greater Buckeye Division ("VWC
17 GB Div.");
- 18 5. Water Utility of Greater Tonopah ("WUGT"); and
- 19 6. Willow Valley Water Company ("WVWC").

20

21 Q. What areas will you address in your testimony?

22 A. I will address issues related to revenue requirement, rate base, operating
23 income and rate design. RUCO's witness William A. Rigsby will provide
24 an analysis of the cost of capital as presented on Schedule RLM-10.

1 Q. Please identify the exhibits you are sponsoring.

2 A. I am sponsoring a separate set of Schedules numbered RLM-1 through
3 RLM-10.

4

5 **SUMMARY OF ADJUSTMENTS**

6 Q. Please summarize the adjustments to rate base, operating income and
7 revenue requirement addressed in your testimony.

8 A. My testimony addresses the following issues:

9 RUCO is in substantial agreement with several of the Company's pro-
10 forma adjustments. Nevertheless, RUCO reserves the right to alter its
11 position if additional evidence is produced in this case, which warrants
12 RUCO to reconsider its position. RUCO did not make any adjustments to
13 the Company's pro-forma adjustments identified as:

- 14 1. Elimination of Unbilled Revenues and Other Accounting Entries;
- 15 2. Miscellaneous Revenues;
- 16 3. Annualize Revenues and Expenses to reflect End-of-Test Year
17 Customer Counts;
- 18 4. Employee Salaries and Wages and Benefits;
- 19 5. Purchased Power Expense;
- 20 6. Advertising Expense;
- 21 7. Rate Case Expense;
- 22 8. Bad Debt Expense;
- 23 9. Depreciation Expense;
- 24 10. Pass-Through of ACC and RUCO Annual Assessment; and
- 25 11. Changes To Service and Miscellaneous Charges and Tariffs.

26

1 However, through the analytic process, RUCO did make prudent revisions
2 to the Company's filing. RUCO's adjustments are identified as:

3 **Rate Base**

4 Gross Plant-In-Service and Accumulated Depreciation – This adjustment
5 reflects RUCO's calculation of the test year gross plant-in-service and the
6 accumulated depreciation.

7 Accumulated Depreciation – This additional adjustment to accumulated
8 depreciation reflects the Company's transcribing error between schedules.

9 **Operating Income**

10 Property Tax Expense - This adjustment reflects RUCO's position to treat
11 the adjusted test year property taxes as an operating expense as opposed
12 to the Company's proposal to recover the fees by means of a pass-
13 through surcharge.

14 Central Arizona Groundwater Replenishment District ("CAGRDR") –This
15 adjustment reflects RUCO's position to treat the adjusted test year
16 CAGRDR fees as an operating expense as opposed to the Company's
17 proposal to recover the fees by means of a pass-through surcharge.

18 Franchise Fee Expense - This adjustment reflects RUCO's position to
19 treat the adjusted test year franchise fees as an operating expense as
20 opposed to the Company's proposal to recover the fees by means of a
21 pass-through surcharge.

22 Income Tax Expense – This adjustment reflects income tax expenses
23 calculated on RUCO's recommended revenues and expenses.

1 **Rate Design, Proof of Recommended Revenue and a Typical Bill**
2 **Analysis**

3 I will be filing Rate Design Schedules on November 6, 2009 as part of
4 RUCO's rate design recommendations. The Rate Design Schedules are
5 labeled RLM-RD1 and RLM-RD2. A discussion of RUCO's proposed rate
6 design will be contained in my testimony.

7
8 Q. Will other RUCO witnesses testify on RUCO's recommended rate design?

9 A. Yes. In RUCO witness William A. Rigsby's rate design testimony, he will
10 discuss:

11 Rate Consolidation;
12 Phased-In Rates; and
13 Rebate Threshold Rates.

14
15 **OTHER ISSUES RAISED IN THIS RATE CASE BY GLOBAL UTILITIES**

16 RUCO witness William A. Rigsby will also provide an analysis and
17 recommendations with respect to several issues proposed by the
18 Company in this application. The issues Mr. Rigsby will discuss in his
19 direct testimony are:

20 Distributed Renewable Energy Recovery and Conservation;
21 Infrastructure Coordination and Financing Agreements ("ICFA");
22 Franchise Fee Pass-Through; and
23 Public Private Partnerships ("P3") Agreements.

1 **REVENUE REQUIREMENTS**

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

4 A. As outlined in Schedule RLM-1, RUCO is recommending that the increase
 5 in the Company's revenue requirement not exceed:

	<u>Global</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
7 <u>PVUC</u>	\$8,493,379	\$7,048,721	(\$1,444,658)
8 <u>SCWC</u>	\$3,081,292	\$2,122,880	(\$958,412)
9 <u>VWC – Town Div.</u>	\$1,657,077	\$1,520,984	(\$136,093)
10 <u>VWC – GB Div.</u>	\$155,803	\$92,329	(\$63,474)
11 <u>WUGT</u>	\$677,179	\$270,351	(\$406,828)
12 <u>WWWC</u>	\$499,228	\$388,356	(\$110,872)

13
 14 My recommended revenue requirement percentage increase versus the
 15 Company's proposal is as follows:

	<u>Global</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
17 <u>PVUC</u>	130.24%	108.09%	(22.15%)
18 <u>SCWC</u>	33.82%	23.30%	(10.52%)
19 <u>VWC – Town Div.</u>	57.25%	52.55%	(4.70%)
20 <u>VWC – GB Div.</u>	46.26%	27.41%	(18.85%)
21 <u>WUGT</u>	261.15%	80.27%	(180.88%)
22 <u>WWWC</u>	105.43%	82.01%	(23.42%)

1 RUCO's recommended Fair Value Rate Base ("FVRB") based on the
 2 Original Cost Rate Base ("OCRB") is summarized on Schedule RLM-1:

	<u>Global</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
3 <u>PVUC</u>	\$63,637,830	\$64,011,238	\$373,408
4 <u>SCWC</u>	\$45,260,919	\$45,902,454	\$641,535
5 <u>VWC – Town Div.</u>	\$4,240,018	\$4,539,198	\$299,180
6 <u>VWC – GB Div.</u>	\$929,057	\$895,377	(\$33,680)
7 <u>WUGT</u>	\$2,598,259	\$2,563,849	(\$34,410)
8 <u>WWWC</u>	\$2,251,164	\$2,177,504	(\$73,660)

9
 10
 11 RUCO's recommended required operating income is shown on Schedule
 12 RLM-1 as:

	<u>Global</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
13 <u>PVUC</u>	\$5,307,395	\$4,745,070	(\$562,325)
14 <u>SCWC</u>	\$3,842,652	\$3,402,690	(\$439,962)
15 <u>VWC – Town Div.</u>	\$405,346	\$336,485	(\$68,861)
16 <u>VWC – GB Div.</u>	\$90,304	\$66,373	(\$23,931)
17 <u>WUGT</u>	\$258,267	\$190,055	(\$68,212)
18 <u>WWWC</u>	\$208,008	\$161,416	(\$46,592)

1 **RATE BASE**

2 Rate Base Adjustment Summary

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

5 A. Yes. My adjustments to rate base are exhibited on Schedule RLM-3,
6 columns A through D. Based on my analysis I made two adjustments to
7 the rate base as filed by the Company.

8
9 Q. Does RUCO accept Global Utilities' request to use the Company's OCRB
10 as the FVRB?

11 A. Yes. RUCO accepts the Company's request that the OCRB be used as
12 the fair value rate base ("FVRB").

13
14 Q. Please describe your rate base adjustments.

15 A. My review, analysis and adjustments are explained below.

16
17 Rate Base Adjustment No. 1 – Gross Plant-In-Service and Accumulated
18 Depreciation

19 Q. Please explain the basis for your adjustment to the gross plant-in-service
20 and the accumulated depreciation.

21 A. My plant-in-service analysis from the last rate case to the end of the test
22 year produced a different level of test year gross plant-in-service and
23 accumulated depreciation.

1 As shown on Schedule RLM-3, column (B), with supporting documentation
2 on Schedule RLM-4 for each of the individual utilities I have made the
3 appropriate adjustment to reflect the correct level of gross plant-in-service
4 and accumulated depreciation based on the plant additions, retirements,
5 authorized depreciation rates and using the half-year convention
6 methodology.

7
8 Rate Base Adjustment No. 2 – Accumulated Depreciation For PVUC And
9 SCWC Only

10 Q. Please explain the basis for your additional adjustment to the accumulated
11 depreciation for the PVUC and SCWC utilities.

12 A. My plant-in-service analysis discovered the Company had transcribed a
13 different amount for accumulated depreciation from its workpapers to its
14 Schedule B-2.

15
16 As shown on Schedule RLM-3, column (C), with supporting
17 documentation on Schedule RLM-4 for the PVUC and SCWC utilities, I
18 have made the appropriate adjustment to reflect the workpaper's level of
19 accumulated depreciation.

20
21
22
23

1 **OPERATING INCOME**

2 Operating Income Summary

3 Q. Is RUCO recommending any changes to the Company's proposed
4 operating expenses?

5 A. Yes. Based on my analysis of the Company's adjustments to its historical
6 test year operating income, I have made several adjustments to the
7 Company-proposed level of operating income. The adjustments are
8 exhibited on Schedule RLM-7, columns A through E for each of the
9 individual utilities.

10
11 Operating Income Adjustment No. 1 – Property Tax Computation

12 Q. Does RUCO agree with the Company's proposal to recover property tax
13 expenses by means of a pass-through surcharge?

14 A. No. RUCO disagrees with the Company's proposal to recover the
15 property tax expenses by means of a pass-through surcharge.

16
17
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23

1 Q. What did RUCO recommend as the appropriate method for the Company
2 to recover property tax expenses?

3 A. I used the methodology approved by the Commission in several recent
4 rate cases (e.g., Chaparral City Water Company, Decision No. 68176 at
5 13; Rio Rico Utilities, Decision No. 67279 at 8; Arizona Water Company,
6 Decision No. 64282 at 12-13; Bella Vista Water Company, Decision No.
7 65350 at 16; Arizona-American Water Company, Decision No. 67093 at 9-
8 10; and Black Mountain Sewer Corporation, Decision No. 69164 at 10-11).

9
10 I am recommending that property tax expense be normalized for the
11 known and measurable assessment ratio contained in A.R.S. § 42-15001,
12 entitled "Assessed Valuation of Class One Property"; therefore, RUCO
13 has provided an adjusted level of property tax expenses to reflect the
14 assessment ratio of 21 percent effective in 2010, with the final half of the
15 property tax actually payable May 1, 2011.

16
17 Since the Company normalized rate case expenses for a three-year
18 period, it should be reasonable to assume Global Utilities' next test year
19 will end December 31, 2011, which will coincide with RUCO's property tax
20 pro forma adjustment.

21

22

23

1 As shown on Schedule RLM-7, column (B), with supporting documentation
2 on Schedule RLM-8, I have made the appropriate adjustment to reflect the
3 property tax expenses.

4
5 Operating Income Adjustment No. 2 – CAGR D Fee Expense For Water

6 Utilities Only

7 Q. What is the CAGR D fee?

8 A. The CAGR D fee is collected from landowners or water service providers
9 and is used to purchase water (i.e. excess surface water or recycled
10 water), which is then injected into the ground; thus compensating for
11 groundwater withdrawals. However, landowners or water service
12 providers must enroll in CAGR D to participate in the program.

13
14 Q. What is the Company requesting in regards to CAGR D fees?

15 A. The Company is requesting Commission approval to collect CAGR D fees
16 through a commodity-based pass-through surcharge.

17
18 Q. Is the Company presently being charged CAGR D fees?

19 A. No. The Company is not being charged any CAGR D fees at this time,
20 because it has not completed the enrollment process.

21

22

23

1 Q. Does RUCO agree with the Company's proposal to collect CAGR D fees
2 by means of a commodity-based pass-through surcharge?

3 A. No. RUCO disagrees with the Company's proposal to recover the
4 CAGR D fees by means of a commodity-based pass-through surcharge.
5

6 Q. Why has RUCO taken this position on the CAGR D issue?

7 A. The Commission has already reviewed and denied a similar request by
8 another regulated water utility (Johnson Utilities, LLC). In Decision 64598,
9 dated March 4, 2002, the Commission determined that the CAGR D fee
10 cannot be treated as a pass-through tax, because it is not a "privilege,
11 sales or use tax" since the CAGR D fees are not based on sales revenue.
12

13 However, In Decision 64598, the Commission also ordered the matter of
14 the CAGR D fee be addressed in Johnson Utilities' next full rate case. On
15 March 31, 2008 Johnson Utilities did file a rate case in which it requested
16 recovery of the CAGR D fee by a commodity-based pass-through
17 surcharge. As of the filing of this testimony, the Commission has not
18 made a decision on Johnson Utilities rate case.
19
20
21
22
23

1 Q. Has RUCO made an adjustment to the operating expenses to recover
2 CAGR D fees?

3 A. No. Currently, none of Global Utilities are directly charged CAGR D fees.
4 The Company has not completed the CAGR D enrollment process for any
5 of its service areas.

6
7 Therefore, RUCO believes it is inappropriate to recommend the recovery,
8 in the instant rate case, of the CAGR D expenses since it is not known and
9 measurable.

10
11 As shown on Schedule RLM-7, column (C), I have made no adjustment for
12 the CAGR D fees expense.

13
14 Operating Income Adjustment No. 3 – Franchise Fees Expense For PVUC
15 And SCWC Only

16 Q. Does RUCO agree with the Company's proposal to recover franchise fees
17 by means of a pass-through surcharge?

18 A. No. RUCO disagrees with the Company's proposal to recover the
19 franchise fees by means of a pass-through surcharge.

20

21

22

23

1 Q. What does RUCO recommend as the appropriate treatment of the
2 franchise fees expense?

3 A. RUCO recommends a franchise fee of three percent of gross revenues
4 (as specified in the License Agreement, item 4) be recorded as an
5 operating expense for the PVUC and SCWC utilities.

6
7 As shown on Schedule RLM-7, column (D), I have made the appropriate
8 adjustment to reflect three-percent of RUCO's proposed annual revenue
9 (RLM-1, column (B), line 10) to recorded as franchise fees expense.

10

11 Q. What is the impact of RUCO's recommended treatment of franchise fees
12 on ratepayers?

13 A. RUCO's adjustment has the effect of further increasing the Company-
14 proposed rate hike for PVUC and SCWC customers. However, it must be
15 pointed out that under the Company's proposal, the franchise fees would
16 have been recovered as a surcharge that would be in addition to the
17 Company's utilities' regular monthly rates for PVUC and SCWC
18 customers.

19

20 Q. Are there other ramifications of allowing Global Utilities to pass through all
21 franchise fees?

22 A. RUCO's witness William A. Rigsby will discuss in his testimony the full
23 impact on ratepayers of the Company's proposed franchise fee pass-

1 through as it relates to the Public Private Partnership ("P3") Agreements
2 signed by Global Parent.

3
4 RUCO Operating Income Adjustment No. 4 – Income Taxes

5 Q. Please explain RUCO's adjustment to the income tax expenses.

6 A. As shown on Schedule RLM-7, column (I), with supporting documentation
7 on Schedule RLM-10, This adjustment reflects income tax expenses
8 calculated on RUCO's recommended revenues and expenses.

9
10 **COST OF CAPITAL**

11 Q. Has RUCO conducted a cost of capital analysis for Global Utilities?

12 A. Yes. RUCO witness William A. Rigsby has filed testimony on the cost of
13 capital issues associated with the case. His recommended capital
14 structure and weighted average cost of capital is exhibited on Schedule
15 RLM-10.

16
17 Q. Does this conclude your direct testimony?

18 A. Yes, it does.



APPENDIX 1

Qualifications of Rodney Lane Moore

EDUCATION: Athabasca University
Bachelor's Degree in Business Administration - 1993

EXPERIENCE: Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona 85007
May 2001 - Present

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

Auditor
Arizona Corporation Commission
Phoenix, Arizona 85007
October 1999 - May 2001

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RESUME OF RATE CASE AND REGULATORY PARTICIPATION

<u>Utility Company</u>	<u>Docket No.</u>
Rio Verde Utilities, Inc	WS-02156A-00-0321
Black Mountain Gas Company	G-03703A-01-0283
Green Valley Water Company	W-02025A-01-0559
New River Utility Company	W-01737A-01-0662

<u>Utility Company</u>	<u>Docket No.</u>
Dragoon Water Company	W-01917A-01-0851
Roosevelt Lake Resort, Inc.	W-01958A-02-0283
Southwest Gas Company	G-01551A-02-0425
Arizona-American Water Company	W-01303A-02-0867 et al.
Rio Rico Utilities, Inc.	WS-02676A-03-0434
Qwest Corporation	T-01051B-03-0454
Chaparral City Water Company	W-02113A-04-0616
Southwest Gas Company	G-01551A-04-0876
Arizona-American Water Company	W-01303A-05-0405
Far West Water and Sewer Company	WS-03478A-05-0801
Gold Canyon Sewer Company	SW-02519A-06-0015
Arizona-American Water Company	WS-01303A-06-0403
UNS Gas, Inc.	G-04204A-06-0463 et al.
UNS Electric, Inc.	E-04204A-06-0783
Tucson Electric Power Company	E-01933A-07-0402
Southwest Gas Company	G-01551A-07-0504
Arizona-American Water Company	W-01303A-08-0227 et al.
Arizona Water Company	W-01445A-08-0440
Black Mountain Sewer Corporation	SW-02361A-08-0609



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TESTIMONY		RATE BASE ADJUSTMENT NO. 1 - GROSS PLANT AND ACCUMULATED DEPRECIATION
RLM-4	1	RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION
RLM-5	1	INTENTIONALLY LEFT BLANK
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 2 - CAGR D FEES
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 3 - FRANCHISE FEE EXPENSE
RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 4 - INCOME TAX EXPENSE
RLM-10	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 63,637,830	\$ 64,011,238
2	Adjusted Operating Income (Loss)	\$ 144,516	\$ 417,077
3	Current Rate Of Return (L2 / L1)	0.23%	0.65%
4	Required Operating Income (L5 X L1)	\$ 5,307,395	\$ 4,745,070
5	Required Rate Of Return On Fair Value Rate Base	8.34%	7.41%
6	Operating Income Deficiency (L4 - L2)	\$ 5,162,879	\$ 4,327,994
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6451	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 8,493,379	\$ 7,048,721
9	Adjusted Test Year Revenue	\$ 6,521,201	\$ 6,521,201
10	Proposed Annual Revenue (L8 + L9)	\$ 15,014,580	\$ 13,569,922
11	Required Percentage Increase In Revenue (L8 / L9)	130.24%	108.09%
12	Rate Of Return On Common Equity	10.00%	8.01%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RLM-2, RLM-6 And RLM-10

REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	(0.3860)			
3	Subtotal (L1 + L2)	<u>0.6140</u>			
4	Revenue Conversion Factor(L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>31.6309%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>38.5989%</u>			
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$ 4,745,070			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)	<u>417,077</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 4,327,994		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 2,001,381			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(719,346)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 2,720,727		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 7,048,721</u>		
CALCULATION OF INCOME TAX					
18	Revenue (Sch. RLM-1, Col. (B), L10)			RUCO Recommended	
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L29 - L28)			\$ 13,569,922	
20	Synchronized Interest (Col. (C), L37)			(6,823,470)	
21	Arizona Taxable Income (L18 + L19 + L20)			<u>(1,561,376)</u>	
22	Arizona State Income Tax Rate			\$ 5,185,076	
23	Arizona Income Tax (L21 X L22)			6.9680%	
24	Fed. Taxable Income (L21 - L23)			\$ 4,823,780	\$ 361,296
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			1,526,185	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 1,640,085
31	Combined Federal And State Income Tax (L23 + L30)				<u>\$ 2,001,381</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L28)				\$ (719,346)
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L28)				<u>\$ 2,720,727</u>
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-3, Col. (H), L13)			\$ 64,011,238	
36	Weighted Avg. Cost Of Debt (Sch. RLM-11, Col. (F), L2)			<u>2.44%</u>	
37	Synchronized Interest (L35 X L36)			\$ 1,561,376	

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 100,264,747	\$ -	\$ 100,264,747
2	Accumulated Depreciation	(9,082,530)	373,408	(8,709,122)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 91,182,217</u>	<u>\$ 373,408</u>	<u>\$ 91,555,625</u>
4	Advances In Aid Of Const.	\$ (27,370,552)	\$ -	\$ (27,370,552)
5	Contribution In Aid Of Const.	\$ -	\$ -	\$ -
6	Accumulated Amortization Of CIAC	-	-	-
7	NET CIAC (L5 + L6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8	Customer Meter Deposits	\$ -	\$ -	\$ -
9	Deferred Income Taxes & Credits	\$ (173,835)	\$ -	\$ (173,835)
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 63,637,830</u>	<u>\$ 373,408</u>	<u>\$ 64,011,238</u>

References:

- Column (A): Company Schedule B-1
- Column (B): RLM-3, Columns (B) Thru (G)
- Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 GROSS PLT & ACC DEP	(C) ADJ # 2 ACC DEP	(D) INTENT'NLY LEFT BLANK	(E) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	100,264,747	\$ -	\$ -	\$ -	\$ 100,264,747
2	Accumulated Depreciation	(9,082,530)	368,460	4,948	-	(8,709,122)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 91,182,217</u>	<u>\$ 368,460</u>	<u>\$ 4,948</u>	<u>\$ -</u>	<u>\$ 91,555,625</u>
4	Advances In Aid Of Const.	\$ (27,370,552)	\$ -	\$ -	\$ -	\$ (27,370,552)
5	Contribution In Aid Of Const.	\$ -	\$ -	\$ -	\$ -	\$ -
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8	Customer Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
9	Deferred Income Taxes & Credits	\$ (173,835)	\$ -	\$ -	\$ -	\$ (173,835)
10	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 63,637,830</u>	<u>\$ 368,460</u>	<u>\$ 4,948</u>	<u>\$ -</u>	<u>\$ 64,011,238</u>

References:

- Column (A): Company Schedule B-1
- Column (B): Adjustment No. 1 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM and Schedule RLM-4)
- Column (C): Adjustment No. 2 - RUCO Adjustment To Acc. Dep. (See Testimony)
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 2002**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRIOR DECISION DEP. RATE	(B) TOTAL PLANT VALUE	(C) ACCUMULATED DEPRECIATION	(D) NET PLANT VALUE
1	301	Intangibles/Organization	0.00%	\$ 88,723	\$ -	\$ 88,723
2	302	Franchises	0.00%	-	-	-
3	353	Land and Land Rights	0.00%	164,670	-	164,670
4	354	Structures And Improvements	3.33%	1,138,334	(99,171)	1,039,163
5	355	Power Generation Equipment	5.00%	-	-	-
6	360	Collection Sewers - Force	2.00%	1,728,493	(31,440)	1,697,053
7	361	Collection Sewers - Gravity	2.00%	-	-	-
8	363	Services To Customers	2.00%	216,931	(3,689)	213,242
9	364	Flow Measuring Devices	10.00%	-	-	-
10	370	Receiving Wells	3.33%	104,019	(2,600)	101,419
11	371	Effluent Pumping Equipment	12.50%	59,743	(1,494)	58,249
12	374	Reuse Distribution Reservoirs	2.50%	-	-	-
13	375	Reuse Trans And Dist System	2.50%	-	-	-
14	380	Treatment And Disposal Equip	5.00%	-	-	-
15	381	Plant Sewers	5.00%	75,068	(1,501)	73,567
16	382	Outfall Sewer Lines	3.33%	350,837	(6,315)	344,522
17	389	Other Plant And Misc Equip	6.67%	-	-	-
18	390	Office Furniture And Equipment	6.67%	21,402	(728)	20,674
19	391	Transportation Equipment	20.00%	-	-	-
20	393	Tools, Shop And Garage Equip	5.00%	-	-	-
21	394	Laboratory Equipment	10.00%	-	-	-
22	395	Power Operated Equipment	5.00%	-	-	-
23	396	Communication Equipment	10.00%	251	(9)	242
24	397	Miscellaneous Equipment	10.00%	-	-	-
25	398	Other Tangible Plant	10.00%	-	-	-
26	TOTAL WASTEWATER PLANT			\$ 3,948,471	\$ (146,947)	\$ 3,801,523 ⁽¹⁾
27	Company As Filed			\$ 3,948,471	(146,947)	3,801,523
28	Difference			\$ -	\$ -	\$ -

References:

Columns (A) Thru (D): Company Workpapers

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 88,723	\$ -	\$ 88,723
2	302	Franchises	-	-	-	-	-	-
3	353	Land and Land Rights	-	-	-	164,670	-	164,670
4	354	Structures And Improvements	3,381,919	-	(94,215)	4,520,253	(193,386)	4,326,867
5	355	Power Generation Equipment	195,255	-	(4,881)	195,255	(4,881)	190,374
6	360	Collection Sewers - Force	554,408	-	(40,114)	2,282,901	(71,554)	2,211,347
7	361	Collection Sewers - Gravity	1,265,658	-	(12,657)	1,265,658	(12,657)	1,253,001
8	363	Services To Customers	-	-	(4,339)	216,931	(8,028)	208,903
9	364	Flow Measuring Devices	-	-	-	-	-	-
10	370	Receiving Wells	-	-	(3,464)	104,019	(6,064)	97,955
11	371	Effluent Pumping Equipment	164,651	-	(17,759)	224,394	(19,253)	205,141
12	374	Reuse Distribution Reservoirs	-	-	-	-	-	-
13	375	Reuse Trans And Dist System	80,999	-	(1,012)	80,999	(1,012)	79,987
14	380	Treatment And Disposal Equip	1,708,610	-	(42,715)	1,708,610	(42,715)	1,665,895
15	381	Plant Sewers	-	-	(3,753)	75,068	(5,254)	69,814
16	382	Outfall Sewer Lines	-	-	(11,683)	350,837	(17,998)	332,839
17	389	Other Plant And Misc Equip	24,101	-	(804)	24,101	(804)	23,297
18	390	Office Furniture And Equipment	13,116	-	(1,865)	34,518	(2,593)	31,925
19	391	Transportation Equipment	-	-	-	-	-	-
20	393	Tools, Shop And Garage Equip	-	-	-	-	-	-
21	394	Laboratory Equipment	-	-	-	-	-	-
22	395	Power Operated Equipment	-	-	-	-	-	-
23	396	Communication Equipment	199	-	(35)	450	(44)	406
24	397	Miscellaneous Equipment	-	-	-	-	-	-
25	398	Other Tangible Plant	-	-	-	-	-	-
							(1)	(1)
26		TOTAL WASTEWATER PLANT	<u>\$ 7,388,916</u>	<u>\$ -</u>	<u>\$ (239,296)</u>	<u>\$ 11,337,387</u>	<u>\$ (386,244)</u>	<u>\$ 10,951,143</u>
27		Company As Filed	7,388,916	-	(429,151)	11,337,387	(576,099)	10,761,288
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,855</u>	<u>\$ -</u>	<u>\$ 189,855</u>	<u>\$ 189,855</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ (88,723)	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchises	-	-	-	-	-	-
3	353	Land and Land Rights	-	-	-	164,670	-	164,670
4	354	Structures And Improvements	82,776	-	(151,903)	4,603,029	(345,289)	4,257,740
5	355	Power Generation Equipment	1,563	-	(9,802)	196,818	(14,683)	182,135
6	360	Collection Sewers - Force	145,781	-	(47,116)	2,428,682	(118,670)	2,310,012
7	361	Collection Sewers - Gravity	1,972,748	-	(45,041)	3,238,406	(57,697)	3,180,709
8	363	Services To Customers	439,661	-	(8,735)	656,592	(16,763)	639,829
9	364	Flow Measuring Devices	-	-	-	-	-	-
10	370	Receiving Wells	833	-	(3,478)	104,852	(9,542)	95,310
11	371	Effluent Pumping Equipment	227,175	-	(42,248)	451,569	(61,500)	390,069
12	374	Reuse Distribution Reservoirs	-	-	-	-	-	-
13	375	Reuse Trans And Dist System	1,039,518	-	(15,019)	1,120,517	(16,031)	1,104,486
14	380	Treatment And Disposal Equip	59,943	-	(86,929)	1,768,553	(129,644)	1,638,909
15	381	Plant Sewers	601	-	(3,768)	75,669	(9,023)	66,646
16	382	Outfall Sewer Lines	2,808	-	(11,730)	353,645	(29,727)	323,918
17	389	Other Plant And Misc Equip	5,247	-	(1,783)	29,348	(2,586)	26,762
18	390	Office Furniture And Equipment	85,951	-	(5,169)	120,469	(7,762)	112,707
19	391	Transportation Equipment	41,905	-	(4,191)	41,905	(4,191)	37,715
20	393	Tools, Shop And Garage Equip	2,813	-	(70)	2,813	(70)	2,743
21	394	Laboratory Equipment	19,039	-	(952)	19,039	(952)	18,087
22	395	Power Operated Equipment	-	-	-	-	-	-
23	396	Communication Equipment	26,336	-	(1,362)	26,786	(1,406)	25,380
24	397	Miscellaneous Equipment	-	-	-	-	-	-
25	398	Other Tangible Plant	-	-	-	-	-	-
26		TOTAL WASTEWATER PLANT	<u>\$ 4,154,697</u>	<u>\$ (88,723)</u>	<u>\$ (439,294)</u>	<u>\$ 15,403,361</u>	<u>\$ (736,813)</u>	<u>\$ 14,666,548</u>
27		Company As Filed	4,154,697	(88,723)	(511,175)	15,403,361	(1,087,274)	14,316,087
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,881</u>	<u>\$ -</u>	<u>\$ 350,461</u>	<u>\$ 350,461</u>

References:

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- Column (D): Schedule RLM-4, Page 2, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 2, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchises	-	-	-	-	-	-
3	353	Land and Land Rights	-	-	-	164,670	-	164,670
4	354	Structures And Improvements	8,978,927	(37,201)	(302,161)	13,544,755	(610,249)	12,934,506
5	355	Power Generation Equipment	-	-	(9,841)	196,818	(24,524)	172,294
6	360	Collection Sewers - Force	31,552	-	(48,889)	2,460,234	(167,559)	2,292,675
7	361	Collection Sewers - Gravity	9,414,683	-	(158,915)	12,653,089	(216,612)	12,436,477
8	363	Services To Customers	188,111	-	(15,013)	844,703	(31,776)	812,927
9	364	Flow Measuring Devices	23,636	-	(1,182)	23,636	(1,182)	22,454
10	370	Receiving Wells	-	-	(3,492)	104,852	(13,033)	91,819
11	371	Effluent Pumping Equipment	1,150,789	-	(128,370)	1,602,358	(189,871)	1,412,487
12	374	Reuse Distribution Reservoirs	-	-	-	-	-	-
13	375	Reuse Trans And Dist System	2,647,836	-	(61,111)	3,768,353	(77,142)	3,691,211
14	380	Treatment And Disposal Equip	3,159,024	-	(167,403)	4,927,577	(297,048)	4,630,529
15	381	Plant Sewers	-	-	(3,783)	75,669	(12,806)	62,863
16	382	Outfall Sewer Lines	-	-	(11,776)	353,645	(41,504)	312,141
17	389	Other Plant And Misc Equip	298,369	-	(11,908)	327,717	(14,494)	313,223
18	390	Office Furniture And Equipment	46,040	-	(9,571)	166,509	(17,332)	149,177
19	391	Transportation Equipment	94,590	-	(17,840)	136,495	(22,031)	114,465
20	393	Tools, Shop And Garage Equip	4,511	-	(253)	7,324	(324)	7,000
21	394	Laboratory Equipment	648	-	(1,936)	19,687	(2,888)	16,799
22	395	Power Operated Equipment	-	-	-	-	-	-
23	396	Communication Equipment	689	-	(2,713)	27,475	(4,119)	23,356
24	397	Miscellaneous Equipment	-	-	-	-	-	-
25	398	Other Tangible Plant	318,421	-	(15,921)	318,421	(15,921)	302,500
26		TOTAL WASTEWATER PLANT	<u>\$ 26,357,824</u> ⁽²⁾	<u>\$ (37,201)</u>	<u>\$ (972,079)</u>	<u>\$ 41,723,984</u> ⁽³⁾	<u>\$ (1,671,689)</u> ³	<u>\$ 40,052,295</u>
27		Company As Filed	26,357,824	(37,201)	(1,035,897)	41,723,984	(2,123,171)	39,600,813
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,818</u>	<u>\$ -</u>	<u>\$ 451,482</u>	<u>\$ 451,482</u>

References:

Columns (A) (B): Company Workpapers
Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 3, Col. (D) X RLM-4, Page 1, Col. (A)]
Column (D): Schedule RLM-4, Page 3, Column (D) + (Column (A) + Column (B))
Column (E): Schedule RLM-4, Page 3, Column (E) + Column (B) + Column (C)
Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchises	-	-	-	-	-	-
3	353	Land and Land Rights	21,339	-	-	186,009	-	186,009
4	354	Structures And Improvements	2,960,543	-	(500,333)	16,505,298	(1,110,582)	15,394,716
5	355	Power Generation Equipment	3,257	-	(9,922)	200,075	(34,446)	165,629
6	360	Collection Sewers - Force	1,335,480	-	(62,559)	3,795,714	(230,118)	3,565,596
7	361	Collection Sewers - Gravity	8,080,469	-	(333,866)	20,733,558	(550,479)	20,183,079
8	363	Services To Customers	822,519	-	(25,119)	1,667,222	(56,895)	1,610,327
9	364	Flow Measuring Devices	-	-	(2,364)	23,636	(3,545)	20,091
10	370	Receiving Wells	-	-	(3,492)	104,852	(16,525)	88,327
11	371	Effluent Pumping Equipment	1,371,909	-	(286,039)	2,974,267	(475,910)	2,498,357
12	374	Reuse Distribution Reservoirs	11,043	-	(138)	11,043	(138)	10,905
13	375	Reuse Trans And Dist System	2,406,293	-	(124,287)	6,174,646	(201,430)	5,973,216
14	380	Treatment And Disposal Equip	337,093	-	(254,806)	5,264,670	(551,854)	4,712,816
15	381	Plant Sewers	-	-	(3,783)	75,669	(16,590)	59,079
16	382	Outfall Sewer Lines	-	-	(11,776)	353,645	(53,280)	300,365
17	389	Other Plant And Misc Equip	23,171	-	(22,631)	350,888	(37,126)	313,762
18	390	Office Furniture And Equipment	(28,431)	-	(10,158)	138,078	(27,490)	110,588
19	391	Transportation Equipment	24,873	-	(29,786)	161,368	(51,817)	109,551
20	393	Tools, Shop And Garage Equip	25,652	-	(1,008)	32,976	(1,331)	31,645
21	394	Laboratory Equipment	6,450	-	(2,291)	26,137	(5,179)	20,958
22	395	Power Operated Equipment	4,694	-	(117)	4,694	(117)	4,577
23	396	Communication Equipment	7,244	-	(3,110)	34,719	(7,229)	27,490
24	397	Miscellaneous Equipment	19,965	-	(998)	19,965	(998)	18,967
25	398	Other Tangible Plant	299,736	1	(46,829)	618,158	(62,751)	555,407
			1		-	(3)	3	
26		TOTAL WASTEWATER PLANT	\$ 17,733,300	\$ 1	\$ (1,735,415)	\$ 59,457,284	\$ (3,407,105)	\$ 56,050,179
27		Company As Filed	17,733,300	-	(1,726,116)	59,457,284	(3,849,287)	55,607,997
28		Difference	\$ -	\$ 1	\$ (9,299)	\$ -	\$ 442,182	\$ 442,182

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 4, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 4, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchises	-	-	-	-	-	-
3	353	Land and Land Rights	-	-	-	186,009	-	186,009
4	354	Structures And Improvements	6,720	-	(549,738)	16,512,018	(1,660,320)	14,851,698
5	355	Power Generation Equipment	11,728	-	(10,297)	211,803	(44,743)	167,060
6	360	Collection Sewers - Force	47,552	-	(76,390)	3,843,266	(306,508)	3,536,758
7	361	Collection Sewers - Gravity	19,169,584	-	(606,367)	39,903,142	(1,156,846)	38,746,296
8	363	Services To Customers	1,566,342	-	(49,008)	3,233,564	(105,903)	3,127,661
9	364	Flow Measuring Devices	-	-	(2,364)	23,636	(5,909)	17,727
10	370	Receiving Wells	1,835,598	-	(34,054)	1,940,450	(50,579)	1,889,871
11	371	Effluent Pumping Equipment	596,078	-	(409,038)	3,570,345	(884,948)	2,685,397
12	374	Reuse Distribution Reservoirs	-	-	(276)	11,043	(414)	10,629
13	375	Reuse Trans And Dist System	3,476,944	-	(197,828)	9,651,590	(399,258)	9,252,332
14	380	Treatment And Disposal Equip	73,544	-	(265,072)	5,338,214	(816,926)	4,521,288
15	381	Plant Sewers	2,715	-	(3,851)	78,384	(20,441)	57,943
16	382	Outfall Sewer Lines	-	-	(11,776)	353,645	(65,057)	288,588
17	389	Other Plant And Misc Equip	6,328	-	(23,615)	357,216	(60,741)	296,475
18	390	Office Furniture And Equipment	631	-	(9,231)	138,709	(36,721)	101,988
19	391	Transportation Equipment	313	-	(32,305)	161,681	(84,122)	77,559
20	393	Tools, Shop And Garage Equip	22,802	-	(2,219)	55,778	(3,550)	52,228
21	394	Laboratory Equipment	8,616	-	(3,045)	34,753	(8,224)	26,529
22	395	Power Operated Equipment	-	-	(235)	4,694	(352)	4,342
23	396	Communication Equipment	1,092	-	(3,527)	35,811	(10,755)	25,056
24	397	Miscellaneous Equipment	4,083	-	(2,201)	24,048	(3,199)	20,849
25	398	Other Tangible Plant	308,269	-	(77,229)	926,427	(139,980)	786,447
			-	-	-	(3)	3	
26		TOTAL WASTEWATER PLANT	\$ 27,138,939	\$ -	\$ (2,369,665)	\$ 86,596,223	\$ (5,776,770)	\$ 80,819,453
27		Company As Filed	27,138,939	-	(2,334,320)	86,596,223	(6,183,607)	80,412,616
28		Difference	\$ -	\$ -	\$ (35,345)	\$ -	\$ 406,837	\$ 406,837

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 5, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 5, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchises	-	-	-	-	-	-
3	353	Land and Land Rights	-	-	-	186,009	-	186,009
4	354	Structures And Improvements	8,408	-	(549,990)	16,520,426	(2,210,311)	14,310,115
5	355	Power Generation Equipment	109,622	-	(13,331)	321,425	(58,074)	263,351
6	360	Collection Sewers - Force	14,390	-	(77,009)	3,857,656	(383,517)	3,474,139
7	361	Collection Sewers - Gravity	7,441,328	-	(872,476)	47,344,470	(2,029,322)	45,315,148
8	363	Services To Customers	1,972,220	-	(84,393)	5,205,784	(190,296)	5,015,488
9	364	Flow Measuring Devices	-	-	(2,364)	23,636	(8,273)	15,363
10	370	Receiving Wells	-	-	(64,617)	1,940,450	(115,196)	1,825,254
11	371	Effluent Pumping Equipment	308,431	-	(465,570)	3,878,776	(1,350,518)	2,528,258
12	374	Reuse Distribution Reservoirs	-	-	(276)	11,043	(690)	10,353
13	375	Reuse Trans And Dist System	1,261,173	-	(257,054)	10,912,763	(656,312)	10,256,451
14	380	Treatment And Disposal Equip	102,595	-	(269,476)	5,440,809	(1,086,401)	4,354,408
15	381	Plant Sewers	-	-	(3,919)	78,384	(24,360)	54,024
16	382	Outfall Sewer Lines	-	-	(11,776)	353,645	(76,833)	276,812
17	389	Other Plant And Misc Equip	1,914,428	-	(87,672)	2,271,644	(148,414)	2,123,230
18	390	Office Furniture And Equipment	286	-	(9,261)	138,995	(45,983)	93,012
19	391	Transportation Equipment	3,723	-	(32,709)	165,404	(116,830)	48,574
20	393	Tools, Shop And Garage Equip	45,041	-	(3,915)	100,819	(7,465)	93,354
21	394	Laboratory Equipment	1,320	-	(3,541)	36,073	(11,765)	24,308
22	395	Power Operated Equipment	5,626	-	(375)	10,320	(727)	9,593
23	396	Communication Equipment	2,479	-	(3,705)	38,290	(14,460)	23,830
24	397	Miscellaneous Equipment	335,122	-	(19,161)	359,170	(22,360)	336,810
25	398	Other Tangible Plant	142,332	-	(99,759)	1,068,759	(239,740)	829,019
			-	-	-	(3)	3	
26		TOTAL WASTEWATER PLANT	<u>\$ 13,668,524</u>	<u>\$ -</u>	<u>\$ (2,932,351)</u>	<u>\$ 100,264,747</u>	<u>\$ (8,709,122)</u>	<u>\$ 91,555,625</u>
27		Company As Filed	13,668,524	-	(2,893,975)	100,264,747	(9,077,582)	91,187,165
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,376)</u>	<u>\$ -</u>	<u>\$ 368,460</u>	<u>\$ 368,460</u>
29		RUCO Adjustment (Line 28) (See RLM-3, Column (B))					<u>\$ 368,460</u>	

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 6, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 6, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Test Year Ended December 31, 2008

Palo Verde Utilities Company
Schedule RLM-5
Page 1 of 1

RUCO MADE NO POST TEST YEAR PLANT ADJUSTMENTS

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'M'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Flat Rate Revenues	\$ 6,009,748	\$ -	\$ 6,009,748	\$ 5,715,674	\$ 11,725,422
2	Other WW Revenues	339,704	-	339,704	373,375	713,079
3	Measured Reuse Revenues	171,749	-	171,749	959,672	1,131,421
4	TOTAL OPERATING REVENUE	\$ 6,521,201	\$ -	\$ 6,521,201	\$ 7,048,721	\$ 13,569,922
Operating Expenses:						
5	Salaries And Wages	\$ 924,853	-	\$ 924,853	\$ -	\$ 924,853
6	Pensions And Benefits	215,792	-	215,792	-	215,792
7	Purchased Power	595,157	-	595,157	-	595,157
8	Fuel For Power Production	7,004	-	7,004	-	7,004
9	Chemicals	157,134	-	157,134	-	157,134
10	Materials And Supplies	263,301	-	263,301	-	263,301
11	Materials And Supplies	295,301	-	295,301	-	295,301
12	Contractual Services - Mgmt	-	-	-	-	-
13	Contractual Services - Testing	99,923	-	99,923	-	99,923
14	Contractual Services - Other	183,283	407,098	590,381	-	590,381
15	Building Rentals	93,111	-	93,111	-	93,111
16	Equipment Rentals	20,469	-	20,469	-	20,469
17	Transportation Expenses	35,559	-	35,559	-	35,559
18	Insurance - General Liability	52,375	-	52,375	-	52,375
19	Insurance - Other	4,320	-	4,320	-	4,320
20	Advertising Expense	-	-	-	-	-
21	Regulatory Comm. Expense	53,333	-	53,333	-	53,333
22	Bad Debt Expense	65,212	-	65,212	-	65,212
23	Miscellaneous Expense	56,965	-	56,965	-	56,965
24	Depreciation Expense	3,156,675	-	3,156,675	-	3,156,675
25	Taxes Other Than Income - Reg.	1,256	-	1,256	-	1,256
26	Property Tax	-	130,536	130,536	-	130,536
27	Taxes Other Than Income	4,814	-	4,814	-	4,814
28	Income Tax	90,848	(810,194)	(719,346)	2,720,727	2,001,381
29	TOTAL OPERATING EXPENSES	\$ 6,376,685	\$ (272,561)	\$ 6,104,124	\$ 2,720,727	\$ 8,824,852
30	OPERATING INCOME (LOSS)	\$ 144,516		\$ 417,077		\$ 4,745,071

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (I)
- Column (C): Column (A) + Column (B)
- Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		COMPANY AS FILED	ADJ # 1 PROPERTY TAX	ADJ # 2 CAGR D	ADJ # 3 FRANCHISE FEE	ADJ # 4 INCOME TAX	RUCO AS ADJT'D
Revenues:							
1	Flat Rate Revenues	\$ 6,009,748	\$ -	\$ -	\$ -	\$ -	\$ 6,009,748
2	Measured Reuse Revenues	339,704	-	-	-	-	339,704
3	Other WW Revenues	171,749	-	-	-	-	171,749
4	TOTAL OPR'G REV.	<u>\$ 6,521,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,521,201</u>
Operating Expenses:							
5	Salaries And Wages	\$ 924,853	\$ -	\$ -	\$ -	\$ -	\$ 924,853
6	Pensions And Benefits	215,792	-	-	-	-	215,792
7	Purchased Power	595,157	-	-	-	-	595,157
8	Fuel For Power Production	7,004	-	-	-	-	7,004
9	Chemicals	157,134	-	-	-	-	157,134
10	Materials And Supplies	263,301	-	-	-	-	263,301
11	Materials And Supplies	295,301	-	-	-	-	295,301
12	Contractual Services - Mgmt	-	-	-	-	-	-
13	Contractual Services - Testing	99,923	-	-	-	-	99,923
14	Contractual Services - Other	183,283	-	-	407,098	-	590,381
15	Building Rentals	93,111	-	-	-	-	93,111
16	Equipment Rentals	20,469	-	-	-	-	20,469
17	Transportation Expenses	35,559	-	-	-	-	35,559
18	Insurance - General Liability	52,375	-	-	-	-	52,375
19	Insurance - Other	4,320	-	-	-	-	4,320
20	Advertising Expense	-	-	-	-	-	-
21	Regulatory Comm. Expense	53,333	-	-	-	-	53,333
22	Bad Debt Expense	65,212	-	-	-	-	65,212
23	Miscellaneous Expense	56,965	-	-	-	-	56,965
24	Depreciation Expense	3,156,675	-	-	-	-	3,156,675
25	Taxes Other Than Income - Reg.	1,256	-	-	-	-	1,256
26	Property Tax	-	130,536	-	-	-	130,536
27	Taxes Other Than Income	4,814	-	-	-	-	4,814
28	Income Tax	90,848	-	-	-	(810,194)	(719,346)
29	TOTAL OPR'G EXP.	<u>\$ 6,376,685</u>	<u>\$ 130,536</u>	<u>\$ -</u>	<u>\$ 407,098</u>	<u>\$ (810,194)</u>	<u>\$ 6,104,124</u>
30	OPR'G INC. (LOSS)	<u>\$ 144,516</u>					<u>\$ 417,077</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony, RLM And Schedule RLM-8
- Column (C): Testimony, RLM
- Column (D): Testimony, RLM
- Column (E): Testimony, RLM And Schedule RLM-9
- Column (F): Sum Of Columns (A) Thru (I)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	\$ 6,521,201	
2	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	6,521,201	
3	Proposed Revenues	Sch. RLM-6, Col (E), Ln 4	<u>13,569,922</u>	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 26,612,324	
5	Average Annual Operating Revenues	Line 4 / 3	<u>8,870,775</u>	
6	Two Times 3-Year Average Operating Revenues	Line 5 X 2		\$ 17,741,550
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 17,783,338	
8	10% Of CWIP	Line 7 X 10%		\$ 1,778,334
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-4, Pg 7, Col. (D), Ln 19	\$ 165,404	
10	Acc. Dep. Of Transportation Equipment	RLM-4, Pg 7, Col. (E), Ln 19	<u>(116,830)</u>	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ (48,574)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		<u>\$ 19,471,310</u>
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio For 2010	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 4,088,975	
Property Tax Rates:				
15	Primary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	3.6650%	
16	Secondary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	<u>0.0000%</u>	
17	Estimated Tax Rate Liability	Line 15 + Line 16	3.67%	
18	Co.'s Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 149,861</u>
19	Test Year Property Tax Expense As Filing	Co. Sch. C-1, Page 12		280,397
20	Increase In Property Tax Expense	Line 19 - Line 18		<u>\$ 130,536</u>
21	RUCO Adjustment (See RLM-7, Col. (B), Line 26)	Line 20		<u><u>\$ 130,536</u></u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L24	\$ (302,269)
LESS:			
2	Arizona State Tax	Line 11	129,859
3	Interest Expense	Note (A) Line 20	(1,561,376)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (1,733,786)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (589,487)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (302,269)
LESS:			
8	Interest Expense	Note (A) Line 20	(1,561,376)
9	State Taxable Income	Line 7 - Line 8	\$ (1,863,645)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (129,859)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (589,487)
13	State Income Tax Expense	Line 11	(129,859)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (719,346)
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		90,848
16	Total Income Tax Adjustment	Line 14 - Line 15	\$ (810,194)
17	RUCO Adjustment (See Sch. RLM-7, Column (I), L28)	Line 16	\$ (810,194)

NOTE (A):

Interest Synchronization:		
18	Adjusted Rate Base (Sch. RLM-3, Col. (E), L13)	\$ 64,011,238
19	Weighted Cost Of Debt (Sch. RLM-11, Col. (F), L2)	2.44%
20	Interest Expense (L17 X L18)	\$ 1,561,376

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2	Long-term Debt	\$ 118,466,992	\$ -	\$ 118,466,992	37.89%	6.44%	2.44%
3	Common Equity	\$ 194,182,956	\$ -	\$ 194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITAL	<u>\$ 312,649,948</u>	<u>\$ -</u>	<u>\$ 312,649,948</u>	<u>100.00%</u>		
5	COST OF CAPITAL						<u>7.41%</u>

References:

Columns (A) Thru (F): Testimony, WAR

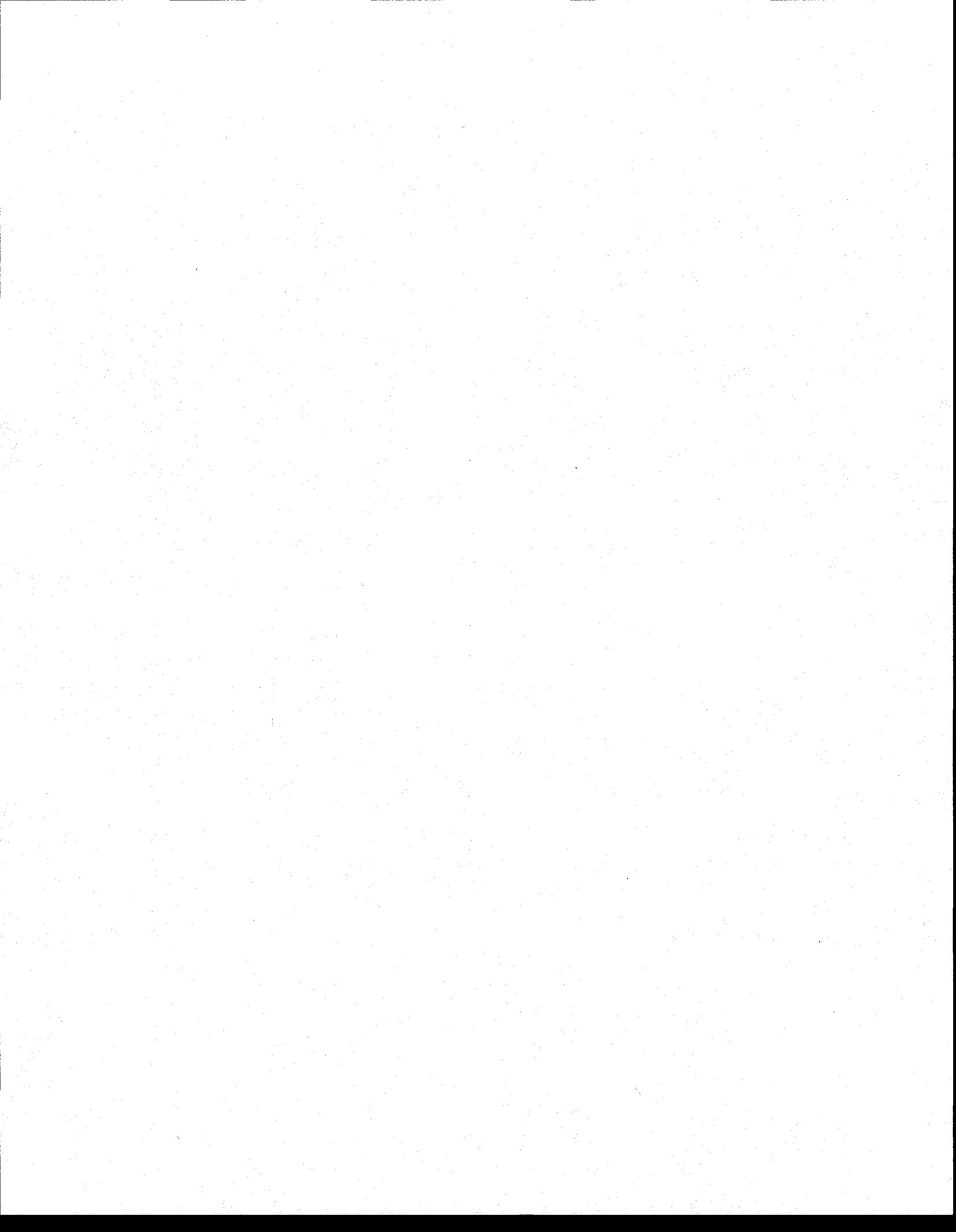


TABLE OF CONTENTS TO RLM SCHEDULES

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RLM-2	1	RATE BASE
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1	RATE BASE ADJUSTMENT NO. 1 - GROSS PLANT AND ACCUMULATED DEPRECIATION
TESTIMONY		RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION
RLM-5	1	INTENTIONALLY LEFT BLANK
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
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RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 4 - INCOME TAX EXPENSE
RLM-10	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 45,260,919	\$ 45,902,454
2	Adjusted Operating Income (Loss)	\$ 1,969,624	\$ 2,099,217
3	Current Rate Of Return (L2 / L1)	4.35%	4.57%
4	Required Operating Income (L5 X L1)	\$ 3,842,652	\$ 3,402,690
5	Required Rate Of Return On Fair Value Rate Base	8.49%	7.41%
6	Operating Income Deficiency (L4 - L2)	\$ 1,873,028	\$ 1,303,472
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6451	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 3,081,292	\$ 2,122,880
9	Adjusted Test Year Revenue	\$ 9,110,720	\$ 9,110,720
10	Proposed Annual Revenue (L8 + L9)	\$ 12,192,012	\$ 11,233,600
11	Required Percentage Increase In Revenue (L8 / L9)	33.82%	23.30%
12	Rate Of Return On Common Equity	10.00%	8.01%

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): RUCO Schedule RLM-2, RLM-6 And RLM-10

**REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	(0.3860)			
3	Subtotal (L1 + L2)	<u>0.6140</u>			
4	Revenue Conversion Factor(L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>31.6309%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>38.5989%</u>			
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$ 3,402,690			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)	<u>2,099,217</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 1,303,472		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 1,435,190			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>615,782</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 819,408		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 2,122,880</u>		
				RUCO	
				Recommended	
18	Revenue (Sch. RLM-1, Col. (B), L10)			\$ 11,233,600	
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L29 - L28)			(6,395,720)	
20	Synchronized Interest (Col. (C), L37)			<u>(1,119,662)</u>	
21	Arizona Taxable Income (L18 + L19 + L20)			\$ 3,718,218	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 259,085
24	Fed. Taxable Income (L21 - L23)			<u>\$ 3,459,132</u>	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			1,062,205	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 1,176,105
31	Combined Federal And State Income Tax (L23 + L30)				<u>\$ 1,435,190</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L28)				\$ 615,782
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L24)				<u>\$ 819,408</u>
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-3, Col. (H), L13)			\$ 45,902,454	
36	Weighted Avg. Cost Of Debt (Sch. RLM-11, Col. (F), L2)			2.44%	
37	Synchronized Interest (L35 X L36)			<u>\$ 1,119,662</u>	

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 87,753,403	\$ -	\$ 87,753,403
2	Accumulated Depreciation	(8,092,185)	641,535	(7,450,650)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 79,661,218</u>	<u>\$ 641,535</u>	<u>\$ 80,302,753</u>
4	Advances In Aid Of Const.	\$ (33,770,450)	\$ -	\$ (33,770,450)
5	Contribution In Aid Of Const.	\$ -	\$ -	\$ -
6	Accumulated Amortization Of CIAC	-	-	-
7	NET CIAC (L5 + L6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8	Customer Meter Deposits	\$ (1,136,087)	\$ -	\$ (1,136,087)
9	Deferred Income Taxes & Credits	\$ -	\$ -	\$ -
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ 506,238	\$ -	\$ 506,238
12	Allowance For Working Capital	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 45,260,919</u>	<u>\$ 641,535</u>	<u>\$ 45,902,454</u>

References:

Column (A): Company Schedule B-1
Column (B): RLM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 GROSS PLT & ACC DEP	(C) ADJ # 2 ACC DEP	(D) INTENT'NLY LEFT BLANK	(E) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 87,753,403	\$ -	\$ -	\$ -	\$ 87,753,403
2	Accumulated Depreciation	(8,092,185)	640,692	843	-	(7,450,650)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 79,661,218</u>	<u>\$ 640,692</u>	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 80,302,753</u>
4	Advances In Aid Of Const.	\$ (33,770,450)	\$ -	\$ -	\$ -	\$ (33,770,450)
5	Contribution In Aid Of Const.	\$ -	\$ -	\$ -	\$ -	\$ -
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8	Customer Meter Deposits	\$ (1,136,087)	\$ -	\$ -	\$ -	\$ (1,136,087)
9	Deferred Income Taxes & Credits	\$ -	\$ -	\$ -	\$ -	\$ -
10	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ 506,238	\$ -	\$ -	\$ -	\$ 506,238
12	Allowance For Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 45,260,919</u>	<u>\$ 640,692</u>	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 45,902,454</u>

References:

- Column (A): Company Schedule B-1
- Column (B): Adjustment No. 1 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM and Schedule RLM-4)
- Column (C): Adjustment No. 2 - RUCO Adjustment To Acc. Dep. (See Testimony)
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 2002**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRIOR DECISION DEP. RATE	(B) TOTAL PLANT VALUE	(C) ACCUMULATED DEPRECIATION	(D) NET PLANT VALUE
1	301	Intangibles/Organization	0.00%	\$ 88,723	\$ -	\$ 88,723
2	302	Franchise Cost	0.00%	-	-	-
3	303	Land and Land Rights	0.00%	13,490	-	13,490
4	304	Structures and Improvements	3.33%	379,628	(10,861)	368,767
5	306	Lake, River and Other Intakes	2.50%	-	-	-
6	307	Wells and Springs	3.33%	134,365	(5,375)	128,990
7	309	Supply Mains	2.00%	-	-	-
8	310	Power Generation Equipment	5.00%	-	-	-
9	311	Pumping Equipment	12.50%	321,723	(16,086)	305,637
10	320	Water Treatment Equipment	3.33%	6,762	(338)	6,424
11	330	Dist. Reservoirs & Standpipes	2.22%	323,495	(11,322)	312,173
12	331	Trans. and Dist. Mains	2.00%	1,466,621	(35,056)	1,431,565
13	333	Services	3.33%	251,007	(4,608)	246,399
14	334	Meters and Meter Installations	8.33%	53,296	(1,055)	52,241
15	335	Hydrants	2.00%	190,448	(3,408)	187,040
16	336	Backflow Prevention Devices	6.67%	-	-	-
17	339	Other Plant and Misc. Equip.	6.67%	-	-	-
18	340	Office Furniture and Equipment	6.67%	21,190	(720)	20,470
19	341	Transportation Equipment	20.00%	-	-	-
20	343	Tools, Shop and Garage Equip.	5.00%	-	-	-
21	344	Laboratory Equipment	10.00%	-	-	-
22	345	Power Operated Equipment	5.00%	-	-	-
23	346	Communication Equipment	10.00%	-	-	-
24	347	Miscellaneous Equipment	10.00%	-	-	-
25	348	Other Tangible Plant	10.00%	-	-	-
26	TOTAL WASTEWATER PLANT			<u>\$ 3,250,748</u>	<u>\$ (88,830)</u>	<u>\$ 3,161,918</u>
27	Company As Filed			<u>\$ 3,250,748</u>	<u>(88,830)</u>	<u>3,161,918</u>
28	Difference			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

References:
Columns (A) Thru (D): Company Workpapers

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 88,723	\$ -	\$ 88,723
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	13,490	-	13,490
4	304	Structures and Improvements	3,365	-	(12,698)	382,993	(23,558)	359,435
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	229,255	-	(8,291)	363,620	(13,666)	349,954
7	309	Supply Mains	463,999	-	(4,640)	463,999	(4,640)	459,359
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	241,878	-	(55,333)	563,601	(71,419)	492,182
10	320	Water Treatment Equipment	1,233	-	(246)	7,995	(584)	7,411
11	330	Dist. Reservoirs & Standpipes	342,317	-	(10,981)	665,812	(22,304)	643,508
12	331	Trans. and Dist. Mains	1,209,587	-	(41,428)	2,676,208	(76,484)	2,599,724
13	333	Services	13,310	-	(8,580)	264,317	(13,188)	251,129
14	334	Meters and Meter Installations	72,760	-	(7,470)	126,056	(8,525)	117,531
15	335	Hydrants	91,669	-	(4,726)	282,117	(8,134)	273,983
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	19,208	-	(641)	19,208	(641)	18,567
18	340	Office Furniture and Equipment	15,964	-	(1,946)	37,154	(2,666)	34,488
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	-	-
26	TOTAL WASTEWATER PLANT		<u>\$ 2,704,545</u>	<u>\$ -</u>	<u>\$ (156,979)</u>	<u>\$ 5,955,293</u>	<u>\$ (245,809)</u>	<u>\$ 5,709,484</u>
27	Company As Filed		<u>2,704,545</u>	<u>-</u>	<u>(156,850)</u>	<u>5,955,293</u>	<u>(245,680)</u>	<u>5,709,613</u>
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (129)</u>	<u>\$ -</u>	<u>\$ (129)</u>	<u>\$ (129)</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ (88,723)	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	13,490	-	13,490
4	304	Structures and Improvements	19,633	-	(13,081)	402,626	(36,639)	365,987
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	70,762	-	(13,287)	434,382	(26,953)	407,429
7	309	Supply Mains	303,105	-	(12,311)	767,104	(16,951)	750,153
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	33,190	-	(72,524)	596,791	(143,943)	452,847
10	320	Water Treatment Equipment	1,598	-	(293)	9,593	(877)	8,716
11	330	Dist. Reservoirs & Standpipes	10,093	-	(14,893)	675,905	(37,197)	638,708
12	331	Trans. and Dist. Mains	2,137,135	-	(74,896)	4,813,343	(151,380)	4,661,963
13	333	Services	331,833	-	(14,327)	596,150	(27,515)	568,635
14	334	Meters and Meter Installations	554,739	-	(33,605)	680,795	(42,131)	638,664
15	335	Hydrants	405,486	-	(9,697)	687,603	(17,831)	669,772
16	336	Backflow Prevention Devices	20,366	-	(679)	20,366	(679)	19,687
17	339	Other Plant and Misc. Equip.	8,433	-	(1,562)	27,641	(2,203)	25,438
18	340	Office Furniture and Equipment	130,714	-	(6,837)	167,868	(9,504)	158,365
19	341	Transportation Equipment	50,473	-	(5,047)	50,473	(5,047)	45,426
20	343	Tools, Shop and Garage Equip.	6,722	-	(168)	6,722	(168)	6,554
21	344	Laboratory Equipment	3,998	-	(200)	3,998	(200)	3,799
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	19,235	-	(962)	19,235	(962)	18,273
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	-	-
26		TOTAL WASTEWATER PLANT	<u>\$ 4,107,515</u>	<u>\$ (88,723)</u>	<u>\$ (274,370)</u>	<u>\$ 9,974,085</u>	<u>\$ (431,455)</u>	<u>\$ 9,542,630</u>
27		Company As Filed	4,107,515	(88,723)	(281,430)	9,974,085	(527,110)	9,446,975
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,060</u>	<u>\$ -</u>	<u>\$ 95,655</u>	<u>\$ 95,655</u>

References:

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- Column (D): Schedule RLM-4, Page 2, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 2, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	16,500	-	-	29,990	-	29,990
4	304	Structures and Improvements	11,827	-	(13,604)	414,453	(50,243)	364,210
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	331,936	-	(19,992)	766,318	(46,944)	719,373
7	309	Supply Mains	466,146	-	(20,004)	1,233,250	(36,955)	1,196,296
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	209,520	-	(87,694)	806,310	(231,637)	574,673
10	320	Water Treatment Equipment	-	-	(319)	9,593	(1,196)	8,397
11	330	Dist. Reservoirs & Standpipes	205,191	-	(17,283)	881,095	(54,479)	826,616
12	331	Trans. and Dist. Mains	5,353,316	-	(149,800)	10,166,659	(301,180)	9,865,479
13	333	Services	173,284	-	(22,737)	769,434	(50,252)	719,182
14	334	Meters and Meter Installations	1,153,519	-	(104,754)	1,834,314	(146,885)	1,687,429
15	335	Hydrants	226,308	-	(16,015)	913,911	(33,846)	880,065
16	336	Backflow Prevention Devices	4,181	-	(1,498)	24,547	(2,177)	22,370
17	339	Other Plant and Misc. Equip.	316,541	-	(12,400)	344,182	(14,603)	329,579
18	340	Office Furniture and Equipment	60,219	-	(13,205)	228,087	(22,709)	205,379
19	341	Transportation Equipment	122,422	(18,837)	(20,453)	154,057	(6,663)	147,394
20	343	Tools, Shop and Garage Equip.	14,239	-	(692)	20,961	(860)	20,101
21	344	Laboratory Equipment	-	-	(400)	3,998	(600)	3,399
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	22,900	-	(3,068)	42,135	(4,030)	38,104
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	351,643	-	(17,582)	351,643	(17,582)	334,061
26		TOTAL WASTEWATER PLANT	<u>\$ 9,039,690</u>	<u>\$ (18,837)</u>	<u>\$ (521,501)</u>	<u>\$ 18,994,939</u>	<u>\$ (934,120)</u>	<u>\$ 18,060,819</u>
27		Company As Filed	<u>9,039,690</u>	<u>(18,837)</u>	<u>(547,074)</u>	<u>18,994,939</u>	<u>(1,074,184)</u>	<u>17,920,755</u>
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,573</u>	<u>\$ -</u>	<u>\$ 140,064</u>	<u>\$ 140,064</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 3, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 3, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 3, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	14,866	-	-	44,856	-	44,856
4	304	Structures and Improvements	321	-	(13,807)	414,774	(64,050)	350,724
5	306	Lake, River and Other Intakes	1,855	-	(23)	1,855	(23)	1,832
6	307	Wells and Springs	1,185,840	-	(45,263)	1,952,158	(92,207)	1,859,951
7	309	Supply Mains	758,203	-	(32,247)	1,991,453	(69,202)	1,922,251
8	310	Power Generation Equipment	948	-	(24)	948	(24)	924
9	311	Pumping Equipment	2,280,062	-	(243,293)	3,086,372	(474,930)	2,611,442
10	320	Water Treatment Equipment	-	-	(319)	9,593	(1,516)	8,077
11	330	Dist. Reservoirs & Standpipes	485,968	-	(24,955)	1,367,063	(79,434)	1,287,629
12	331	Trans. and Dist. Mains	6,622,191	-	(269,555)	16,788,850	(570,735)	16,218,115
13	333	Services	796,073	-	(38,877)	1,565,507	(89,129)	1,476,378
14	334	Meters and Meter Installations	771,174	-	(184,918)	2,605,488	(331,803)	2,273,685
15	335	Hydrants	813,317	-	(26,411)	1,727,228	(60,257)	1,666,971
16	336	Backflow Prevention Devices	-	-	(1,637)	24,547	(3,814)	20,733
17	339	Other Plant and Misc. Equip.	126,349	-	(27,171)	470,531	(41,774)	428,757
18	340	Office Furniture and Equipment	-	(28,430)	(14,265)	199,657	(8,544)	191,113
19	341	Transportation Equipment	148,303	-	(45,642)	302,361	(52,305)	250,056
20	343	Tools, Shop and Garage Equip.	9,813	-	(1,293)	30,774	(2,154)	28,620
21	344	Laboratory Equipment	1,966	-	(498)	5,964	(1,098)	4,866
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	4,441	-	(4,436)	46,576	(8,466)	38,110
24	347	Miscellaneous Equipment	1,147	-	(57)	1,147	(57)	1,090
25	348	Other Tangible Plant	843,109	-	(77,320)	1,194,752	(94,902)	1,099,850
26	TOTAL WASTEWATER PLANT		<u>\$ 14,865,946</u>	<u>\$ (28,430)</u>	<u>\$ (1,052,010)</u>	<u>\$ 33,832,454</u>	<u>\$ (1,957,699)</u>	<u>\$ 31,874,755</u>
27	Company As Filed		14,865,946	(28,430)	(1,183,943)	33,832,454	(2,287,469)	31,544,985
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,933</u>	<u>\$ -</u>	<u>\$ 329,770</u>	<u>\$ 329,770</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 4, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 4, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	44,856	-	44,856
4	304	Structures and Improvements	8,860,456	-	(161,339)	9,275,230	(225,389)	9,049,841
5	306	Lake, River and Other Intakes	-	-	(46)	1,855	(70)	1,785
6	307	Wells and Springs	1,694,715	-	(93,224)	3,646,873	(185,431)	3,461,442
7	309	Supply Mains	94,793	-	(40,777)	2,086,246	(109,979)	1,976,267
8	310	Power Generation Equipment	322,145	-	(8,101)	323,093	(8,125)	314,968
9	311	Pumping Equipment	3,003,036	-	(573,486)	6,089,408	(1,048,416)	5,040,992
10	320	Water Treatment Equipment	321	-	(325)	9,914	(1,840)	8,074
11	330	Dist. Reservoirs & Standpipes	-	-	(30,349)	1,367,063	(109,783)	1,257,280
12	331	Trans. and Dist. Mains	20,134,233	-	(537,119)	36,923,083	(1,107,854)	35,815,229
13	333	Services	1,445,039	-	(76,191)	3,010,546	(165,320)	2,845,226
14	334	Meters and Meter Installations	661,758	-	(244,599)	3,267,246	(576,402)	2,690,844
15	335	Hydrants	1,220,682	-	(46,751)	2,947,910	(107,009)	2,840,901
16	336	Backflow Prevention Devices	2,025	-	(1,705)	26,572	(5,519)	21,053
17	339	Other Plant and Misc. Equip.	30,143	-	(32,390)	500,674	(74,164)	426,511
18	340	Office Furniture and Equipment	296,455	-	(23,204)	496,112	(31,748)	464,364
19	341	Transportation Equipment	233,062	-	(83,778)	535,423	(136,083)	399,340
20	343	Tools, Shop and Garage Equip.	24,531	-	(2,152)	55,305	(4,305)	51,000
21	344	Laboratory Equipment	100,307	-	(5,612)	106,271	(6,710)	99,561
22	345	Power Operated Equipment	60,372	-	(1,509)	60,372	(1,509)	58,863
23	346	Communication Equipment	308,003	-	(20,058)	354,579	(28,524)	326,055
24	347	Miscellaneous Equipment	-	-	(115)	1,147	(172)	975
25	348	Other Tangible Plant	2,390,419	-	(238,996)	3,585,171	(333,898)	3,251,273
26	TOTAL WASTEWATER PLANT		<u>\$ 40,882,495</u>	<u>\$ -</u>	<u>\$ (2,221,826)</u>	<u>\$ 74,714,949</u>	<u>\$ (4,179,526)</u>	<u>\$ 70,535,424</u>
27	Company As Filed		40,882,495	-	(2,373,028)	74,714,949	(4,660,497)	70,054,452
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,202</u>	<u>\$ -</u>	<u>\$ 480,971</u>	<u>\$ 480,972</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 5, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 5, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2008

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 88,723	\$ 88,723
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	44,856	-	44,856
4	304	Structures and Improvements	172,108	-	(311,731)	9,447,338	(537,119)	8,910,219
5	306	Lake, River and Other Intakes	-	-	(46)	1,855	(116)	1,739
6	307	Wells and Springs	48,053	-	(122,241)	3,694,926	(307,672)	3,387,254
7	309	Supply Mains	-	-	(41,725)	2,086,246	(151,704)	1,934,542
8	310	Power Generation Equipment	-	-	(16,155)	323,093	(24,279)	298,814
9	311	Pumping Equipment	264,103	-	(777,682)	6,353,511	(1,826,099)	4,527,412
10	320	Water Treatment Equipment	2,640	-	(374)	12,554	(2,214)	10,340
11	330	Dist. Reservoirs & Standpipes	-	-	(30,349)	1,367,063	(140,132)	1,226,931
12	331	Trans. and Dist. Mains	7,520,331	-	(813,665)	44,443,414	(1,921,519)	42,521,895
13	333	Services	1,587,850	-	(126,689)	4,598,396	(292,009)	4,306,387
14	334	Meters and Meter Installations	286,333	-	(284,087)	3,553,579	(860,489)	2,693,090
15	335	Hydrants	1,392,656	-	(72,885)	4,340,566	(179,894)	4,160,672
16	336	Backflow Prevention Devices	-	-	(1,772)	26,572	(7,292)	19,280
17	339	Other Plant and Misc. Equip.	194,435	-	(39,879)	695,109	(114,043)	581,066
18	340	Office Furniture and Equipment	8,312	-	(33,368)	504,424	(65,116)	439,308
19	341	Transportation Equipment	61,153	-	(113,200)	596,576	(249,283)	347,293
20	343	Tools, Shop and Garage Equip.	9,971	-	(3,015)	65,276	(7,320)	57,956
21	344	Laboratory Equipment	901	-	(10,672)	107,172	(17,382)	89,790
22	345	Power Operated Equipment	-	-	(3,019)	60,372	(4,528)	55,844
23	346	Communication Equipment	211,357	-	(46,026)	565,936	(74,549)	491,387
24	347	Miscellaneous Equipment	79,712	-	(4,100)	80,859	(4,272)	76,587
25	348	Other Tangible Plant	1,198,539	-	(418,444)	4,783,710	(752,342)	4,031,368
26	TOTAL WASTEWATER PLANT		<u>\$ 13,038,454</u>	<u>\$ -</u>	<u>\$ (3,271,124)</u>	<u>\$ 87,753,403</u>	<u>\$ (7,450,650)</u>	<u>\$ 80,302,754</u>
27	Company As Filed		13,038,454	-	(3,430,845)	87,753,403	(8,091,342)	79,662,061
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,721</u>	<u>\$ -</u>	<u>\$ 640,692</u>	<u>\$ 640,693</u>
29	RUCO Adjustment (Line 28) (See RLM-3, Column (B))						<u>\$ 640,692</u>	

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 6, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 6, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Test Year Ended December 31, 2008

Santa Cruz Water Company
Schedule RLM-5
Page 1 of 1

RUCO MADE NO POST TEST YEAR PLANT ADJUSTMENTS

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'MTS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Sales	\$ 8,744,774	\$ -	\$ 8,744,774	\$ 1,736,675	\$ 10,481,449
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	365,946	-	365,946	386,206	752,151
4	TOTAL OPERATING REVENUE	<u>\$ 9,110,720</u>	<u>\$ -</u>	<u>\$ 9,110,720</u>	<u>\$ 2,122,880</u>	<u>\$ 11,233,600</u>
Operating Expenses:						
5	Salary and Wages - Employees	\$ 781,051	-	\$ 781,051	\$ -	\$ 781,051
6	Employee Pensions and Benefits	189,983	-	189,983	-	189,983
7	Purchased Water	-	-	-	-	-
8	Purchased Power	554,398	-	554,398	-	554,398
9	Fuel for Power Production	3,505	-	3,505	-	3,505
10	Chemicals	40,455	-	40,455	-	40,455
11	Materials and Supplies	18,969	-	18,969	-	18,969
12	Materials and Supplies	297,033	-	297,033	-	297,033
13	Contractual Services - Testing	36,113	-	36,113	-	36,113
14	Contractual Services - Other	67,911	337,008	404,919	-	404,919
15	Rental of Building/Real Property	94,369	-	94,369	-	94,369
16	Rental of Equipment	7,803	-	7,803	-	7,803
17	Transportation Expenses	45,296	-	45,296	-	45,296
18	Insurance - General Liability	53,083	-	53,083	-	53,083
19	Insurance - Other	4,647	-	4,647	-	4,647
20	Advertising Expense	-	-	-	-	-
21	Rate Case Expense	53,333	-	53,333	-	53,333
22	Bad Debt Expense	91,107	-	91,107	-	91,107
23	Miscellaneous Expenses	34,629	-	34,629	-	34,629
24	Depreciation Expense	3,506,485	-	3,506,485	-	3,506,485
25	Taxes Other Than Income	15,929	-	15,929	-	15,929
26	Property Taxes	-	155,790	155,790	-	155,790
27	Other Taxes and Licenses	6,823	-	6,823	-	6,823
28	Income Taxes	1,238,174	(622,392)	615,782	819,408	1,435,190
29	TOTAL OPERATING EXPENSES	<u>\$ 7,141,096</u>	<u>\$ (129,594)</u>	<u>\$ 7,011,502</u>	<u>\$ 819,408</u>	<u>\$ 7,830,910</u>
30	OPERATING INCOME (LOSS)	<u>\$ 1,969,624</u>		<u>\$ 2,099,217</u>		<u>\$ 3,402,690</u>

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (I)
- Column (C): Column (A) + Column (B)
- Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		COMPANY AS FILED	ADJ # 1 PROPERTY TAX	ADJ # 2 CAGR D	ADJ # 3 FRANCHISE FEE	ADJ # 4 INCOME TAX	RUCO AS ADJT'D
Revenues:							
1	Metered Water Sales	\$ 8,744,774	\$ -	\$ -	\$ -	\$ -	\$ 8,744,774
2	Other Operating Revenue	-	-	-	-	-	-
3	Water Sales - Unmetered	365,946	-	-	-	-	365,946
4	TOTAL OPR'G REV.	<u>\$ 9,110,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,110,720</u>
Operating Expenses:							
5	Salary and Wages - Employees	\$ 781,051	\$ -	\$ -	\$ -	\$ -	\$ 781,051
6	Employee Pensions and Benefits	189,983	-	-	-	-	189,983
7	Purchased Water	-	-	-	-	-	-
8	Purchased Power	554,398	-	-	-	-	554,398
9	Fuel for Power Production	3,505	-	-	-	-	3,505
10	Chemicals	40,455	-	-	-	-	40,455
11	Materials and Supplies	18,969	-	-	-	-	18,969
12	Materials and Supplies	297,033	-	-	-	-	297,033
13	Contractual Services - Testing	36,113	-	-	-	-	36,113
14	Contractual Services - Other	67,911	-	-	337,008	-	404,919
15	Rental of Building/Real Property	94,369	-	-	-	-	94,369
16	Rental of Equipment	7,803	-	-	-	-	7,803
17	Transportation Expenses	45,296	-	-	-	-	45,296
18	Insurance - General Liability	53,083	-	-	-	-	53,083
19	Insurance - Other	4,647	-	-	-	-	4,647
20	Advertising Expense	-	-	-	-	-	-
21	Rate Case Expense	53,333	-	-	-	-	53,333
22	Bad Debt Expense	91,107	-	-	-	-	91,107
23	Miscellaneous Expenses	34,629	-	-	-	-	34,629
24	Depreciation Expense	3,506,485	-	-	-	-	3,506,485
25	Taxes Other Than Income	15,929	-	-	-	-	15,929
26	Property Taxes	-	155,790	-	-	-	155,790
27	Other Taxes and Licenses	6,823	-	-	-	-	6,823
28	Income Taxes	1,238,174	-	-	-	(622,392)	615,782
29	TOTAL OPR'G EXP.	<u>\$ 7,141,096</u>	<u>\$ 155,790</u>	<u>\$ -</u>	<u>\$ 337,008</u>	<u>\$ (622,392)</u>	<u>\$ 7,011,502</u>
30	OPR'G INC. (LOSS)	<u>\$ 1,969,624</u>					<u>\$ 2,099,217</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony, RLM And Schedule RLM-8
- Column (C): Testimony, RLM
- Column (D): Testimony, RLM
- Column (E): Testimony, RLM And Schedule RLM-9
- Column (F): Sum Of Columns (A) Thru (E)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	\$ 9,110,720	
2	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	9,110,720	
3	Proposed Revenues	Sch. RLM-6, Col (E), Ln 4	11,233,600	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 29,455,040	
5	Average Annual Operating Revenues	Line 4 / 3	9,818,347	
6	Two Times 3-Year Average Operating Revenues	Line 5 X 2		\$ 19,636,693
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 17,783,338	
8	10% Of CWIP	Line 7 X 10%		\$ 1,778,334
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-4, Pg 7, Col. (D), Ln 19	\$ 107,172	
10	Acc. Dep. Of Transportation Equipment	RLM-4, Pg 7, Col. (E), Ln 19	(17,382)	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ (89,790)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		\$ 21,325,237
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio For 2010	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 4,478,300	
Property Tax Rates:				
15	Primary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	3.4788%	
16	Secondary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	0.0000%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	3.48%	
18	Co.'s Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		\$ 155,790
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 29		-
20	Increase In Property Tax Expense	Line 18 - Line 19		\$ 155,790
21	RUCO Adjustment (See RLM-7, Col. (B), Line 26)	Line 20		\$ 155,790

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L24	\$ 2,715,000
LESS:			
2	Arizona State Tax	Line 11	(111,163)
3	Interest Expense	Note (A) Line 20	(1,119,662)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 1,484,174
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 504,619
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ 2,715,000
LESS:			
8	Interest Expense	Note (A) Line 20	(1,119,662)
9	State Taxable Income	Line 7 - Line 8	\$ 1,595,338
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 111,163
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ 504,619
13	State Income Tax Expense	Line 11	111,163
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ 615,782
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		1,238,174
16	Total Income Tax Adjustment	Line 14 - Line 15	\$ (622,392)
17	RUCO Adjustment (See Sch. RLM-7, Column (I), L28)	Line 16	\$ (622,392)

NOTE (A):

Interest Synchronization:		
18	Adjusted Rate Base (Sch. RLM-3, Col. (E), L13)	\$ 45,902,454
19	Weighted Cost Of Debt (Sch. RLM-11, Col. (F), L2)	2.44%
20	Interest Expense (L17 X L18)	\$ 1,119,662

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2	Long-term Debt	\$ 118,466,992	\$ -	\$ 118,466,992	37.89%	6.44%	2.44%
3	Common Equity	\$ 194,182,956	\$ -	\$ 194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITAL	<u>\$ 312,649,948</u>	<u>\$ -</u>	<u>\$ 312,649,948</u>	<u>100.00%</u>		
5	COST OF CAPITAL						<u>7.41%</u>

References:

Columns (A) Thru (F): Testimony, WAR



TABLE OF CONTENTS TO RLM SCHEDULES

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1 & 2	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1	RATE BASE ADJUSTMENT NO. 1 - GROSS PLANT AND ACCUMULATED DEPRECIATION
TESTIMONY		RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION
RLM-5	1	INTENTIONALLY LEFT BLANK
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 2 - CAGRD FEES
RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 3 - INCOME TAX EXPENSE
RLM-10	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 4,240,018	\$ 4,539,198
2	Adjusted Operating Income (Loss)	\$ (601,943)	\$ (597,417)
3	Current Rate Of Return (L2 / L1)	-14.20%	-13.16%
4	Required Operating Income (L5 X L1)	\$ 405,346	\$ 336,485
5	Required Rate Of Return On Fair Value Rate Base	9.56%	7.41%
6	Operating Income Deficiency (L4 - L2)	\$ 1,007,289	\$ 933,901
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6451	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 1,657,077	\$ 1,520,984
9	Adjusted Test Year Revenue	\$ 2,894,421	\$ 2,894,421
10	Proposed Annual Revenue (L8 + L9)	\$ 4,551,498	\$ 4,415,406
11	Required Percentage Increase In Revenue (L8 / L9)	57.25%	52.55%
12	Rate Of Return On Common Equity	10.00%	8.01%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RLM-2, RLM-6 And RLM-10

**REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue		1.0000		
2	Combined Federal And State Tax Rate (L10)		(0.3860)		
3	Subtotal (L1 + L2)		<u>0.6140</u>		
4	Revenue Conversion Factor(L1 / L3)		1.6286		
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)		100.0000%		
6	Arizona State Income Tax Rate		<u>6.9680%</u>		
7	Federal Taxable Income (L5 - L6)		93.0320%		
8	Applicable Federal Income Tax Rate (Col. (D), L34)		34.0000%		
9	Effective Federal Income Tax Rate (L7 X L8)		<u>31.6309%</u>		
10	Combined Federal And State Income Tax Rate (L6 + L9)		<u>38.5989%</u>		
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$	336,485		
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)		<u>(597,417)</u>		
13	Required Increase In Operating Income (L11 - L12)			\$	933,901
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$	141,923		
15	Income Taxes On Test Year Revenue (Col. (D), L32)		<u>(445,160)</u>		
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)			\$	587,083
17	Total Required Increase In Revenue (L13 + L16)			\$	<u>1,520,984</u>
CALCULATION OF INCOME TAX					
18	Revenue (Sch. RLM-1, Col. (B), L10)			RUCO Recommended	
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L29 - L28)			\$	4,415,406
20	Synchronized Interest (Col. (C), L37)				(3,936,998)
21	Arizona Taxable Income (L18 + L19 + L20)				<u>(110,721)</u>
22	Arizona State Income Tax Rate			\$	367,687
23	Arizona Income Tax (L21 X L22)				6.9680%
24	Fed. Taxable Income (L21 - L23)			\$	342,066
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$	7,500
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%				6,250
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%				8,500
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%				91,650
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%				2,403
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)			\$	116,303
31	Combined Federal And State Income Tax (L23 + L30)			\$	<u>141,923</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L28)			\$	(445,160)
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L24)			\$	<u>587,083</u>
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-3, Col. (H), L13)			\$	4,539,198
36	Weighted Avg. Cost Of Debt (Sch. RLM-11, Col. (F), L2)				2.44%
37	Synchronized Interest (L35 X L36)			\$	<u>110,721</u>

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 45,877,421	\$ 95,591	\$ 45,973,012
2	Accumulated Depreciation	(3,071,499)	203,589	(2,867,910)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 42,805,922</u>	<u>\$ 299,180</u>	<u>\$ 43,105,102</u>
4	Advances In Aid Of Const.	\$ (37,992,781)	\$ -	\$ (37,992,781)
5	Contribution In Aid Of Const.	\$ (890,221)	\$ -	\$ (890,221)
6	Accumulated Amortization Of CIAC	98,283	-	98,283
7	NET CIAC (L5 + L6)	<u>\$ (791,938)</u>	<u>\$ -</u>	<u>\$ (791,938)</u>
8	Customer Meter Deposits	\$ (162,132)	\$ -	\$ (162,132)
9	Deferred Income Taxes & Credits	\$ 380,947	\$ -	\$ 380,947
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 4,240,018</u>	<u>\$ 299,180</u>	<u>\$ 4,539,198</u>

References:

- Column (A): Company Schedule B-2, Page 1 And Workpapers Schedule E-1
- Column (B): RLM-3, Columns (B) Thru (G)
- Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 GROSS PLT & ACC DEP	(C) INTENT'NLY LEFT BLANK	(D) INTENT'NLY LEFT BLANK	(E) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 45,877,421	\$ 95,591	\$ -	\$ -	\$ 45,973,012
2	Accumulated Depreciation	(3,071,499)	203,589	-	-	(2,867,910)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 42,805,922</u>	<u>\$ 299,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,105,102</u>
4	Advances In Aid Of Const.	\$ (37,992,781)	\$ -	\$ -	\$ -	\$ (37,992,781)
5	Contribution In Aid Of Const.	\$ (890,221)	\$ -	\$ -	\$ -	\$ (890,221)
6	Accumulated Amortization Of CIAC	98,283	-	-	-	98,283
7	NET CIAC (L5 + L6)	<u>\$ (791,938)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (791,938)</u>
8	Customer Meter Deposits	\$ (162,132)	\$ -	\$ -	\$ -	\$ (162,132)
9	Deferred Income Taxes & Credits	\$ 380,947	\$ -	\$ -	\$ -	\$ 380,947
10	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 4,240,018</u>	<u>\$ 299,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,539,198</u>

References:

- Column (A): Company Schedule B-1
- Column (B): Adjustment No. 1 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM And Schedule RLM-4)
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 1996**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRIOR DECISION DEP. RATE	(B) TOTAL PLANT VALUE	(C) ACCUMULATED DEPRECIATION	(D) NET PLANT VALUE
1	301	Intangibles/Organization	0.00%	\$ -	\$ -	\$ -
2	302	Franchise Cost	0.00%	-	-	-
3	303	Land and Land Rights	0.00%	15,150	-	15,150
4	304	Structures and Improvements	2.40%	12,892	(4,444)	8,448
5	306	Lake, River and Other Intakes	0.00%	-	-	-
6	307	Wells and Springs	3.20%	251,565	(68,179)	183,386
7	309	Supply Mains	0.00%	-	-	-
8	310	Power Generation Equipment	0.00%	-	-	-
9	311	Pumping Equipment	3.60%	175,365	(46,897)	128,468
10	320	Water Treatment Equipment	3.60%	106	(19)	87
11	330	Dist. Reservoirs & Standpipes	2.00%	270,608	(71,083)	199,525
12	331	Trans. and Dist. Mains	2.00%	676,905	(195,646)	481,259
13	333	Services	3.30%	54,326	(14,058)	40,268
14	334	Meters and Meter Installations	3.40%	51,349	(21,611)	29,738
15	335	Hydrants	2.00%	61,159	(18,556)	42,603
16	336	Backflow Prevention Devices	6.80%	-	-	-
17	339	Other Plant and Misc. Equip.	6.80%	-	(742)	(742)
18	340	Office Furniture and Equipment	6.80%	10,436	(1,007)	9,429
19	341	Transportation Equipment	20.00%	22,237	11,256	33,493
20	343	Tools, Shop and Garage Equip.	5.00%	9,132	(2,581)	6,551
21	344	Laboratory Equipment	5.00%	-	-	-
22	345	Power Operated Equipment	7.70%	-	(972)	(972)
23	346	Communication Equipment	5.00%	-	(414)	(414)
24	347	Miscellaneous Equipment	5.00%	40,184	3,014	43,198
25	348	Other Tangible Plant	5.00%	300	23	323
26		Adjustment Rounding		-	-	-
27		TOTAL WASTEWATER PLANT		<u>\$ 1,651,713</u> ⁽¹⁾	<u>\$ (431,916)</u>	<u>\$ 1,219,797</u> ⁽¹⁾
28		Company As Filed		<u>\$ 1,651,713</u>	<u>(431,916)</u>	<u>1,219,797</u>
29		Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

References:

Columns (A) Thru (D): Company Workpapers

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	15,150	-	15,150
4	304	Structures and Improvements	-	-	(309)	12,892	(4,753)	8,139
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(8,050)	251,565	(76,229)	175,336
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	-	-	(6,313)	175,365	(53,210)	122,155
10	320	Water Treatment Equipment	-	-	(4)	106	(23)	83
11	330	Dist. Reservoirs & Standpipes	-	-	(5,412)	270,608	(76,495)	194,113
12	331	Trans. and Dist. Mains	-	-	(13,538)	676,905	(209,184)	467,721
13	333	Services	-	-	(1,793)	54,326	(15,851)	38,475
14	334	Meters and Meter Installations	-	-	(1,746)	51,349	(23,357)	27,992
15	335	Hydrants	-	-	(1,223)	61,159	(19,779)	41,380
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	(742)	(742)
18	340	Office Furniture and Equipment	-	-	(710)	10,436	(1,717)	8,719
19	341	Transportation Equipment	-	-	(4,447)	22,237	6,809	29,046
20	343	Tools, Shop and Garage Equip.	-	-	(457)	9,132	(3,038)	6,094
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	(972)	(972)
23	346	Communication Equipment	-	-	-	-	(414)	(414)
24	347	Miscellaneous Equipment	-	-	(2,009)	40,184	1,005	41,189
25	348	Other Tangible Plant	-	-	(15)	300	8	308
26		Adjustment	-	-	-	-	-	-
		Rounding	-	-	-	(1)	(1)	(2)
27		TOTAL WASTEWATER PLANT....	\$ -	\$ -	\$ (46,026)	\$ 1,651,713	\$ (477,943)	\$ 1,173,770
28		Company As Filed	-	-	(46,026)	1,651,713	(477,943)	1,173,770
29		Difference....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	15,150	-	15,150
4	304	Structures and Improvements	5,769	-	(379)	18,661	(5,132)	13,529
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	(192,949)	(4,963)	58,616	111,757	170,373
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	45,095	-	(7,125)	220,460	(60,335)	160,125
10	320	Water Treatment Equipment	-	-	(4)	106	(27)	79
11	330	Dist. Reservoirs & Standpipes	19,014	-	(5,602)	289,622	(82,097)	207,525
12	331	Trans. and Dist. Mains	122,199	-	(14,760)	799,104	(223,944)	575,160
13	333	Services	14,625	-	(2,034)	68,951	(17,885)	51,066
14	334	Meters and Meter Installations	3,947	-	(1,813)	55,296	(25,170)	30,126
15	335	Hydrants	13,259	-	(1,356)	74,418	(21,135)	53,283
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	(742)	(742)
18	340	Office Furniture and Equipment	678	-	(733)	11,114	(2,449)	8,665
19	341	Transportation Equipment	5,354	-	(4,983)	27,591	1,826	29,417
20	343	Tools, Shop and Garage Equip.	2,383	-	(516)	11,515	(3,554)	7,961
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	(972)	(972)
23	346	Communication Equipment	993	-	(25)	993	(439)	554
24	347	Miscellaneous Equipment	-	(40,184)	(1,005)	-	40,184	40,184
25	348	Other Tangible Plant	-	(300)	(8)	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding	(1)			(2)		(2)
27		TOTAL WASTEWATER PLANT	<u>\$ 233,315</u>	<u>\$ (233,433)</u>	<u>\$ (45,304)</u>	<u>\$ 1,651,595</u>	<u>\$ (289,813)</u>	<u>\$ 1,361,782</u>
28		Company As Filed	233,315	(233,433)	(45,304)	1,651,595	(456,934)	1,194,661
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,121</u>	<u>\$ 167,121</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 2, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 2, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 2, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	4,537	-	-	19,687	-	19,687
4	304	Structures and Improvements	-	-	(448)	18,661	(5,580)	13,081
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(1,876)	58,616	109,881	168,497
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	4,375	-	(8,015)	224,835	(68,350)	156,485
10	320	Water Treatment Equipment	-	-	(4)	106	(30)	76
11	330	Dist. Reservoirs & Standpipes	-	-	(5,792)	289,622	(87,890)	201,732
12	331	Trans. and Dist. Mains	337	-	(15,985)	799,441	(239,930)	559,511
13	333	Services	-	-	(2,275)	68,951	(20,160)	48,791
14	334	Meters and Meter Installations	9,872	-	(2,048)	65,168	(27,218)	37,950
15	335	Hydrants	-	-	(1,488)	74,418	(22,623)	51,795
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	1,183	-	(40)	1,183	(782)	401
18	340	Office Furniture and Equipment	359	-	(768)	11,473	(3,217)	8,256
19	341	Transportation Equipment	-	-	(5,518)	27,591	(3,692)	23,899
20	343	Tools, Shop and Garage Equip.	2,490	-	(638)	14,005	(4,192)	9,813
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	(972)	(972)
23	346	Communication Equipment	128	-	(53)	1,121	(492)	629
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding	-	-	-	-	-	-
27		TOTAL WASTEWATER PLANT	\$ 23,281	\$ -	\$ (44,949)	\$ 1,674,878	\$ (334,763)	\$ 1,340,115
28		Company As Filed	23,281	-	(44,949)	1,674,878	(501,884)	1,172,994
29		Difference	\$ -	\$ -	\$ -	\$ -	\$ 167,121	\$ 167,121

References:

- Columns (A) (B): Company Schedules B-2, Page 2a Thru B-2, Page 2k
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 3, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 3, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 3, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	19,687	-	19,687
4	304	Structures and Improvements	-	-	(448)	18,661	(6,028)	12,633
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(1,876)	58,616	108,006	166,622
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	15,389	-	(8,371)	240,224	(76,721)	163,503
10	320	Water Treatment Equipment	-	-	(4)	106	(34)	72
11	330	Dist. Reservoirs & Standpipes	2,710	-	(5,820)	292,332	(93,709)	198,623
12	331	Trans. and Dist. Mains	-	-	(15,989)	799,441	(255,918)	543,523
13	333	Services	1,935	-	(2,307)	70,886	(22,468)	48,418
14	334	Meters and Meter Installations	7,384	-	(2,341)	72,552	(29,559)	42,993
15	335	Hydrants	74	-	(1,489)	74,492	(24,112)	50,380
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	2,038	-	(150)	3,221	(932)	2,289
18	340	Office Furniture and Equipment	81	-	(783)	11,554	(4,000)	7,554
19	341	Transportation Equipment	1,051	-	(5,623)	28,642	(9,316)	19,326
20	343	Tools, Shop and Garage Equip.	1,589	-	(740)	15,594	(4,932)	10,662
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	3,232	-	(124)	3,232	(1,096)	2,136
23	346	Communication Equipment	-	-	(56)	1,121	(548)	573
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding	-	-	-	(2)	-	(2)
27		TOTAL WASTEWATER PLANT	\$ 35,483	\$ -	\$ (46,121)	\$ 1,710,359	\$ (380,884)	\$ 1,329,475
28		Company As Filed	35,483	-	(46,121)	1,710,359	(548,005)	1,162,354
29		Difference	-	-	-	-	167,121	167,121

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 4, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 4, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	3,000	-	-	22,687	-	22,687
4	304	Structures and Improvements	-	-	(448)	18,661	(6,476)	12,185
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	489	-	(1,884)	59,105	106,122	165,227
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	56,707	-	(9,669)	296,931	(86,390)	210,541
10	320	Water Treatment Equipment	-	-	(4)	106	(38)	68
11	330	Dist. Reservoirs & Standpipes	4,074	-	(5,887)	296,406	(99,597)	196,809
12	331	Trans. and Dist. Mains	45,543	-	(16,444)	844,984	(272,363)	572,621
13	333	Services	626	-	(2,350)	71,512	(24,817)	46,695
14	334	Meters and Meter Installations	8,244	-	(2,607)	80,796	(32,166)	48,630
15	335	Hydrants	9,917	-	(1,589)	84,409	(25,701)	58,708
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	(219)	3,221	(1,151)	2,070
18	340	Office Furniture and Equipment	2,280	-	(863)	13,834	(4,863)	8,971
19	341	Transportation Equipment	23,747	-	(8,103)	52,389	(17,419)	34,970
20	343	Tools, Shop and Garage Equip.	3,200	-	(860)	18,794	(5,791)	13,003
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	3,790	-	(395)	7,022	(1,491)	5,531
23	346	Communication Equipment	-	-	(56)	1,121	(604)	517
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding	(1)	-	-	(2)	-	(2)
27		TOTAL WASTEWATER PLANT.....	\$ 161,616	\$ -	\$ (51,377)	\$ 1,871,976	\$ (432,261)	\$ 1,439,715
28		Company As Filed	161,616	-	(43,916)	1,871,976	(591,921)	1,280,055
29		Difference.....	\$ -	\$ -	\$ (7,461)	\$ -	\$ 159,660	\$ 159,660

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 5, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 5, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2002

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	22,687	-	22,687
4	304	Structures and Improvements	4,978	-	(508)	23,639	(6,983)	16,656
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	75,973	-	(3,107)	135,078	103,015	238,093
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	71,927	-	(11,984)	368,858	(98,374)	270,484
10	320	Water Treatment Equipment	1,140	-	(24)	1,246	(62)	1,184
11	330	Dist. Reservoirs & Standpipes	80,416	-	(6,732)	376,822	(106,329)	270,493
12	331	Trans. and Dist. Mains	155,686	-	(18,457)	1,000,670	(290,819)	709,851
13	333	Services	-	-	(2,360)	71,512	(27,177)	44,335
14	334	Meters and Meter Installations	37,453	-	(3,384)	118,249	(35,550)	82,699
15	335	Hydrants	13,457	-	(1,823)	97,866	(27,524)	70,342
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	(219)	3,221	(1,370)	1,851
18	340	Office Furniture and Equipment	259	-	(950)	14,093	(5,813)	8,280
19	341	Transportation Equipment	25,622	-	(13,040)	78,011	(30,459)	47,552
20	343	Tools, Shop and Garage Equip.	6,500	-	(1,102)	25,294	(6,894)	18,400
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	(541)	7,022	(2,032)	4,990
23	346	Communication Equipment	719	-	(74)	1,840	(678)	1,162
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding	1	-	-	(1)	-	(1)
27		TOTAL WASTEWATER PLANT	\$ 474,131	\$ -	\$ (64,304)	\$ 2,346,107	\$ (496,564)	\$ 1,849,543
28		Company As Filed	474,131	-	(52,354)	2,346,107	(644,274)	1,701,833
29		Difference	\$ -	\$ -	\$ (11,950)	\$ -	\$ 147,710	\$ 147,710

References:

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- Column (D): Schedule RLM-4, Page 6, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 6, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	22,687	-	22,687
4	304	Structures and Improvements	34,618	-	(983)	58,257	(7,966)	50,291
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(4,322)	135,078	98,693	233,771
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	39,215	-	(13,985)	408,073	(112,359)	295,714
10	320	Water Treatment Equipment	18,277	-	(374)	19,523	(436)	19,087
11	330	Dist. Reservoirs & Standpipes	81,457	-	(8,351)	458,279	(114,680)	343,599
12	331	Trans. and Dist. Mains	134,187	-	(21,355)	1,134,857	(312,175)	822,682
13	333	Services	7,166	-	(2,478)	78,678	(29,655)	49,023
14	334	Meters and Meter Installations	23,709	-	(4,424)	141,958	(39,973)	101,985
15	335	Hydrants	2,172	-	(1,979)	100,038	(29,503)	70,535
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	4,460	-	(371)	7,681	(1,741)	5,940
18	340	Office Furniture and Equipment	583	-	(978)	14,676	(6,791)	7,885
19	341	Transportation Equipment	59,574	(30,796)	(18,480)	106,789	(18,143)	88,646
20	343	Tools, Shop and Garage Equip.	4,978	-	(1,389)	30,272	(8,283)	21,989
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	(541)	7,022	(2,573)	4,449
23	346	Communication Equipment	1,385	-	(127)	3,225	(804)	2,421
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding				(1)		(1)
27		TOTAL WASTEWATER PLANT	\$ 411,781	\$ (30,796)	\$ (80,136)	\$ 2,727,092	\$ (545,905)	\$ 2,181,187
28		Company As Filed	411,781	(30,796)	(36,626)	2,727,092	(680,903)	2,046,189
29		Difference	\$ -	\$ -	\$ (43,510)	\$ -	\$ 134,998	\$ 134,998

References:

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- Column (D): Schedule RLM-4, Page 7, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	22,687	-	22,687
4	304	Structures and Improvements	19,148	-	(1,628)	77,405	(9,594)	67,811
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	205,381	-	(7,609)	340,459	91,084	431,543
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	120,921	-	(16,867)	528,994	(129,226)	399,768
10	320	Water Treatment Equipment	2,851	-	(754)	22,374	(1,190)	21,184
11	330	Dist. Reservoirs & Standpipes	65,634	-	(9,822)	523,913	(124,502)	399,411
12	331	Trans. and Dist. Mains	1,903,503	-	(41,732)	3,038,360	(353,907)	2,684,453
13	333	Services	267,667	-	(7,013)	346,345	(36,668)	309,677
14	334	Meters and Meter Installations	135,731	-	(7,134)	277,689	(47,107)	230,582
15	335	Hydrants	167,144	-	(3,672)	267,182	(33,175)	234,007
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	14,782	-	(1,025)	22,463	(2,766)	19,697
18	340	Office Furniture and Equipment	2,963	-	(1,099)	17,639	(7,890)	9,749
19	341	Transportation Equipment	121,201	(30,210)	(30,457)	197,780	(18,390)	179,390
20	343	Tools, Shop and Garage Equip.	9,734	-	(1,757)	40,006	(10,040)	29,966
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	1,484	(3,714)	(455)	4,792	687	5,479
23	346	Communication Equipment	535	-	(175)	3,760	(979)	2,781
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding				(1)		(1)
27		TOTAL WASTEWATER PLANT	<u>\$ 3,038,679</u>	<u>\$ (33,924)</u>	<u>\$ (131,198)</u>	<u>\$ 5,731,847</u>	<u>\$ (643,178)</u>	<u>\$ 5,088,669</u>
28		Company As Filed	3,038,679	(33,924)	(84,910)	5,731,847	(765,814)	4,966,033
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,288)</u>	<u>\$ -</u>	<u>\$ 122,636</u>	<u>\$ 122,636</u>

References:

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- Column (D): Schedule RLM-4, Page 8, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 8, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	15,000	-	-	37,687	-	37,687
4	304	Structures and Improvements	138,981	-	(3,525)	216,386	(13,119)	203,267
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	177,946	-	(13,742)	518,405	77,342	595,747
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	138,542	-	(21,538)	667,536	(150,764)	516,772
10	320	Water Treatment Equipment	1,826	-	(838)	24,200	(2,029)	22,171
11	330	Dist. Reservoirs & Standpipes	835,414	-	(18,832)	1,359,327	(143,334)	1,215,993
12	331	Trans. and Dist. Mains	2,384,770	-	(84,615)	5,423,130	(438,522)	4,984,608
13	333	Services	355,558	-	(17,296)	701,903	(53,964)	647,939
14	334	Meters and Meter Installations	441,479	-	(16,947)	719,168	(64,054)	655,114
15	335	Hydrants	160,186	-	(6,946)	427,368	(40,121)	387,247
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	16,695	-	(2,095)	39,158	(4,861)	34,297
18	340	Office Furniture and Equipment	7,898	-	(1,468)	25,537	(9,358)	16,179
19	341	Transportation Equipment	18,143	(16,794)	(39,691)	199,129	(41,287)	157,842
20	343	Tools, Shop and Garage Equip.	7,228	-	(2,181)	47,234	(12,221)	35,013
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	65	-	(371)	4,857	315	5,172
23	346	Communication Equipment	5,178	-	(317)	8,938	(1,297)	7,642
24	347	Miscellaneous Equipment	-	-	-	-	40,184	40,184
25	348	Other Tangible Plant	-	-	-	-	301	301
26		Adjustment	-	-	-	-	-	-
		Rounding	1	-	-	-	-	-
27		TOTAL WASTEWATER PLANT.....	<u>\$ 4,704,910</u>	<u>\$ (16,794)</u>	<u>\$ (230,403)</u>	<u>\$ 10,419,963</u>	<u>\$ (856,787)</u>	<u>\$ 9,563,176</u>
28		Company As Filed	4,704,910	(16,794)	(194,526)	10,419,963	(960,340)	9,459,623
29		Difference.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,877)</u>	<u>\$ -</u>	<u>\$ 103,553</u>	<u>\$ 103,553</u>
30		RUCO Adjustment (Line 28) (See RLM-3, Column (B))			<u>\$ (35,877)</u>		<u>\$ 103,553</u>	

References:

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- Column (D): Schedule RLM-4, Page 9, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 9, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	37,687	-	37,687
4	304	Structures and Improvements	222,586	-	(7,864)	438,972	(20,984)	417,988
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(16,589)	518,405	60,753	579,158
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	800,517	-	(38,441)	1,468,053	(189,204)	1,278,849
10	320	Water Treatment Equipment	1,623	-	(900)	25,823	(2,929)	22,894
11	330	Dist. Reservoirs & Standpipes	1,129,941	-	(38,486)	2,489,268	(181,820)	2,307,448
12	331	Trans. and Dist. Mains	1,183,519	-	(120,298)	6,606,649	(558,819)	6,047,830
13	333	Services	290,871	-	(27,962)	992,774	(81,926)	910,848
14	334	Meters and Meter Installations	406,343	-	(31,360)	1,125,511	(95,413)	1,030,098
15	335	Hydrants	308,373	-	(11,631)	735,741	(51,752)	683,989
16	336	Backflow Prevention Devices	6,065	-	(206)	6,065	(206)	5,859
17	339	Other Plant and Misc. Equip.	2,142	-	(2,736)	41,300	(7,596)	33,704
18	340	Office Furniture and Equipment	5,748	-	(1,932)	31,285	(11,290)	19,995
19	341	Transportation Equipment	20,494	-	(41,875)	219,623	(83,162)	136,461
20	343	Tools, Shop and Garage Equip.	11,662	-	(2,653)	58,896	(14,874)	44,022
21	344	Laboratory Equipment	1,813	-	(45)	1,813	(45)	1,768
22	345	Power Operated Equipment	50,730	-	(2,327)	55,587	(2,012)	53,575
23	346	Communication Equipment	1,944	-	(496)	10,882	(1,792)	9,090
24	347	Miscellaneous Equipment	5,054	-	(126)	5,054	40,058	45,112
25	348	Other Tangible Plant	9,185	-	(230)	9,185	71	9,256
26		Adjustment Rounding	-	-	-	-	-	-
27		TOTAL WASTEWATER PLANT.....	\$ 4,458,610	\$ -	\$ (346,157)	\$ 14,878,573	\$ (1,202,944)	\$ 13,675,629
28		Company As Filed	4,458,610	-	(307,981)	14,878,573	(1,268,320)	13,610,253
29		Difference.....	\$ -	\$ -	\$ (38,176)	\$ -	\$ 65,376	\$ 65,376

References:

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- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	787	-	-	38,474	-	38,474
4	304	Structures and Improvements	26,231	-	(10,850)	465,203	(31,834)	433,369
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(16,589)	518,405	44,164	562,569
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	14,261	-	-	14,261	-	14,261
9	311	Pumping Equipment	4,943,198	-	(141,827)	6,411,251	(331,032)	6,080,219
10	320	Water Treatment Equipment	3,366,077	-	(61,519)	3,391,900	(64,448)	3,327,452
11	330	Dist. Reservoirs & Standpipes	826	-	(49,794)	2,490,094	(231,614)	2,258,480
12	331	Trans. and Dist. Mains	2,930,781	-	(161,441)	9,537,430	(720,260)	8,817,170
13	333	Services	89,321	-	(34,235)	1,082,095	(116,162)	965,933
14	334	Meters and Meter Installations	173,764	-	(41,221)	1,299,275	(136,635)	1,162,640
15	335	Hydrants	44,915	-	(15,164)	780,656	(66,916)	713,740
16	336	Backflow Prevention Devices	1,475	-	(463)	7,540	(669)	6,871
17	339	Other Plant and Misc. Equip.	10,502	-	(3,165)	51,802	(10,762)	41,040
18	340	Office Furniture and Equipment	12,174	-	(2,541)	43,459	(13,831)	29,628
19	341	Transportation Equipment	55,415	-	(49,466)	275,038	(132,628)	142,410
20	343	Tools, Shop and Garage Equip.	7,918	-	(3,143)	66,814	(18,017)	48,797
21	344	Laboratory Equipment	39,363	-	(1,075)	41,176	(1,120)	40,056
22	345	Power Operated Equipment	-	-	(4,280)	55,587	(6,292)	49,295
23	346	Communication Equipment	7,084	-	(721)	17,966	(2,513)	15,453
24	347	Miscellaneous Equipment	2,452	-	(314)	7,506	39,744	47,250
25	348	Other Tangible Plant	382,001	-	(10,009)	391,186	(9,938)	381,248
26		Adjustment	-	-	-	-	-	-
		Rounding	2	-	-	2	-	2
27		TOTAL WASTEWATER PLANT	<u>\$ 12,108,547</u>	<u>\$ -</u>	<u>\$ (607,818)</u>	<u>\$ 26,987,120</u>	<u>\$ (1,810,762)</u>	<u>\$ 25,176,358</u>
28		Company As Filed	12,108,547	-	(649,792)	26,987,120	(1,918,112)	25,069,008
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,974</u>	<u>\$ -</u>	<u>\$ 107,350</u>	<u>\$ 107,350</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 8, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 8, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 8, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2008

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	109,972	-	-	148,446	-	148,446
4	304	Structures and Improvements	480,180	-	(16,927)	945,383	(48,761)	896,622
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	257,140	-	(20,703)	775,545	23,461	799,006
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	11,603	-	-	25,864	-	25,864
9	311	Pumping Equipment	1,391,963	-	(255,860)	7,803,214	(586,892)	7,216,322
10	320	Water Treatment Equipment	500,633	-	(131,120)	3,892,533	(195,568)	3,696,965
11	330	Dist. Reservoirs & Standpipes	949,586	-	(59,298)	3,439,680	(290,912)	3,148,768
12	331	Trans. and Dist. Mains	9,869,579	-	(289,444)	19,407,009	(1,009,705)	18,397,304
13	333	Services	1,712,979	-	(63,973)	2,795,074	(180,135)	2,614,939
14	334	Meters and Meter Installations	263,055	-	(48,647)	1,562,330	(185,282)	1,377,048
15	335	Hydrants	1,118,798	-	(26,801)	1,899,454	(93,717)	1,805,737
16	336	Backflow Prevention Devices	5,783	(649)	(687)	12,674	(707)	11,967
17	339	Other Plant and Misc. Equip.	62,637	-	(5,652)	114,439	(16,414)	98,025
18	340	Office Furniture and Equipment	2,747	-	(3,049)	46,206	(16,880)	29,326
19	341	Transportation Equipment	-	-	(55,008)	275,038	(187,636)	87,403
20	343	Tools, Shop and Garage Equip.	24,584	-	(3,955)	91,398	(21,972)	69,426
21	344	Laboratory Equipment	995	-	(2,084)	42,171	(3,204)	38,967
22	345	Power Operated Equipment	-	-	(4,280)	55,587	(10,572)	45,015
23	346	Communication Equipment	2,617	-	(964)	20,583	(3,477)	17,106
24	347	Miscellaneous Equipment	7,865	-	(572)	15,371	39,172	54,543
25	348	Other Tangible Plant	2,123,486	-	(72,646)	2,514,672	(82,585)	2,432,087
26		Adjustment Rounding	-	-	-	2	-	2
27		TOTAL WASTEWATER PLANT	\$ 18,896,202	\$ (649)	\$ (1,061,671)	\$ 45,882,673	\$ (2,871,784)	\$ 43,010,889
28		Company As Filed	18,896,202	(649)	(1,157,262)	45,882,673	(3,075,373)	42,807,300
29		Difference	\$ -	\$ -	\$ 95,591	\$ -	\$ 203,589	\$ 203,589
30		RUCO Adjustment (Line 28) (See RLM-3, Column (B))			\$ 95,591		\$ 203,589	

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 9, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 9, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Test Year Ended December 31, 2008

Valenica Water Company, Town Division
Schedule RLM-5
Page 1 of 1

RUCO MADE NO POST TEST YEAR PLANT ADJUSTMENTS

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Sales	\$ 2,659,938	\$ -	\$ 2,659,938	\$ 1,403,174	\$ 4,063,113
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	234,483	-	234,483	117,810	352,293
4	TOTAL OPERATING REVENUE	\$ 2,894,421	\$ -	\$ 2,894,421	\$ 1,520,984	\$ 4,415,406
Operating Expenses:						
5	Salary and Wages - Employees	\$ 670,808	-	\$ 670,808	\$ -	\$ 670,808
6	Employee Pensions and Benefits	143,080	-	143,080	-	143,080
7	Purchased Water	-	-	-	-	-
8	Purchased Power	291,613	-	291,613	-	291,613
9	Fuel for Power Production	-	-	-	-	-
10	Chemicals	143,618	-	143,618	-	143,618
11	Materials and Supplies	31,821	-	31,821	-	31,821
12	Materials and Supplies	128,737	-	128,737	-	128,737
13	Contractual Services - Testing	33,729	-	33,729	-	33,729
14	Contractual Services - Other	41,898	-	41,898	-	41,898
15	Rental of Building/Real Property	37,473	-	37,473	-	37,473
16	Rental of Equipment	4,239	-	4,239	-	4,239
17	Transportation Expenses	67,812	-	67,812	-	67,812
18	Insurance - General Liability	17,098	-	17,098	-	17,098
19	Insurance - Other	3,336	-	3,336	-	3,336
20	Advertising Expense	-	-	-	-	-
21	Rate Case Expense	18,667	-	18,667	-	18,667
22	Bad Debt Expense	28,944	-	28,944	-	28,944
23	Miscellaneous Expenses	28,042	-	28,042	-	28,042
24	Depreciation Expense	2,199,986	-	2,199,986	-	2,199,986
25	Taxes Other Than Income	5,885	-	5,885	-	5,885
26	Property Taxes	-	38,111	38,111	-	38,111
27	Other Taxes and Licenses	2,101	-	2,101	-	2,101
28	Income Taxes	(402,522)	(42,638)	(445,160)	587,083	141,923
29	TOTAL OPERATING EXPENSES	\$ 3,496,365	\$ (4,527)	\$ 3,491,838	\$ 587,083	\$ 4,078,921
30	OPERATING INCOME (LOSS)	\$ (601,943)		\$ (597,417)		\$ 336,485

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (K)
- Column (C): Column (A) + Column (B)
- Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ # 1 PROPERTY TAX	(C) ADJ # 2 CAGR D	(D) INTENT'LY LEFT BLANK	(E) ADJ # 3 INCOME TAX	(F) RUCO AS ADJT'D
Revenues:							
1	Metered Water Sales	\$ 2,659,938	\$ -	\$ -	\$ -	\$ -	\$ 2,659,938
2	Other Operating Revenue	-	-	-	-	-	-
3	Water Sales - Unmetered	234,483	-	-	-	-	234,483
4	TOTAL OPR'G REV.	<u>\$ 2,894,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,894,421</u>
Operating Expenses:							
5	Salary and Wages - Employees	\$ 670,808	\$ -	\$ -	\$ -	\$ -	\$ 670,808
6	Employee Pensions and Benefits	143,080	-	-	-	-	143,080
7	Purchased Water	-	-	-	-	-	-
8	Purchased Power	291,613	-	-	-	-	291,613
9	Fuel for Power Production	-	-	-	-	-	-
10	Chemicals	143,618	-	-	-	-	143,618
11	Materials and Supplies	31,821	-	-	-	-	31,821
12	Materials and Supplies	128,737	-	-	-	-	128,737
13	Contractual Services - Testing	33,729	-	-	-	-	33,729
14	Contractual Services - Other	41,898	-	-	-	-	41,898
15	Rental of Building/Real Property	37,473	-	-	-	-	37,473
16	Rental of Equipment	4,239	-	-	-	-	4,239
17	Transportation Expenses	67,812	-	-	-	-	67,812
18	Insurance - General Liability	17,098	-	-	-	-	17,098
19	Insurance - Other	3,336	-	-	-	-	3,336
20	Advertising Expense	-	-	-	-	-	-
21	Rate Case Expense	18,667	-	-	-	-	18,667
22	Bad Debt Expense	28,944	-	-	-	-	28,944
23	Miscellaneous Expenses	28,042	-	-	-	-	28,042
24	Depreciation Expense	2,199,986	-	-	-	-	2,199,986
25	Taxes Other Than Income	5,885	-	-	-	-	5,885
26	Property Taxes	-	38,111	-	-	-	38,111
27	Other Taxes and Licenses	2,101	-	-	-	-	2,101
28	Income Taxes	(402,522)	-	-	-	(42,638)	(445,160)
29	TOTAL OPR'G EXP.	<u>\$ 3,496,365</u>	<u>\$ 38,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,638)</u>	<u>\$ 3,491,838</u>
30	OPR'G INC. (LOSS)	<u>\$ (601,943)</u>					<u>\$ (597,417)</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony, RLM And Schedule RLM-8
- Column (C): Testimony, RLM
- Column (D): Intentionally Left Blank
- Column (E): Testimony, RLM And Schedule RLM-9
- Column (F): Sum Of Columns (A) Thru (E)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	\$ 2,894,421	
2	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	2,894,421	
3	Proposed Revenues	Sch. RLM-6, Col (E), Ln 4	<u>4,415,406</u>	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 10,204,249	
5	Average Annual Operating Revenues	Line 4 / 3	<u>3,401,416</u>	
6	Two Times 3-Year Average Operating Revenues	Line 5 X 2		\$ 6,802,832
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 129,694	
8	10% Of CWIP	Line 7 X 10%		\$ 12,969
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-4, Pg 13, Col. (D), Ln 19	\$ -	
10	Acc. Dep. Of Transportation Equipment	RLM-4, Pg 13, Col. (E), Ln 19	-	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		<u>\$ 6,815,802</u>
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio For 2010	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 1,431,318	
Property Tax Rates:				
15	Primary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	2.6626%	
16	Secondary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	<u>0.0000%</u>	
17	Estimated Tax Rate Liability	Line 15 + Line 16	2.66%	
18	Co.'s Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 38,111</u>
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 29		-
20	Increase In Property Tax Expense	Line 18 - Line 19		<u>\$ 38,111</u>
21	RUCO Adjustment (See RLM-7, Col. (B), Line 26)	Line 20		<u><u>\$ 38,111</u></u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L24	\$ (1,042,576)
LESS:			
2	Arizona State Tax	Line 11	80,362
3	Interest Expense	Note (A) Line 20	(110,721)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (1,072,936)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (364,798)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (1,042,576)
LESS:			
8	Interest Expense	Note (A) Line 20	(110,721)
9	State Taxable Income	Line 7 - Line 8	\$ (1,153,298)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (80,362)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (364,798)
13	State Income Tax Expense	Line 11	(80,362)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (445,160)
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(402,522)
16	Total Income Tax Adjustment	Line 14 - Line 15	\$ (42,638)
17	RUCO Adjustment (See Sch. RLM-7, Column (I), L28)	Line 16	\$ (42,638)

NOTE (A):

Interest Synchronization:

18	Adjusted Rate Base (Sch. RLM-2, Col. (E), L15)	\$ 4,539,198
19	Weighted Cost Of Debt (Sch. RLM-11, Col. (F), L2)	2.44%
20	Interest Expense (L17 X L18)	\$ 110,721

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2	Long-term Debt	\$ 118,466,992	\$ -	\$ 118,466,992	37.89%	6.44%	2.44%
3	Common Equity	\$ 194,182,956	\$ -	\$ 194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITAL	<u>\$ 312,649,948</u>	<u>\$ -</u>	<u>\$ 312,649,948</u>	<u>100.00%</u>		
5	COST OF CAPITAL						<u>7.41%</u>

References:

Columns (A) Thru (F): Testimony, WAR

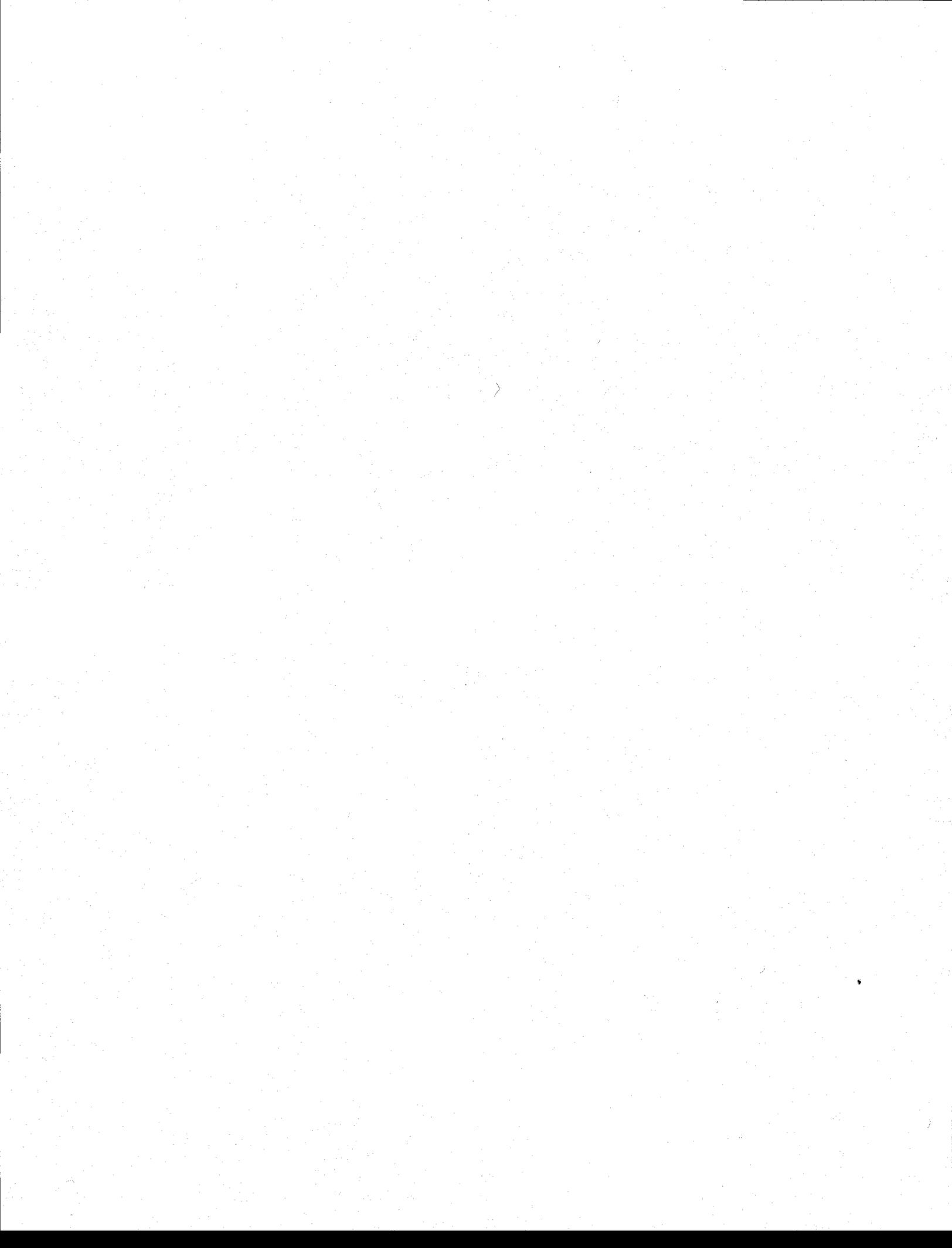


TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	1 & 2	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1	RATE BASE ADJUSTMENT NO. 1 - GROSS PLANT AND ACCUMULATED DEPRECIATION
TESTIMONY		RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION
RLM-5	1	INTENTIONALLY LEFT BLANK
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 2 - CAGR D FEES
RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 3 - INCOME TAX EXPENSE
RLM-10	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 929,057	\$ 895,377
2	Adjusted Operating Income (Loss)	\$ (4,404)	\$ (6,197)
3	Current Rate Of Return (L2 / L1)	-0.47%	-0.69%
4	Required Operating Income (L5 X L1)	\$ 90,304	\$ 66,373
5	Required Rate Of Return On Fair Value Rate Base	9.72%	7.41%
6	Operating Income Deficiency (L4 - L2)	\$ 94,708	\$ 72,570
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	..... 1.6451	..... 1.2723
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 155,803	\$ 92,329
9	Adjusted Test Year Revenue	\$ 336,819	\$ 336,819
10	Proposed Annual Revenue (L8 + L9)	\$ 492,622	\$ 429,148
11	Required Percentage Increase In Revenue (L8 / L9)	46.26%	27.41%
12	Rate Of Return On Common Equity	10.00%	8.01%

References:

Column (A):.. Company Schedules A-1 and C-1
Column (B):.. RUCO Schedule RLM-2, RLM-6 And RLM-10

**REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	(0.2140)			
3	Subtotal (L1 + L2)	<u>0.7860</u>			
4	Revenue Conversion Factor(L1 / L3)	1.2723			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	15.5142%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>14.4332%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>21.4012%</u>			
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$ 66,373			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)	<u>(6,197)</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 72,570		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 12,126			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(7,634)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 19,760		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 92,329</u>		
				RUCO	
				Recommended	
18	Revenue (Sch. RLM-1, Col. (B), L10)			\$ 429,148	
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L29 - L28)			(350,650)	
20	Synchronized Interest (Col. (C), L37)			<u>(21,840)</u>	
21	Arizona Taxable Income (L18 + L19 + L20)			\$ 56,659	
22	Arizona State Income Tax Rate			<u>6.9680%</u>	
23	Arizona Income Tax (L21 X L22)			\$ 3,948	
24	Fed. Taxable Income (L21 - L23)			<u>\$ 52,711</u>	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			678	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			-	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			-	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)			\$ 8,178	
31	Combined Federal And State Income Tax (L23 + L30)			<u>\$ 12,126</u>	
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L28)			<u>\$ (7,634)</u>	
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L24)			<u>\$ 19,760</u>	
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				15.51%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-2, Col. (H), L15)		\$ 895,377		
36	Weighted Avg. Cost Of Debt (Sch. RLM-11, Col. (F), L2)		<u>2.44%</u>		
37	Synchronized Interest (L35 X L36)		<u>\$ 21,840</u>		

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 2,832,537	\$ -	\$ 2,832,537
2	Accumulated Depreciation	(898,484)	(33,680)	(932,164)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 1,934,053</u>	<u>\$ (33,680)</u>	<u>\$ 1,900,373</u>
4	Advances In Aid Of Const.	\$ (747,555)	\$ -	\$ (747,555)
5	Contribution In Aid Of Const.	\$ (407,979)	\$ -	\$ (407,979)
6	Accumulated Amortization Of CIAC	71,396	-	71,396
7	NET CIAC (L5 + L6)	<u>\$ (336,583)</u>	<u>\$ -</u>	<u>\$ (336,583)</u>
8	Customer Meter Deposits	\$ (11,080)	\$ -	\$ (11,080)
9	Deferred Income Taxes & Credits	\$ 90,222	\$ -	\$ 90,222
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 929,057</u>	<u>\$ (33,680)</u>	<u>\$ 895,377</u>

References:

- Column (A): Company Schedule B-1
- Column (B): RLM-3, Columns (B) Thru (G)
- Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 GROSS PLT & ACC DEP	(C) INTENT'NLY LEFT BLANK	(D) INTENT'NLY LEFT BLANK	(E) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service...	\$ 2,832,537	\$ -	\$ -	\$ -	\$ 2,832,537
2	Accumulated Depreciation ..	(898,484)	(33,680)	-	-	(932,164)
3	Net Utility Plant In Service (L1 + L2) ...	<u>\$ 1,934,053</u>	<u>\$ (33,680)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,900,373</u>
4	Advances In Aid Of Const.	\$ (747,555)	\$ -	\$ -	\$ -	\$ (747,555)
5	Contribution In Aid Of Const.	\$ (407,979)	\$ -	\$ -	\$ -	\$ (407,979)
6	Accumulated Amortization Of CIAC.	71,396	-	-	-	71,396
7	NET CIAC (L5 + L6)...	<u>\$ (336,583)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (336,583)</u>
8	Customer Meter Deposits	\$ (11,080)	\$ -	\$ -	\$ -	\$ (11,080)
9	Deferred Income Taxes & Credits	\$ 90,222	\$ -	\$ -	\$ -	\$ 90,222
10	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 929,057</u>	<u>\$ (33,680)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 895,377</u>

References:

- Column (A): Company Schedule B-1
- Column (B): Adjustment No. 1 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM and Schedule RLM-4)
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 1996**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRIOR DECISION DEP. RATE	(B) TOTAL PLANT VALUE	(C) ACCUMULATED DEPRECIATION	(D) NET PLANT VALUE
1	301	Intangibles/Organization	0.00%	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	0.00%	1,154	-	1,154
3	303	Land and Land Rights	0.00%	4,751	-	4,751
4	304	Structures and Improvements	5.00%	16,670	(3,291)	13,379
5	306	Lake, River and Other Intakes	5.00%	-	-	-
6	307	Wells and Springs	5.00%	78,867	(45,928)	32,939
7	309	Supply Mains	5.00%	-	-	-
8	310	Power Generation Equipment	5.00%	-	-	-
9	311	Pumping Equipment	5.00%	118,845	(26,182)	92,663
10	320	Water Treatment Equipment	5.00%	400	(70)	330
11	330	Dist. Reservoirs & Standpipes	5.00%	106,738	(23,176)	83,562
12	331	Trans. and Dist. Mains	5.00%	258,662	(74,968)	183,694
13	333	Services	5.00%	2,692	(1,948)	744
14	334	Meters and Meter Installations	5.00%	7,920	(4,594)	3,326
15	335	Hydrants	5.00%	-	(89)	(89)
16	336	Backflow Prevention Devices	5.00%	-	-	-
17	339	Other Plant and Misc. Equip.	5.00%	-	-	-
18	340	Office Furniture and Equipment	5.00%	1,701	43	1,744
19	341	Transportation Equipment	5.00%	-	-	-
20	343	Tools, Shop and Garage Equip.	5.00%	-	-	-
21	344	Laboratory Equipment	5.00%	-	-	-
22	345	Power Operated Equipment	5.00%	-	-	-
23	346	Communication Equipment	5.00%	-	-	-
24	347	Miscellaneous Equipment	5.00%	-	-	-
25	348	Other Tangible Plant	5.00%	563	28	591
				-	(2)	(2)
26	TOTAL WASTEWATER PLANT			\$ 602,958	\$ (180,177)	\$ 422,781
27	Company As Filed			\$ 602,958	(180,177)	422,781
28	Difference			\$ -	\$ -	\$ -

References:
Columns (A) Thru (D): Company Workpapers

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	4,751	-	4,751
4	304	Structures and Improvements	2,514	-	(896)	19,184	(4,187)	14,997
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(3,943)	78,867	(49,871)	28,996
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	945	-	(5,966)	119,790	(32,148)	87,642
10	320	Water Treatment Equipment	-	-	(20)	400	(90)	310
11	330	Dist. Reservoirs & Standpipes	-	(750)	(5,318)	105,988	(27,744)	78,244
12	331	Trans. and Dist. Mains	1,638	-	(12,974)	260,300	(87,942)	172,358
13	333	Services	300	-	(142)	2,992	(2,090)	902
14	334	Meters and Meter Installations	-	(2,040)	(345)	5,880	(2,899)	2,981
15	335	Hydrants	-	-	-	-	(89)	(89)
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	(1,701)	(43)	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	(563)	(14)	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 5,397</u>	<u>\$ (5,054)</u>	<u>\$ (29,661)</u>	<u>\$ 603,301</u>	<u>\$ (204,782)</u>	<u>\$ 398,519</u>
27	Company As Filed		<u>5,397</u>	<u>(5,054)</u>	<u>(29,676)</u>	<u>603,301</u>	<u>(181,042)</u>	<u>422,259</u>
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ (23,740)</u>	<u>\$ (23,740)</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	4,751	-	4,751
4	304	Structures and Improvements	3,295	-	(1,042)	22,479	(5,229)	17,250
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(3,943)	78,867	(53,815)	25,052
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	72,706	-	(7,807)	192,496	(39,955)	152,541
10	320	Water Treatment Equipment	-	-	(20)	400	(110)	290
11	330	Dist. Reservoirs & Standpipes	48,559	-	(6,513)	154,547	(34,258)	120,289
12	331	Trans. and Dist. Mains	60,125	-	(14,518)	320,425	(102,460)	217,965
13	333	Services	10,800	-	(420)	13,792	(2,510)	11,282
14	334	Meters and Meter Installations	5,371	-	(428)	11,251	(3,327)	7,924
15	335	Hydrants	10,243	-	(256)	10,243	(345)	9,898
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 211,099</u>	<u>\$ -</u>	<u>\$ (34,948)</u>	<u>\$ 814,400</u>	<u>\$ (239,730)</u>	<u>\$ 574,670</u>
27	Company As Filed		211,099	-	(34,948)	814,400	(215,990)	598,410
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,740)</u>	<u>\$ (23,740)</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 2, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 2, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 2, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	4,751	-	4,751
4	304	Structures and Improvements	-	-	(1,124)	22,479	(6,353)	16,126
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(3,943)	78,867	(57,758)	21,109
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	-	-	(9,625)	192,496	(49,580)	142,916
10	320	Water Treatment Equipment	-	-	(20)	400	(130)	270
11	330	Dist. Reservoirs & Standpipes	7,431	-	(7,913)	161,978	(42,171)	119,807
12	331	Trans. and Dist. Mains	119,533	-	(19,010)	439,958	(121,470)	318,488
13	333	Services	21,400	-	(1,225)	35,192	(3,734)	31,458
14	334	Meters and Meter Installations	4,644	-	(679)	15,895	(4,006)	11,889
15	335	Hydrants	25,395	-	(1,147)	35,638	(1,492)	34,146
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 178,403</u>	<u>\$ -</u>	<u>\$ (44,685)</u>	<u>\$ 992,803</u>	<u>\$ (284,415)</u>	<u>\$ 708,388</u>
27	Company As Filed		178,403	-	(44,685)	992,803	(260,675)	732,128
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,740)</u>	<u>\$ (23,740)</u>

References:

- Columns (A) (B): Company Workpapers
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- Column (D): Schedule RLM-4, Page 3, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 3, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	4,751	-	4,751
4	304	Structures and Improvements	-	-	(1,124)	22,479	(7,477)	15,002
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(3,943)	78,867	(61,701)	17,166
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	1,196	-	(9,655)	193,692	(59,235)	134,457
10	320	Water Treatment Equipment	-	-	(20)	400	(150)	250
11	330	Dist. Reservoirs & Standpipes	-	-	(8,099)	161,978	(50,270)	111,708
12	331	Trans. and Dist. Mains	-	-	(21,998)	439,958	(143,468)	296,490
13	333	Services	370	-	(1,769)	35,562	(5,503)	30,059
14	334	Meters and Meter Installations	1,755	-	(839)	17,650	(4,845)	12,805
15	335	Hydrants	-	-	(1,782)	35,638	(3,274)	32,364
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 3,321</u>	<u>\$ -</u>	<u>\$ (49,228)</u>	<u>\$ 996,124</u>	<u>\$ (333,643)</u>	<u>\$ 662,481</u>
27	Company As Filed		14,865,946	(28,430)	(49,228)	996,124	(309,903)	686,221
28	Difference		<u>\$ (14,862,625)</u>	<u>\$ 28,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,740)</u>	<u>\$ (23,740)</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 4, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 4, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	3,147	-	-	7,898	-	7,898
4	304	Structures and Improvements	-	-	(1,124)	22,479	(8,601)	13,878
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	1,203	-	(3,973)	80,070	(65,675)	14,395
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	2,915	-	(9,757)	196,607	(68,992)	127,615
10	320	Water Treatment Equipment	332	-	(28)	732	(178)	554
11	330	Dist. Reservoirs & Standpipes	-	-	(8,099)	161,978	(58,368)	103,610
12	331	Trans. and Dist. Mains	11,319	-	(22,281)	451,277	(165,749)	285,528
13	333	Services	482	-	(1,790)	36,044	(7,293)	28,751
14	334	Meters and Meter Installations	2,627	-	(948)	20,277	(5,793)	14,484
15	335	Hydrants	-	-	(1,782)	35,638	(5,056)	30,582
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 22,025</u>	<u>\$ -</u>	<u>\$ (49,783)</u>	<u>\$ 1,018,149</u>	<u>\$ (383,426)</u>	<u>\$ 634,723</u>
27	Company As Filed		22,025	-	(49,783)	1,018,149	(359,686)	658,463
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,740)</u>	<u>\$ (23,740)</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 5, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 5, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2002

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	7,898	-	7,898
4	304	Structures and Improvements	-	-	(1,124)	22,479	(9,725)	12,754
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(4,004)	80,070	(69,678)	10,392
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	4,439	-	(9,941)	201,046	(78,933)	122,113
10	320	Water Treatment Equipment	-	-	(37)	732	(215)	517
11	330	Dist. Reservoirs & Standpipes	-	-	(8,099)	161,978	(66,467)	95,511
12	331	Trans. and Dist. Mains	1,478	-	(22,601)	452,755	(188,349)	264,406
13	333	Services	-	-	(1,802)	36,044	(9,096)	26,949
14	334	Meters and Meter Installations	376	-	(1,023)	20,653	(6,816)	13,837
15	335	Hydrants	-	-	(1,782)	35,638	(6,838)	28,800
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26		TOTAL WASTEWATER PLANT.....	<u>\$ 6,294</u>	<u>\$ -</u>	<u>\$ (50,412)</u>	<u>\$ 1,024,442</u>	<u>\$ (433,839)</u>	<u>\$ 590,604</u>
27		Company As Filed	13,038,454	-	(50,412)	1,024,442	(410,099)	614,344
28		Difference.....	<u>\$ (13,032,160)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,740)</u>	<u>\$ (23,740)</u>

References:

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- Column (D): Schedule RLM-4, Page 6, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 6, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	20,000	-	-	27,898	-	27,898
4	304	Structures and Improvements	6,000	-	(1,274)	28,479	(10,999)	17,480
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	35,000	-	(4,879)	115,070	(74,557)	40,513
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	95,931	-	(12,451)	296,977	(91,384)	205,593
10	320	Water Treatment Equipment	1,501	-	(74)	2,233	(289)	1,944
11	330	Dist. Reservoirs & Standpipes	94,401	-	(10,459)	256,379	(76,926)	179,453
12	331	Trans. and Dist. Mains	165,670	-	(26,780)	618,425	(215,129)	403,296
13	333	Services	1,361	-	(1,836)	37,405	(10,932)	26,473
14	334	Meters and Meter Installations	-	-	(1,033)	20,653	(7,849)	12,804
15	335	Hydrants	-	-	(1,782)	35,638	(8,620)	27,018
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 419,865</u> ¹	<u>\$ -</u>	<u>\$ (60,566)</u>	<u>\$ 1,444,308</u> ²	<u>\$ (494,405)</u>	<u>\$ 949,903</u> ²
27	Company As Filed		419,865	-	(60,517)	1,444,308	(470,615)	973,693
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49)</u>	<u>\$ -</u>	<u>\$ (23,790)</u>	<u>\$ (23,790)</u>

References:

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- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	27,898	-	27,898
4	304	Structures and Improvements	-	-	(1,424)	28,479	(12,423)	16,056
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(5,754)	115,070	(80,310)	34,760
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	7,060	-	(15,025)	304,037	(106,409)	197,628
10	320	Water Treatment Equipment	991	-	(136)	3,224	(425)	2,799
11	330	Dist. Reservoirs & Standpipes	1,733	-	(12,862)	258,112	(89,789)	168,323
12	331	Trans. and Dist. Mains	72,332	-	(32,730)	690,757	(247,858)	442,899
13	333	Services	-	-	(1,870)	37,405	(12,802)	24,603
14	334	Meters and Meter Installations	5,950	-	(1,181)	26,603	(9,030)	17,573
15	335	Hydrants	400	-	(1,792)	36,038	(10,412)	25,626
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26		TOTAL WASTEWATER PLANT.....	\$ 88,466	\$ -	\$ (72,775)	\$ 1,532,772	\$ (567,180)	\$ 965,594
27		Company As Filed	88,466	-	(72,775)	1,532,772	(543,390)	989,384
28		Difference.....	\$ -	\$ -	\$ -	\$ -	\$ (23,790)	\$ (23,790)

References:

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- Column (E): Schedule RLM-4, Page 8, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 3,995
2	302	Franchise Cost	-	-	-	1,154	-	1,154
3	303	Land and Land Rights	-	-	-	27,898	-	27,898
4	304	Structures and Improvements	-	-	(1,424)	28,479	(13,847)	14,632
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	825	-	(5,774)	115,895	(86,084)	29,811
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	23,839	-	(15,798)	327,876	(122,207)	205,669
10	320	Water Treatment Equipment	782	-	(181)	4,006	(606)	3,400
11	330	Dist. Reservoirs & Standpipes	-	-	(12,906)	258,112	(102,694)	155,418
12	331	Trans. and Dist. Mains	-	-	(34,538)	690,757	(282,396)	408,361
13	333	Services	-	-	(1,870)	37,405	(14,672)	22,733
14	334	Meters and Meter Installations	8,785	-	(1,550)	35,388	(10,580)	24,808
15	335	Hydrants	4,303	-	(1,909)	40,341	(12,321)	28,020
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
							(1)	1
26		TOTAL WASTEWATER PLANT	\$ 38,534	\$ -	\$ (75,950)	\$ 1,571,306	\$ (643,130)	\$ 928,178
27		Company As Filed	38,534	-	(75,950)	1,571,306	(619,340)	951,968
28		Difference	\$ -	\$ -	\$ -	\$ -	\$ (23,790)	\$ (23,790)

References:

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- Column (E): Schedule RLM-4, Page 9, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ (3,995)	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	(1,154)	-	-	-	-
3	303	Land and Land Rights	-	-	-	27,898	-	27,898
4	304	Structures and Improvements	3,397	-	(1,509)	31,876	(15,355)	16,521
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(5,795)	115,895	(91,879)	24,016
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	29,944	-	(17,142)	357,820	(139,349)	218,471
10	320	Water Treatment Equipment	2,565	-	(264)	6,571	(871)	5,700
11	330	Dist. Reservoirs & Standpipes	-	-	(12,906)	258,112	(115,600)	142,512
12	331	Trans. and Dist. Mains	1,256	-	(34,569)	692,013	(316,965)	375,048
13	333	Services	-	-	(1,870)	37,405	(16,542)	20,863
14	334	Meters and Meter Installations	-	-	(1,769)	35,388	(12,349)	23,039
15	335	Hydrants	-	-	(2,017)	40,341	(14,338)	26,003
16	336	Backflow Prevention Devices	5,432	-	(136)	5,432	(136)	5,296
17	339	Other Plant and Misc. Equip.	40	-	(1)	40	(1)	39
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	42	-	(1)	42	(1)	41
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	577	577
26	TOTAL WASTEWATER PLANT		<u>\$ 42,677</u> ¹	<u>\$ (5,149)</u>	<u>\$ (77,980)</u>	<u>\$ 1,608,837</u> ⁴	<u>\$ (721,110)</u> ⁽¹⁾	<u>\$ 887,727</u> ³
27	Company As Filed		<u>42,677</u>	<u>(5,149)</u>	<u>(77,980)</u>	<u>1,608,837</u>	<u>(697,320)</u>	<u>911,517</u>
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,790)</u>	<u>\$ (23,790)</u>

References:

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- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	27,898	-	27,898
4	304	Structures and Improvements	7,292	-	(1,776)	39,168	(17,132)	22,036
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(5,795)	115,895	(97,674)	18,221
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	7,761	-	(18,085)	365,581	(157,435)	208,147
10	320	Water Treatment Equipment	393,187	-	(10,158)	399,758	(11,029)	388,729
11	330	Dist. Reservoirs & Standpipes	-	-	(12,906)	258,112	(128,505)	129,607
12	331	Trans. and Dist. Mains	20,161	-	(35,105)	712,174	(352,070)	360,104
13	333	Services	-	-	(1,870)	37,405	(18,413)	18,992
14	334	Meters and Meter Installations	-	-	(1,769)	35,388	(14,119)	21,269
15	335	Hydrants	416	-	(2,027)	40,757	(16,366)	24,391
16	336	Backflow Prevention Devices	-	-	(272)	5,432	(407)	5,025
17	339	Other Plant and Misc. Equip.	4,244	-	(108)	4,284	(109)	4,175
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	(2)	42	(3)	39
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	4,225	-	(106)	4,225	(106)	4,119
24	347	Miscellaneous Equipment	10,089	-	(252)	10,089	(252)	9,837
25	348	Other Tangible Plant	-	-	-	-	577	577
						4		4
26		TOTAL WASTEWATER PLANT	\$ 447,375	\$ -	\$ (90,231)	\$ 2,056,212	\$ (811,340)	\$ 1,244,872
27		Company As Filed	447,375	-	(85,381)	2,056,212	(782,700)	1,273,512
28		Difference	\$ -	\$ -	\$ (4,850)	\$ -	\$ (28,640)	\$ (28,640)

References:

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- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2008

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	27,898	-	27,898
4	304	Structures and Improvements	-	-	(1,958)	39,168	(19,090)	20,078
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(5,795)	115,895	(103,469)	12,426
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	107,270	-	(20,961)	472,851	(178,395)	294,456
10	320	Water Treatment Equipment	329,389	-	(28,223)	729,147	(39,251)	689,896
11	330	Dist. Reservoirs & Standpipes	330,433	-	(21,166)	588,545	(149,672)	438,873
12	331	Trans. and Dist. Mains	172	-	(35,613)	712,346	(387,683)	324,663
13	333	Services	-	-	(1,870)	37,405	(20,283)	17,122
14	334	Meters and Meter Installations	-	-	(1,769)	35,388	(15,888)	19,500
15	335	Hydrants	-	-	(2,038)	40,757	(18,403)	22,354
16	336	Backflow Prevention Devices	-	-	(272)	5,432	(679)	4,753
17	339	Other Plant and Misc. Equip.	-	-	(214)	4,284	(323)	3,961
18	340	Office Furniture and Equipment	-	-	-	-	1,701	1,701
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	1,608	-	(42)	1,650	(45)	1,605
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	(211)	4,225	(317)	3,908
24	347	Miscellaneous Equipment	-	-	(504)	10,089	(757)	9,332
25	348	Other Tangible Plant	7,453	-	(186)	7,453	391	7,844
						4		4
26		TOTAL WASTEWATER PLANT	<u>\$ 776,325</u>	<u>\$ -</u>	<u>\$ (120,824)</u>	<u>\$ 2,832,537</u>	<u>\$ (932,164)</u>	<u>\$ 1,900,373</u>
27		Company As Filed	776,325	-	(115,784)	2,832,537	(898,484)	1,934,053
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,040)</u>	<u>\$ -</u>	<u>\$ (33,680)</u>	<u>\$ (33,680)</u>
29		RUCO Adjustment (Line 28) (See RLM-3, Column (B), Line 3)					<u>\$ (33,680)</u>	

References:

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- Column (F): Column (D) + Column (E)

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Test Year Ended December 31, 2008

Valenica Water Company, Greater Buckeye Division
Schedule RLM-5
Page 1 of 1

RUCO MADE NO POST TEST YEAR PLANT ADJUSTMENTS

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'M'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Sales	\$ 322,780	\$ -	\$ 322,780	\$ 96,218	\$ 418,999
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	14,039	-	14,039	(3,889)	10,150
4	TOTAL OPERATING REVENUE	\$ 336,819	\$ -	\$ 336,819	\$ 92,329	\$ 429,149
Operating Expenses:						
5	Salary and Wages - Employees	\$ 76,217	-	\$ 76,217	\$ -	\$ 76,217
6	Employee Pensions and Benefits	16,164	-	16,164	-	16,164
7	Purchased Water	52,085	-	52,085	-	52,085
8	Purchased Power	22,565	-	22,565	-	22,565
9	Fuel for Power Production	-	-	-	-	-
10	Chemicals	10,761	-	10,761	-	10,761
11	Materials and Supplies	4,236	-	4,236	-	4,236
12	Materials and Supplies	16,551	-	16,551	-	16,551
13	Contractual Services - Testing	-	-	-	-	-
14	Contractual Services - Other	3,774	-	3,774	-	3,774
15	Rental of Building/Real Property	593	-	593	-	593
16	Rental of Equipment	3,686	-	3,686	-	3,686
17	Transportation Expenses	56	-	56	-	56
18	Insurance - General Liability	9,876	-	9,876	-	9,876
19	Insurance - Other	2,073	-	2,073	-	2,073
20	Advertising Expense	-	-	-	-	-
21	Rate Case Expense	1,355	-	1,355	-	1,355
22	Bad Debt Expense	3,368	-	3,368	-	3,368
23	Miscellaneous Expenses	6,644	-	6,644	-	6,644
24	Depreciation Expense	113,580	-	113,580	-	113,580
25	Taxes Other Than Income	3,340	-	3,340	-	3,340
26	Property Taxes	-	3,725	3,725	-	3,725
27	Other Taxes and Licenses	-	-	-	-	-
28	Income Taxes	(5,703)	(1,931)	(7,634)	19,760	12,126
29	TOTAL OPERATING EXPENSES	\$ 341,223	\$ 1,793	\$ 343,016	\$ 19,760	\$ 362,775
30	OPERATING INCOME (LOSS)	\$ (4,404)		\$ (6,197)		\$ 66,373

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (K)
- Column (C): Column (A) + Column (B)
- Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ # 1 PROPERTY TAX	(C) ADJ # 2 CAGR D	(D) INTENT'LY LEFT BLANK	(E) ADJ # 3 INCOME TAX	(F) RUCO AS ADJT'D
Revenues:							
1	Metered Water Sales	\$ 322,780	\$ -	\$ -	\$ -	\$ -	\$ 322,780
2	Other Operating Revenue	-	-	-	-	-	-
3	Water Sales - Unmetered	14,039	-	-	-	-	14,039
4	TOTAL OPR'G REV.	<u>\$ 336,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,819</u>
Operating Expenses:							
5	Salary and Wages - Employees	\$ 76,217	\$ -	\$ -	\$ -	\$ -	\$ 76,217
6	Employee Pensions and Benefits	16,164	-	-	-	-	16,164
7	Purchased Water	52,085	-	-	-	-	52,085
8	Purchased Power	22,565	-	-	-	-	22,565
9	Fuel for Power Production	-	-	-	-	-	-
10	Chemicals	10,761	-	-	-	-	10,761
11	Materials and Supplies	4,236	-	-	-	-	4,236
12	Materials and Supplies	16,551	-	-	-	-	16,551
13	Contractual Services - Testing	-	-	-	-	-	-
14	Contractual Services - Other	3,774	-	-	-	-	3,774
15	Rental of Building/Real Property	593	-	-	-	-	593
16	Rental of Equipment	3,686	-	-	-	-	3,686
17	Transportation Expenses	56	-	-	-	-	56
18	Insurance - General Liability	9,876	-	-	-	-	9,876
19	Insurance - Other	2,073	-	-	-	-	2,073
20	Advertising Expense	-	-	-	-	-	-
21	Rate Case Expense	1,355	-	-	-	-	1,355
22	Bad Debt Expense	3,368	-	-	-	-	3,368
23	Miscellaneous Expenses	6,644	-	-	-	-	6,644
24	Depreciation Expense	113,580	-	-	-	-	113,580
25	Taxes Other Than Income	3,340	-	-	-	-	3,340
26	Property Taxes	-	3,725	-	-	-	3,725
27	Other Taxes and Licenses	-	-	-	-	-	-
28	Income Taxes	(5,703)	-	-	-	(1,931)	(7,634)
29	TOTAL OPR'G EXP.	<u>\$ 341,223</u>	<u>\$ 3,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,931)</u>	<u>\$ 343,016</u>
30	OPR'G INC. (LOSS)	<u>\$ (4,404)</u>					<u>\$ (6,197)</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony, RLM And Schedule RLM-8
- Column (C): Testimony, RLM
- Column (D): Intentionally Left Blank
- Column (E): Testimony, RLM And Schedule RLM-9
- Column (F): Sum Of Columns (A) Thru (E)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	\$ 336,819	
2	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	..... 336,819	
3	Proposed Revenues	Sch. RLM-6, Col (E), Ln 4	..... 429,149	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 1,102,787	
5	Average Annual Operating Revenues	Line 4 / 3	..... 367,596	
6	Two Times 3-Year Average Operating Revenues	Line 5 X 2		\$ 735,191
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 129,694	
8	10% Of CWIP	Line 7 X 10%		\$ 12,969
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-4, Pg 13, Col. (D), Ln 19	\$ -	
10	Acc. Dep. Of Transportation Equipment	RLM-4, Pg 13, Col. (E), Ln 19 -	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		\$ 748,160
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio For 2010	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 157,114	
Property Tax Rates:				
15	Primary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	2.3706%	
16	Secondary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	0.0000%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	..... 2.37%	
18	Co.'s Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		\$ 3,725
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 29	 -
20	Increase In Property Tax Expense	Line 18 - Line 19		\$ 3,725
21	RUCO Adjustment (See RLM-7, Col. (B), Line 26)	Line 20		\$ 3,725

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L24	\$ (13,831)
LESS:			
2	Arizona State Tax	Line 11	2,486
3	Interest Expense	Note (A) Line 20	(21,840)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (33,185)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	15.51%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (5,148)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (13,831)
LESS:			
8	Interest Expense	Note (A) Line 20	(21,840)
9	State Taxable Income	Line 7 - Line 8	\$ (35,671)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (2,486)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (5,148)
13	State Income Tax Expense	Line 11	(2,486)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (7,634)
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(5,703)
16	Total Income Tax Adjustment	Line 14 - Line 15	\$ (1,931)
17	RUCO Adjustment (See Sch. RLM-7, Column (I), L28)	Line 16	\$ (1,931)

NOTE (A):

Interest Synchronization:

18	Adjusted Rate Base (Sch. RLM-2, Col. (E), L15)	\$ 895,377
19	Weighted Cost Of Debt (Sch. RLM-11, Col. (F), L2)	2.44%
20	Interest Expense (L17 X L18)	\$ 21,840

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2	Long-term Debt	\$ 118,466,992	\$ -	\$ 118,466,992	37.89%	6.44%	2.44%
3	Common Equity	\$ 194,182,956	\$ -	\$ 194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITAL	<u>\$ 312,649,948</u>	<u>\$ -</u>	<u>\$ 312,649,948</u>	<u>100.00%</u>		
5	COST OF CAPITAL						<u>7.41%</u>

References:

Columns (A) Thru (F): Testimony, WAR

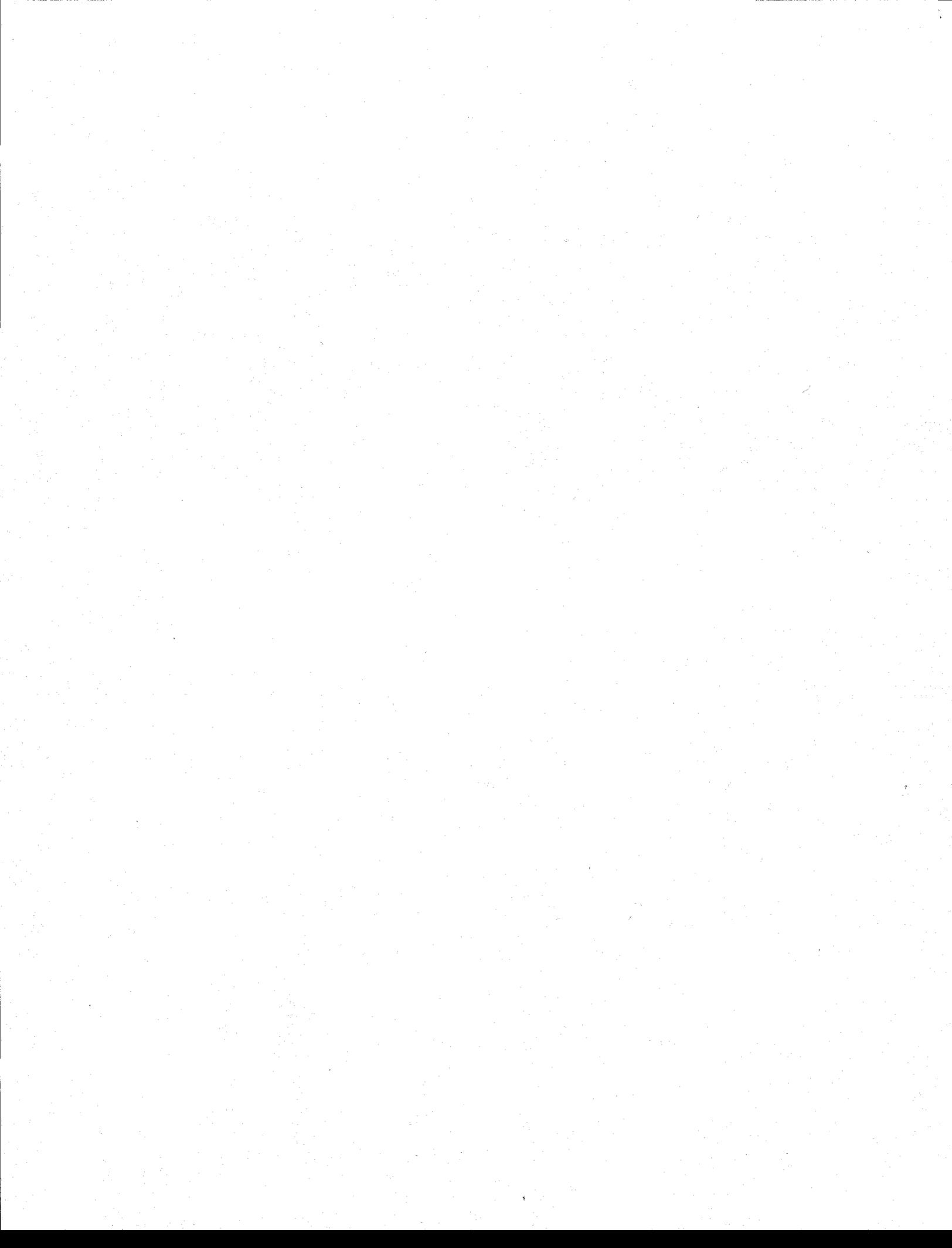


TABLE OF CONTENTS TO RLM SCHEDULES

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RLM-2	1	RATE BASE
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1	RATE BASE ADJUSTMENT NO. 1 - GROSS PLANT AND ACCUMULATED DEPRECIATION
TESTIMONY		RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION
RLM-5	1	INTENTIONALLY LEFT BLANK
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RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
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RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 3 - INCOME TAX EXPENSE
RLM-10	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 2,598,259	\$ 2,563,849
2	Adjusted Operating Income (Loss)	\$ (153,371)	\$ 13,432
3	Current Rate Of Return (L2 / L1)	-5.90%	0.52%
4	Required Operating Income (L5 X L1)	\$ 258,267	\$ 190,055
5	Required Rate Of Return On Fair Value Rate Base	9.94%	7.41%
6	Operating Income Deficiency (L4 - L2)	\$ 411,638	\$ 176,623
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6451	1.5307
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 677,179	\$ 270,351
9	Adjusted Test Year Revenue	\$ 259,304	\$ 336,819
10	Proposed Annual Revenue (L8 + L9)	\$ 936,483	\$ 607,170
11	Required Percentage Increase In Revenue (L8 / L9)	261.15%	80.27%
12	Rate Of Return On Common Equity	10.00%	8.01%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RLM-2, RLM-6 And RLM-10

REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	(0.3467)			
3	Subtotal (L1 + L2)	<u>0.6533</u>			
4	Revenue Conversion Factor(L1 / L3)	1.5307			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	29.7757%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>27.7009%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>34.6689%</u>			
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$ 190,055			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)	<u>13,432</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 176,623		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 67,669			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(26,059)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 93,728		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 270,351</u>		
				RUCO	
				Recommended	
18	Revenue (Sch. RLM-1, Col. (B), L10)			\$ 607,170	
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L29 - L28)			(349,446)	
20	Synchronized Interest (Col. (C), L37)			<u>(62,538)</u>	
21	Arizona Taxable Income (L18 + L19 + L20)			\$ 195,186	
22	Arizona State Income Tax Rate			<u>6.9680%</u>	
23	Arizona Income Tax (L21 X L22)				\$ 13,601
24	Fed. Taxable Income (L21 - L23)			<u>\$ 181,585</u>	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			31,818	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 54,068
31	Combined Federal And State Income Tax (L23 + L30)				<u>\$ 67,669</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L28)				\$ (26,059)
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L24)				<u>\$ 93,728</u>
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				29.78%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-3, Col. (H), L13)			\$ 2,563,849	
36	Weighted Avg. Cost Of Debt (Sch. RLM-11, Col. (F), L2)			<u>2.44%</u>	
37	Synchronized Interest (L35 X L36)			<u>\$ 62,538</u>	

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 4,764,593	\$ -	\$ 4,764,593
2	Accumulated Depreciation	(952,778)	(34,410)	(987,188)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 3,811,815</u>	<u>\$ (34,410)</u>	<u>\$ 3,777,405</u>
4	Advances In Aid Of Const.	\$ (1,244,686)	\$ -	\$ (1,244,686)
5	Contribution In Aid Of Const.	\$ (73,118)	\$ -	\$ (73,118)
6	Accumulated Amortization Of CIAC	8,130	-	8,130
7	NET CIAC (L5 + L6)	<u>\$ (64,988)</u>	<u>\$ -</u>	<u>\$ (64,988)</u>
8	Customer Meter Deposits	\$ (11,537)	\$ -	\$ (11,537)
9	Deferred Income Taxes & Credits	\$ 107,655	\$ -	\$ 107,655
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 2,598,259</u>	<u>\$ (34,410)</u>	<u>\$ 2,563,849</u>

References:

- Column (A): Company Schedule B-1
- Column (B): RLM-3, Columns (B) Thru (G)
- Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 GROSS PLT & ACC DEP	(C) INTENT'NLY LEFT BLANK	(D) INTENT'NLY LEFT BLANK	(E) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 4,764,593	\$ -	\$ -	\$ -	\$ 4,764,593
2	Accumulated Depreciation	(952,778)	(34,410)	-	-	(987,188)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 3,811,815</u>	<u>\$ (34,410)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,777,405</u>
4	Advances In Aid Of Const.	\$ (1,244,686)	\$ -	\$ -	\$ -	\$ (1,244,686)
5	Contribution In Aid Of Const.	\$ (73,118)	\$ -	\$ -	\$ -	\$ (73,118)
6	Accumulated Amortization Of CIAC	8,130	-	-	-	8,130
7	NET CIAC (L5 + L6)	<u>\$ (64,988)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,988)</u>
8	Customer Meter Deposits	\$ (11,537)	\$ -	\$ -	\$ -	\$ (11,537)
9	Deferred Income Taxes & Credits	\$ 107,655	\$ -	\$ -	\$ -	\$ 107,655
10	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -
12	Allowance For Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 2,598,259</u>	<u>\$ (34,410)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,563,849</u>

References:

- Column (A): Company Schedule B-1
- Column (B): Adjustment No. 1 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM and Schedule RLM-4)
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 1998**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRIOR DECISION DEP. RATE	(B) TOTAL PLANT VALUE	(C) ACCUMULATED DEPRECIATION	(D) NET PLANT VALUE
1	301	Intangibles/Organization	0.00%	\$ 6,779	\$ -	\$ 6,779
2	302	Franchise Cost	0.00%	-	-	-
3	303	Land and Land Rights	0.00%	9,522	-	9,522
4	304	Structures and Improvements	5.00%	4,098	(2,159)	1,939
5	306	Lake, River and Other Intakes	5.00%	-	-	-
6	307	Wells and Springs	5.00%	106,759	(61,980)	44,779
7	309	Supply Mains	5.00%	-	-	-
8	310	Power Generation Equipment	5.00%	-	-	-
9	311	Pumping Equipment	5.00%	77,398	(29,844)	47,554
10	320	Water Treatment Equipment	5.00%	-	-	-
11	330	Dist. Reservoirs & Standpipes	5.00%	53,063	(28,325)	24,738
12	331	Trans. and Dist. Mains	5.00%	214,003	(137,951)	76,052
13	333	Services	5.00%	11,868	(2,344)	9,524
14	334	Meters and Meter Installations	5.00%	13,915	(5,196)	8,719
15	335	Hydrants	5.00%	-	-	-
16	336	Backflow Prevention Devices	5.00%	-	-	-
17	339	Other Plant and Misc. Equip.	5.00%	-	-	-
18	340	Office Furniture and Equipment	5.00%	-	-	-
19	341	Transportation Equipment	5.00%	-	-	-
20	343	Tools, Shop and Garage Equip.	5.00%	-	-	-
21	344	Laboratory Equipment	5.00%	-	-	-
22	345	Power Operated Equipment	5.00%	-	-	-
23	346	Communication Equipment	5.00%	-	-	-
24	347	Miscellaneous Equipment	5.00%	-	-	-
25	348	Other Tangible Plant	5.00%	300	23	323
					1	1
26	TOTAL WASTEWATER PLANT			\$ 497,705	\$ (267,775)	\$ 229,930
27	Company As Filed			\$ 497,705	(267,775)	229,930
28	Difference			\$ -	\$ -	\$ -

References:
Columns (A) Thru (D): Company Workpapers

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 6,779	\$ -	\$ 6,779
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	9,522	-	9,522
4	304	Structures and Improvements	-	-	(205)	4,098	(2,364)	1,734
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(5,338)	106,759	(67,318)	39,441
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	3,849	-	(3,966)	81,247	(33,810)	47,437
10	320	Water Treatment Equipment	-	-	-	-	-	-
11	330	Dist. Reservoirs & Standpipes	2,140	-	(2,707)	55,203	(31,032)	24,171
12	331	Trans. and Dist. Mains	8,282	-	(10,907)	222,285	(148,858)	73,427
13	333	Services	-	-	(593)	11,868	(2,937)	8,931
14	334	Meters and Meter Installations	3,457	-	(782)	17,372	(5,978)	11,394
15	335	Hydrants	-	-	-	-	-	-
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(15)	300	8	308
26	TOTAL WASTEWATER PLANT		<u>\$ 17,728</u>	<u>\$ -</u>	<u>\$ (24,513)</u>	<u>\$ 515,433</u>	<u>\$ (292,289)</u>	<u>\$ 223,144</u>
27	Company As Filed		17,728	-	(24,513)	515,433	(277,727)	237,706
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,562)</u>	<u>\$ (14,562)</u>

References:

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- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ (1,331)	\$ -	\$ 5,448	\$ 1,331	\$ 6,779
2	302	Franchise Cost	1,330	-	-	1,330	-	1,330
3	303	Land and Land Rights	-	-	-	9,522	-	9,522
4	304	Structures and Improvements	15,300	-	(587)	19,398	(2,951)	16,447
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	14,375	-	(5,697)	121,134	(73,015)	48,119
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	54,810	-	(5,433)	136,057	(39,243)	96,814
10	320	Water Treatment Equipment	-	-	-	-	-	-
11	330	Dist. Reservoirs & Standpipes	113,184	-	(5,590)	168,387	(36,621)	131,766
12	331	Trans. and Dist. Mains	145,176	-	(14,744)	367,461	(163,602)	203,859
13	333	Services	22,339	-	(1,152)	34,207	(4,089)	30,118
14	334	Meters and Meter Installations	14	-	(869)	17,386	(6,847)	10,539
15	335	Hydrants	31,446	-	(786)	31,446	(786)	30,660
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	(300)	(8)	-	301	301
26		TOTAL WASTEWATER PLANT	<u>\$ 397,975</u>	<u>\$ (1,631)</u>	<u>\$ (34,865)</u>	<u>\$ 911,776</u>	<u>\$ (325,524)</u>	<u>\$ 586,252</u>
27		Company As Filed	397,975	(1,631)	(34,865)	911,776	(312,592)	599,184
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,932)</u>	<u>\$ (12,932)</u>

References:

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- Column (D): Schedule RLM-4, Page 2, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 2, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 5,448	\$ 1,331	\$ 6,779
2	302	Franchise Cost	-	-	-	1,330	-	1,330
3	303	Land and Land Rights	5,627	-	-	15,149	-	15,149
4	304	Structures and Improvements	-	-	(970)	19,398	(3,921)	15,477
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(6,057)	121,134	(79,072)	42,062
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	3,947	-	(6,902)	140,004	(46,144)	93,860
10	320	Water Treatment Equipment	332	-	(8)	332	(8)	324
11	330	Dist. Reservoirs & Standpipes	-	-	(8,419)	168,387	(45,041)	123,346
12	331	Trans. and Dist. Mains	279	-	(18,380)	367,740	(181,982)	185,758
13	333	Services	1,328	-	(1,744)	35,535	(5,833)	29,702
14	334	Meters and Meter Installations	9,582	-	(1,109)	26,968	(7,956)	19,012
15	335	Hydrants	591	-	(1,587)	32,037	(2,373)	29,664
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	301	301
26		TOTAL WASTEWATER PLANT	<u>\$ 21,686</u>	<u>\$ -</u>	<u>\$ (45,175)</u>	<u>\$ 933,463</u>	<u>\$ (370,699)</u>	<u>\$ 562,764</u>
27		Company As Filed	21,686	-	(45,175)	933,463	(357,767)	575,696
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,932)</u>	<u>\$ (12,932)</u>

References:

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- Column (E): Schedule RLM-4, Page 3, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2002

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 5,448	\$ 1,331	\$ 6,779
2	302	Franchise Cost	-	-	-	1,330	-	1,330
3	303	Land and Land Rights	7,784	-	-	22,933	-	22,933
4	304	Structures and Improvements	-	-	(970)	19,398	(4,891)	14,507
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	162	-	(6,061)	121,296	(85,133)	36,163
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	14,098	-	(7,353)	154,102	(53,497)	100,605
10	320	Water Treatment Equipment	-	-	(17)	332	(25)	307
11	330	Dist. Reservoirs & Standpipes	345	-	(8,428)	168,732	(53,469)	115,263
12	331	Trans. and Dist. Mains	3,461	-	(18,474)	371,201	(200,455)	170,746
13	333	Services	-	-	(1,777)	35,535	(7,610)	27,925
14	334	Meters and Meter Installations	2,011	-	(1,399)	28,979	(9,355)	19,624
15	335	Hydrants	-	-	(1,602)	32,037	(3,975)	28,062
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	301	301
26	TOTAL WASTEWATER PLANT		<u>\$ 27,861</u>	<u>\$ -</u>	<u>\$ (46,079)</u>	<u>\$ 961,323</u>	<u>\$ (416,778)</u>	<u>\$ 544,545</u>
27	Company As Filed		27,861	-	(46,079)	961,323	(403,846)	557,477
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,932)</u>	<u>\$ (12,932)</u>

References:

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- Column (D): Schedule RLM-4, Page 4, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 4, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 5,448	\$ 1,331	\$ 6,779
2	302	Franchise Cost	-	-	-	1,330	-	1,330
3	303	Land and Land Rights	-	-	-	22,933	-	22,933
4	304	Structures and Improvements	-	-	(970)	19,398	(5,861)	13,537
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(6,065)	121,296	(91,198)	30,098
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	5,804	-	(7,850)	159,906	(61,347)	98,559
10	320	Water Treatment Equipment	714	-	(34)	1,046	(59)	987
11	330	Dist. Reservoirs & Standpipes	-	-	(8,437)	168,732	(61,905)	106,827
12	331	Trans. and Dist. Mains	3,751	-	(18,654)	374,952	(219,109)	155,843
13	333	Services	1,517	-	(1,815)	37,052	(9,424)	27,628
14	334	Meters and Meter Installations	970	-	(1,473)	29,949	(10,828)	19,121
15	335	Hydrants	5,270	-	(1,734)	37,307	(5,709)	31,598
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	301	301
26		TOTAL WASTEWATER PLANT.....	<u>\$ 18,027</u>	<u>\$ -</u>	<u>\$ (47,031)</u>	<u>\$ 979,350</u>	<u>\$ (463,809)</u>	<u>\$ 515,541</u>
27		Company As Filed	18,027	-	(47,031)	979,350	(450,877)	528,473
28		Difference.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,932)</u>	<u>\$ (12,932)</u>

References:

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- Column (D): Schedule RLM-4, Page 5, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 5, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 5,448	\$ 1,331	\$ 6,779
2	302	Franchise Cost	-	-	-	1,330	-	1,330
3	303	Land and Land Rights	16,333	-	-	39,266	-	39,266
4	304	Structures and Improvements	4,276	-	(1,077)	23,674	(6,938)	16,736
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	25,153	-	(6,694)	146,449	(97,891)	48,558
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	34,550	-	(8,859)	194,456	(70,206)	124,250
10	320	Water Treatment Equipment	58,819	-	(1,523)	59,865	(1,582)	58,283
11	330	Dist. Reservoirs & Standpipes	-	-	(8,437)	168,732	(70,342)	98,390
12	331	Trans. and Dist. Mains	98,463	-	(21,209)	473,415	(240,318)	233,097
13	333	Services	-	-	(1,853)	37,052	(11,277)	25,775
14	334	Meters and Meter Installations	2,119	-	(1,550)	32,068	(12,378)	19,690
15	335	Hydrants	-	-	(1,865)	37,307	(7,574)	29,733
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	301	301
26	TOTAL WASTEWATER PLANT		<u>\$ 239,713</u>	<u>\$ -</u>	<u>\$ (53,066)</u>	<u>\$ 1,219,063</u>	<u>\$ (516,876)</u>	<u>\$ 702,187</u>
27	Company As Filed		239,713	-	(53,066)	1,219,063	(503,944)	715,119
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,932)</u>	<u>\$ (12,932)</u>

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- Column (E): Schedule RLM-4, Page 6, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ 5,448	\$ 1,331	\$ 6,779
2	302	Franchise Cost	-	-	-	1,330	-	1,330
3	303	Land and Land Rights	34,254	-	-	73,520	-	73,520
4	304	Structures and Improvements	-	-	(1,184)	23,674	(8,122)	15,553
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	2,224	-	(7,378)	148,673	(105,269)	43,404
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	27,235	-	(10,404)	221,691	(80,610)	141,081
10	320	Water Treatment Equipment	162	-	(2,997)	60,027	(4,579)	55,448
11	330	Dist. Reservoirs & Standpipes	5,672	-	(8,578)	174,404	(78,920)	95,484
12	331	Trans. and Dist. Mains	5,198	-	(23,801)	478,613	(264,119)	214,494
13	333	Services	347	-	(1,861)	37,399	(13,138)	24,261
14	334	Meters and Meter Installations	4,999	-	(1,728)	37,067	(14,107)	22,960
15	335	Hydrants	605	-	(1,880)	37,912	(9,455)	28,458
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	-	-	-	-	-	-
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	-	-	-	-
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	-	-	301	301
26	TOTAL WASTEWATER PLANT		<u>\$ 80,696</u>	<u>\$ -</u>	<u>\$ (59,812)</u>	<u>\$ 1,299,759</u>	<u>\$ (576,688)</u>	<u>\$ 723,071</u>
27	Company As Filed		80,696	-	(59,812)	1,299,759	(563,756)	736,003
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,932)</u>	<u>\$ (12,932)</u>

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- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ (5,448)	\$ -	\$ -	\$ 6,779	\$ 6,779
2	302	Franchise Cost	-	(1,330)	-	-	1,330	1,330
3	303	Land and Land Rights	-	(6,869)	-	66,651	6,869	73,520
4	304	Structures and Improvements	13,420	-	(1,519)	37,094	(9,641)	27,453
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	3,020	-	(7,509)	151,693	(112,778)	38,915
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	21,255	-	(11,616)	242,946	(92,226)	150,720
10	320	Water Treatment Equipment	26,367	-	(3,661)	86,394	(8,240)	78,154
11	330	Dist. Reservoirs & Standpipes	957	-	(8,744)	175,361	(87,664)	87,697
12	331	Trans. and Dist. Mains	8,747	-	(24,149)	487,360	(288,268)	199,092
13	333	Services	982	-	(1,895)	38,381	(15,033)	23,348
14	334	Meters and Meter Installations	9,994	-	(2,103)	47,061	(16,210)	30,851
15	335	Hydrants	298	-	(1,903)	38,210	(11,358)	26,852
16	336	Backflow Prevention Devices	5,432	-	(136)	5,432	(136)	5,296
17	339	Other Plant and Misc. Equip.	154	-	(4)	154	(4)	150
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	-	-	-	-
20	343	Tools, Shop and Garage Equip.	706	-	(18)	706	(18)	688
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	838	-	(21)	838	(21)	817
23	346	Communication Equipment	-	-	-	-	-	-
24	347	Miscellaneous Equipment	5,087	-	(127)	5,087	(127)	4,960
25	348	Other Tangible Plant	-	-	-	-	301	301
			1			2		2
26		TOTAL WASTEWATER PLANT	\$ 97,258	\$ (13,647)	\$ (63,404)	\$ 1,383,370	\$ (626,445)	\$ 756,925
27		Company As Filed	97,258	(13,647)	(63,404)	1,383,370	(627,160)	756,210
28		Difference	\$ -	\$ -	\$ -	\$ -	\$ 715	\$ 715

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 8, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 8, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 8, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ 6,779	\$ 6,779
2	302	Franchise Cost	-	-	-	-	1,330	1,330
3	303	Land and Land Rights	-	-	-	66,651	6,869	73,520
4	304	Structures and Improvements	1,360	-	(1,889)	38,454	(11,529)	26,925
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	147,908	-	(11,282)	299,601	(124,061)	175,540
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	1,335,243	-	(45,528)	1,578,189	(137,754)	1,440,435
10	320	Water Treatment Equipment	792,335	-	(24,128)	878,729	(32,368)	846,361
11	330	Dist. Reservoirs & Standpipes	4,960	-	(8,892)	180,321	(96,557)	83,765
12	331	Trans. and Dist. Mains	378,306	-	(33,826)	865,666	(322,094)	543,572
13	333	Services	1,461	-	(1,956)	39,842	(16,988)	22,854
14	334	Meters and Meter Installations	7,722	-	(2,546)	54,783	(18,756)	36,027
15	335	Hydrants	176	-	(1,915)	38,386	(13,272)	25,114
16	336	Backflow Prevention Devices	462	-	(283)	5,894	(419)	5,475
17	339	Other Plant and Misc. Equip.	2,548	-	(71)	2,702	(75)	2,627
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	32,617	-	(815)	32,617	(815)	31,802
20	343	Tools, Shop and Garage Equip.	12	-	(36)	718	(53)	665
21	344	Laboratory Equipment	663	-	(17)	663	(17)	646
22	345	Power Operated Equipment	-	-	(42)	838	(63)	775
23	346	Communication Equipment	10,484	-	(262)	10,484	(262)	10,222
24	347	Miscellaneous Equipment	-	-	(254)	5,087	(382)	4,705
25	348	Other Tangible Plant	2,290	-	(57)	2,290	243	2,533
		(2)						
26		TOTAL WASTEWATER PLANT	<u>\$ 2,718,545</u>	<u>\$ -</u>	<u>\$ (133,800)</u>	<u>\$ 4,101,915</u>	<u>\$ (760,244)</u>	<u>\$ 3,341,671</u>
27		Company As Filed	2,718,545	-	(120,514)	4,101,915	(747,674)	3,354,241
28		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,286)</u>	<u>\$ -</u>	<u>\$ (12,570)</u>	<u>\$ (12,570)</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 9, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 9, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2008

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	66,651	6,869	73,520
4	304	Structures and Improvements	8,250	-	(2,129)	46,704	(13,658)	33,046
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(14,980)	299,601	(139,041)	160,560
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	60,309	-	(80,417)	1,638,498	(218,171)	1,420,327
10	320	Water Treatment Equipment	470,156	-	(55,690)	1,348,885	(88,058)	1,260,827
11	330	Dist. Reservoirs & Standpipes	30	-	(9,017)	180,351	(105,573)	74,778
12	331	Trans. and Dist. Mains	14,612	-	(43,649)	880,278	(365,743)	514,535
13	333	Services	514	-	(2,005)	40,356	(18,993)	21,363
14	334	Meters and Meter Installations	2,364	-	(2,798)	57,147	(21,554)	35,593
15	335	Hydrants	-	-	(1,919)	38,386	(15,192)	23,194
16	336	Backflow Prevention Devices	-	-	(295)	5,894	(714)	5,180
17	339	Other Plant and Misc. Equip.	841	-	(156)	3,543	(231)	3,312
18	340	Office Furniture and Equipment	-	-	-	-	-	-
19	341	Transportation Equipment	-	-	(1,631)	32,617	(2,446)	30,171
20	343	Tools, Shop and Garage Equip.	405	-	(46)	1,123	(99)	1,024
21	344	Laboratory Equipment	-	-	(33)	663	(50)	613
22	345	Power Operated Equipment	-	-	(42)	838	(105)	733
23	346	Communication Equipment	1,924	-	(572)	12,408	(834)	11,574
24	347	Miscellaneous Equipment	349	-	(263)	5,436	(645)	4,791
25	348	Other Tangible Plant	102,924	-	(2,688)	105,214	(2,444)	102,770
26	TOTAL WASTEWATER PLANT		<u>\$ 662,678</u>	<u>\$ -</u>	<u>\$ (218,330)</u>	<u>\$ 4,764,593</u>	<u>\$ (986,683)</u>	<u>\$ 3,777,910</u>
27	Company As Filed		662,678	-	(204,599)	4,764,593	(952,273)	3,812,320
28	Difference		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,731)</u>	<u>\$ -</u>	<u>\$ (34,410)</u>	<u>\$ (34,410)</u>
29	RUCO Adjustment (Line 28) (See RLM-3, Column (B), Line 3)						<u>\$ (34,410)</u>	

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 7, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 7, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Test Year Ended December 31, 2008

Water Utility of Greater Tonopah, Inc.
Schedule RLM-5
Page 1 of 1

RUCO MADE NO POST TEST YEAR PLANT ADJUSTMENTS

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'MTS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Sales	\$ 322,780	\$ -	\$ 322,780	\$ 269,412	\$ 592,192
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	14,039	-	14,039	939	14,978
4	TOTAL OPERATING REVENUE	\$ 336,819	\$ -	\$ 336,819	\$ 270,351	\$ 607,170
Operating Expenses:						
5	Salary and Wages - Employees	\$ 76,217	-	\$ 76,217	-	\$ 76,217
6	Employee Pensions and Benefits	16,164	-	16,164	-	16,164
7	Purchased Water	52,085	-	52,085	-	52,085
8	Purchased Power	22,565	-	22,565	-	22,565
9	Fuel for Power Production	-	-	-	-	-
10	Chemicals	10,761	-	10,761	-	10,761
11	Materials and Supplies	4,236	-	4,236	-	4,236
12	Materials and Supplies	16,551	-	16,551	-	16,551
13	Contractual Services - Testing	-	-	-	-	-
14	Contractual Services - Other	3,774	-	3,774	-	3,774
15	Rental of Building/Real Property	593	-	593	-	593
16	Rental of Equipment	3,686	-	3,686	-	3,686
17	Transportation Expenses	56	-	56	-	56
18	Insurance - General Liability	9,876	-	9,876	-	9,876
19	Insurance - Other	2,073	-	2,073	-	2,073
20	Advertising Expense	-	-	-	-	-
21	Rate Case Expense	1,355	-	1,355	-	1,355
22	Bad Debt Expense	3,368	-	3,368	-	3,368
23	Miscellaneous Expenses	6,644	-	6,644	-	6,644
24	Depreciation Expense	113,580	-	113,580	-	113,580
25	Taxes Other Than Income	3,340	-	3,340	-	3,340
26	Property Taxes	-	2,521	2,521	-	2,521
27	Other Taxes and Licenses	-	-	-	-	-
28	Income Taxes	(5,703)	(20,356)	(26,059)	93,728	67,669
29	TOTAL OPERATING EXPENSES	\$ 341,223	\$ (17,835)	\$ 323,387	\$ 93,728	\$ 417,115
30	OPERATING INCOME (LOSS)	\$ (4,404)		\$ 13,432		\$ 190,055

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (K)
- Column (C): Column (A) + Column (B)
- Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		COMPANY AS FILED	ADJ # 1 PROPERTY TAX	ADJ # 2 CAGR D	INTENT'LY LEFT BLANK	ADJ # 3 INCOME TAX	RUCO AS ADJT'D
Revenues:							
1	Metered Water Sales	\$ 322,780	\$ -	\$ -	\$ -	\$ -	\$ 322,780
2	Other Operating Revenue	-	-	-	-	-	-
3	Water Sales - Unmetered	14,039	-	-	-	-	14,039
4	TOTAL OPR'G REV.	<u>\$ 336,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,819</u>
Operating Expenses:							
5	Salary and Wages - Employees	\$ 76,217	\$ -	\$ -	\$ -	\$ -	\$ 76,217
6	Employee Pensions and Benefits	16,164	-	-	-	-	16,164
7	Purchased Water	52,085	-	-	-	-	52,085
8	Purchased Power	22,565	-	-	-	-	22,565
9	Fuel for Power Production	-	-	-	-	-	-
10	Chemicals	10,761	-	-	-	-	10,761
11	Materials and Supplies	4,236	-	-	-	-	4,236
12	Materials and Supplies	16,551	-	-	-	-	16,551
13	Contractual Services - Testing	-	-	-	-	-	-
14	Contractual Services - Other	3,774	-	-	-	-	3,774
15	Rental of Building/Real Property	593	-	-	-	-	593
16	Rental of Equipment	3,686	-	-	-	-	3,686
17	Transportation Expenses	56	-	-	-	-	56
18	Insurance - General Liability	9,876	-	-	-	-	9,876
19	Insurance - Other	2,073	-	-	-	-	2,073
20	Advertising Expense	-	-	-	-	-	-
21	Rate Case Expense	1,355	-	-	-	-	1,355
22	Bad Debt Expense	3,368	-	-	-	-	3,368
23	Miscellaneous Expenses	6,644	-	-	-	-	6,644
24	Depreciation Expense	113,580	-	-	-	-	113,580
25	Taxes Other Than Income	3,340	-	-	-	-	3,340
26	Property Taxes	-	2,521	-	-	-	2,521
27	Other Taxes and Licenses	-	-	-	-	-	-
28	Income Taxes	(5,703)	-	-	-	(20,356)	(26,059)
29	TOTAL OPR'G EXP.	<u>\$ 341,223</u>	<u>\$ 2,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,356)</u>	<u>\$ 323,387</u>
30	OPR'G INC. (LOSS)	<u>\$ (4,404)</u>					<u>\$ 13,432</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony, RLM And Schedule RLM-8
- Column (C): Testimony, RLM
- Column (D): Intentionally Left Blank
- Column (E): Testimony, RLM And Schedule RLM-9
- Column (F): Sum Of Columns (A) Thru (E)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	\$ 336,819	
2	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	336,819	
3	Proposed Revenues	Sch. RLM-6, Col (E), Ln 4	607,170	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 1,280,808	
5	Average Annual Operating Revenues	Line 4 / 3	426,936	
6	Two Times 3-Year Average Operating Revenues	Line 5 X 2		\$ 853,872
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 129,694	
8	10% Of CWIP	Line 7 X 10%		\$ 12,969
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-4, Pg 13, Col. (D), Ln 19	\$ -	
10	Acc. Dep. Of Transportation Equipment	RLM-4, Pg 13, Col. (E), Ln 19	-	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		\$ 866,841
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio For 2010	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 182,037	
Property Tax Rates:				
15	Primary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	1.3848%	
16	Secondary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	0.0000%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	1.38%	
18	Co.'s Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		\$ 2,521
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 29		-
20	Increase In Property Tax Expense	Line 18 - Line 19		\$ 2,521
21	RUCO Adjustment (See RLM-7, Col. (B), Line 26)	Line 20		\$ 2,521

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L24	\$ (12,627)
LESS:			
2	Arizona State Tax	Line 11	..... 5,237
3	Interest Expense	Note (A) Line 20	..... (62,538)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (69,928)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	29.78%
6	Federal Income Tax Expense	Line 4 X line 5	<u>\$ (20,821)</u>
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (12,627)
LESS:			
8	Interest Expense	Note (A) Line 20	..... (62,538)
9	State Taxable Income	Line 7 - Line 8	\$ (75,165)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense....	Line 9 X Line 10	<u>\$ (5,237)</u>
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (20,821)
13	State Income Tax Expense....	Line 11	..... (5,237)
14	Total Income Tax Expense Per RUCO....	Line 12 + Line 13	<u>\$ (26,059)</u>
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		..... (5,703)
16	Total Income Tax Adjustment	Line 14 - Line 15	<u>\$ (20,356)</u>
17	RUCO Adjustment (See Sch. RLM-7, Column (I), L28)....	Line 16	<u>\$ (20,356)</u>

NOTE (A):

Interest Synchronization:

18	Adjusted Rate Base (Sch. RLM-3, Col. (E), L13)	\$ 2,563,849
19	Weighted Cost Of Debt (Sch. RLM-11, Col. (F), L2)	2.44%
20	Interest Expense (L17 X L18)....	<u>\$ 62,538</u>

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2	Long-term Debt	\$ 118,466,992	\$ -	\$ 118,466,992	37.89%	6.44%	2.44%
3	Common Equity	\$ 194,182,956	\$ -	\$ 194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITAL	<u>\$ 312,649,948</u>	<u>\$ -</u>	<u>\$ 312,649,948</u>	<u>100.00%</u>		
5	COST OF CAPITAL						<u>7.41%</u>

References:

Columns (A) Thru (F): Testimony, WAR

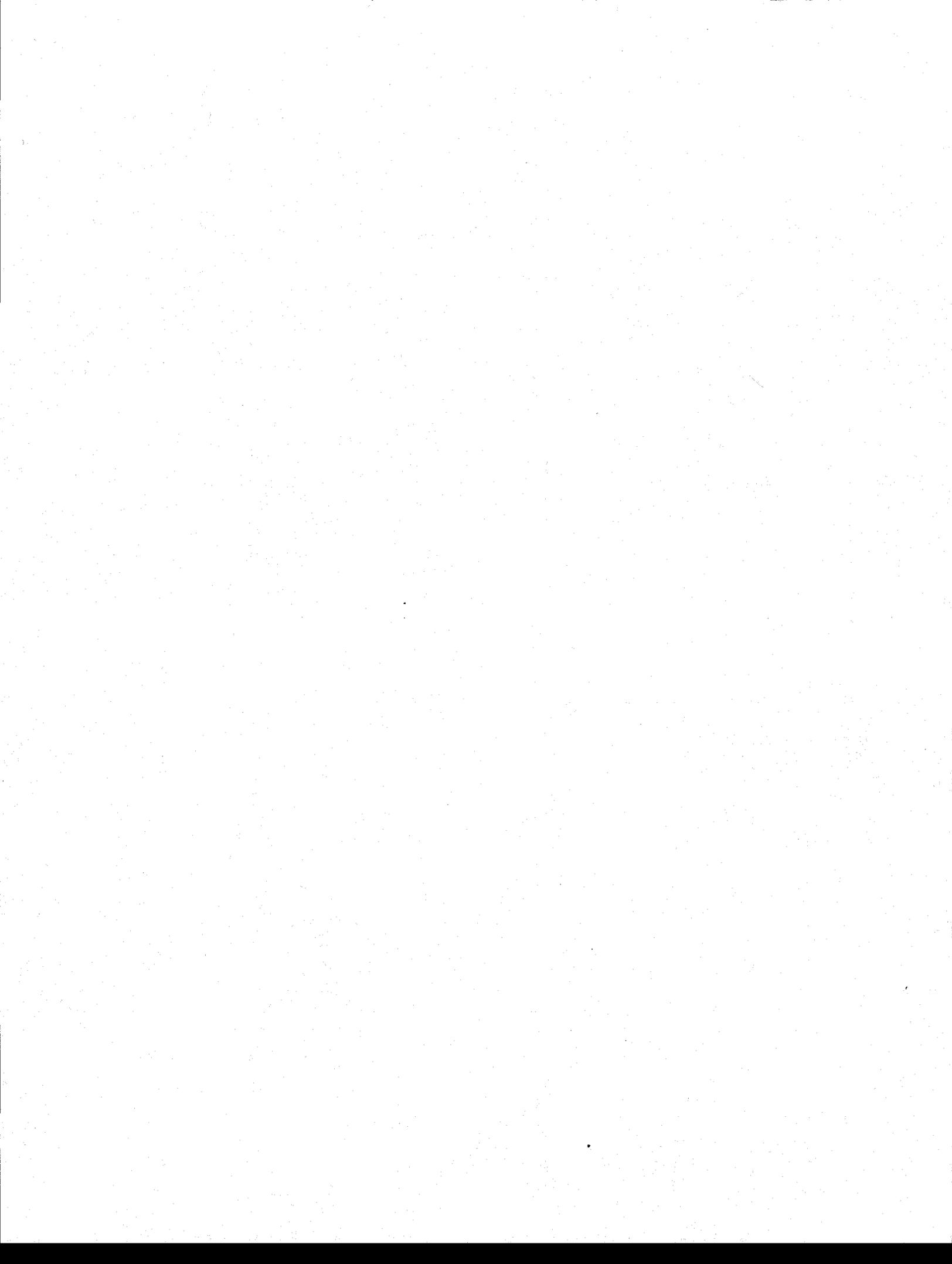


TABLE OF CONTENTS TO RLM SCHEDULES

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1 & 2	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1	RATE BASE ADJUSTMENT NO. 1 - GROSS PLANT AND ACCUMULATED DEPRECIATION
TESTIMONY		RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION
RLM-5	1	INTENTIONALLY LEFT BLANK
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 2 - CAGR D FEES
RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 3 - INCOME TAX EXPENSE
RLM-10	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 2,251,164	\$ 2,177,504
2	Adjusted Operating Income (Loss)	\$ (95,458)	\$ (99,296)
3	Current Rate Of Return (L2 / L1)	-4.24%	-4.56%
4	Required Operating Income (L5 X L1)	\$ 208,008	\$ 161,416
5	Required Rate Of Return On Fair Value Rate Base	9.24%	7.41%
6	Operating Income Deficiency (L4 - L2)	\$ 303,466	\$ 260,712
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6451	1.4896
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 499,228	\$ 388,356
9	Adjusted Test Year Revenue	\$ 473,527	\$ 473,527
10	Proposed Annual Revenue (L8 + L9)	\$ 972,755	\$ 861,883
11	Required Percentage Increase In Revenue (L8 / L9)	105.43%	82.01%
12	Rate Of Return On Common Equity	10.00%	8.01%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RLM-2, RLM-6 And RLM-10

**REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	(0.3287)			
3	Subtotal (L1 + L2)	<u>0.6713</u>			
4	Revenue Conversion Factor(L1 / L3)	1.4896			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	27.8396%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>25.8997%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>32.8677%</u>			
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$ 161,416			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)	<u>(99,296)</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 260,712		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 53,024			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(74,620)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 127,644		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 388,356</u>		
				RUCO	
				Recommended	
18	Revenue (Sch. RLM-1, Col. (B), L10)			\$ 861,883	
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L29 - L28)			(647,443)	
20	Synchronized Interest (Col. (C), L37)			<u>(53,114)</u>	
21	Arizona Taxable Income (L18 + L19 + L20)			\$ 161,325	
22	Arizona State Income Tax Rate			<u>6.9680%</u>	
23	Arizona Income Tax (L21 X L22)				\$ 11,241
24	Fed. Taxable Income (L21 - L23)			\$ 150,084	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			19,533	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 41,783
31	Combined Federal And State Income Tax (L23 + L30)				<u>\$ 53,024</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L28)				\$ (74,620)
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L24)				<u>\$ 127,644</u>
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				27.84%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-3, Col. (H), L13)			\$ 2,177,504	
36	Weighted Avg. Cost Of Debt (Sch. RLM-11, Col. (F), L2)			<u>2.44%</u>	
37	Synchronized Interest (L35 X L36)			<u>\$ 53,114</u>	

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 4,016,878	\$ (29,646)	\$ 3,987,232
2	Accumulated Depreciation	(1,228,047)	(44,015)	(1,272,062)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 2,788,831</u>	<u>\$ (73,660)</u>	<u>\$ 2,715,171</u>
4	Advances In Aid Of Const.	\$ (618,488)	\$ -	\$ (618,488)
5	Contribution In Aid Of Const.	\$ -	\$ -	\$ -
6	Accumulated Amortization Of CIAC	-	-	-
7	NET CIAC (L5 + L6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8	Customer Meter Deposits	\$ (6,985)	\$ -	\$ (6,985)
9	Deferred Income Taxes & Credits	\$ -	\$ -	\$ -
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ 87,806	\$ -	\$ 87,806
12	Allowance For Working Capital	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 2,251,164</u>	<u>\$ (73,660)</u>	<u>\$ 2,177,504</u>

References:

- Column (A): Company Schedule B-2, Page 1 And Workpapers Schedule E-1
- Column (B): RLM-3, Columns (B) Thru (G)
- Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 GROSS PLT & ACC DEP	(C) INTENT'NLY LEFT BLANK	(D) INTENT'NLY LEFT BLANK	(E) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 4,016,878	\$ (29,646)	\$ -	\$ -	\$ 3,987,232
2	Accumulated Depreciation	(1,228,047)	(44,015)	-	-	(1,272,062)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 2,788,831</u>	<u>\$ (73,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,715,171</u>
4	Advances In Aid Of Const.	\$ (618,488)	\$ -	\$ -	\$ -	\$ (618,488)
5	Contribution In Aid Of Const.	\$ -	\$ -	\$ -	\$ -	\$ -
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8	Customer Meter Deposits	\$ (6,985)	\$ -	\$ -	\$ -	\$ (6,985)
9	Deferred Income Taxes & Credits	\$ -	\$ -	\$ -	\$ -	\$ -
10	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Regulatory Assets	\$ 87,806	\$ -	\$ -	\$ -	\$ 87,806
12	Allowance For Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 2,251,164</u>	<u>\$ (73,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,177,504</u>

References:

- Column (A): Company Schedule B-1
- Column (B): Adjustment No. 1 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM and Schedule RLM-4)
- Column (C): Adjustment No. 2 - RUCO Adjustment To GPIS And Acc. Dep. (See Testimony, RLM)
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 1999**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRIOR DECISION DEP. RATE	(B) TOTAL PLANT VALUE	(C) ACCUMULATED DEPRECIATION	(D) NET PLANT VALUE
1	301	Intangibles/Organization	0.00%	\$ -	\$ -	\$ -
2	302	Franchise Cost	0.00%	-	-	-
3	303	Land and Land Rights	0.00%	18,100	-	18,100
4	304	Structures and Improvements	3.33%	113,385	(49,295)	64,090
5	306	Lake, River and Other Intakes	0.00%	-	-	-
6	307	Wells and Springs	3.33%	60,068	(25,405)	34,663
7	309	Supply Mains	0.00%	-	-	-
8	310	Power Generation Equipment	5.00%	-	-	-
9	311	Pumping Equipment	12.50%	154,923	(52,002)	102,921
10	320	Water Treatment Equipment	3.33%	144,468	(61,977)	82,491
11	330	Dist. Reservoirs & Standpipes	2.22%	135,139	(59,230)	75,909
12	331	Trans. and Dist. Mains	2.00%	346,531	(153,483)	193,048
13	333	Services	3.33%	55,216	(23,852)	31,364
14	334	Meters and Meter Installations	8.33%	134,877	(54,135)	80,742
15	335	Hydrants	2.00%	16,998	(7,653)	9,345
16	336	Backflow Prevention Devices	6.67%	-	-	-
17	339	Other Plant and Misc. Equip.	6.67%	-	(1,533)	(1,533)
18	340	Office Furniture and Equipment	6.67%	12,132	(5,494)	6,638
19	341	Transportation Equipment	20.00%	20,913	(5,524)	15,389
20	343	Tools, Shop and Garage Equip.	5.00%	6,893	(3,070)	3,823
21	344	Laboratory Equipment	10.00%	-	-	-
22	345	Power Operated Equipment	5.00%	11,012	(6,747)	4,265
23	346	Communication Equipment	10.00%	4,770	(260)	4,510
24	347	Miscellaneous Equipment	10.00%	-	-	-
25	348	Other Tangible Plant	3.33%	3,937	(1,011)	2,926
26		Adjustment Rounding		-	(29,890)	(29,890)
27		TOTAL WASTEWATER PLANT.....		\$ 1,239,362	\$ (540,561)	\$ 698,801
28		Company As Filed		\$ 1,239,362	(540,561)	698,801
29		Difference		\$ -	\$ -	\$ -

References:
Columns (A) Thru (D):.. Company Workpapers

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	1,551	-	(3,802)	114,936	(53,097)	61,839
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	1	-	(2,000)	60,069	(27,405)	32,664
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	-	(2)	(19,365)	154,921	(71,365)	83,556
10	320	Water Treatment Equipment	761	-	(4,823)	145,229	(66,800)	78,429
11	330	Dist. Reservoirs & Standpipes	149	-	(3,002)	135,288	(62,232)	73,056
12	331	Trans. and Dist. Mains	1,977	-	(6,950)	348,508	(160,433)	188,075
13	333	Services	96	-	(1,840)	55,312	(25,692)	29,620
14	334	Meters and Meter Installations	6,907	-	(11,523)	141,784	(65,658)	76,126
15	335	Hydrants	-	-	(340)	16,998	(7,993)	9,005
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	3,647	-	(122)	3,647	(1,655)	1,992
18	340	Office Furniture and Equipment	1,057	-	(844)	13,189	(6,338)	6,851
19	341	Transportation Equipment	-	(1)	(4,183)	20,912	(9,706)	11,207
20	343	Tools, Shop and Garage Equip.	458	-	(356)	7,351	(3,426)	3,925
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	4,970	-	(675)	15,982	(7,422)	8,560
23	346	Communication Equipment	-	(3,322)	(311)	1,448	2,751	4,199
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,142)	2,795
26		Adjustment	-	-	-	-	(14,670)	(14,670)
27		Rounding						
27		TOTAL WASTEWATER PLANT	\$ 21,574	\$ (3,325)	\$ (60,267)	\$ 1,257,611	\$ (582,283)	\$ 675,328
28		Company As Filed	21,574	(3,325)	(60,267)	1,257,611	(585,607)	672,004
29		Difference	\$ -	\$ -	\$ -	\$ -	\$ 3,324	\$ 3,324

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	727	-	(3,839)	115,663	(56,936)	58,727
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(2,000)	60,069	(29,406)	30,663
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	4,322	-	(19,635)	159,243	(91,001)	68,243
10	320	Water Treatment Equipment	281	-	(4,841)	145,510	(71,641)	73,869
11	330	Dist. Reservoirs & Standpipes	-	-	(3,003)	135,288	(65,235)	70,053
12	331	Trans. and Dist. Mains	7,300	-	(7,043)	355,808	(167,477)	188,331
13	333	Services	46	-	(1,843)	55,358	(27,535)	27,823
14	334	Meters and Meter Installations	8,789	-	(12,177)	150,573	(77,835)	72,738
15	335	Hydrants	-	-	(340)	16,998	(8,333)	8,665
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	513	-	(260)	4,160	(1,915)	2,245
18	340	Office Furniture and Equipment	300	-	(890)	13,489	(7,228)	6,261
19	341	Transportation Equipment	-	-	(4,182)	20,912	(13,888)	7,024
20	343	Tools, Shop and Garage Equip.	1,238	-	(399)	8,589	(3,825)	4,764
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	5,810	-	(944)	21,792	(8,366)	13,426
23	346	Communication Equipment	162	-	(153)	1,610	2,598	4,208
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,273)	2,664
26		Adjustment	-	-	-	-	(14,670)	(14,670)
		Rounding	(2)	-	-	(2)	-	(2)
27		TOTAL WASTEWATER PLANT	\$ 29,486	\$ -	\$ (61,681)	\$ 1,287,097	\$ (643,964)	\$ 643,133
28		Company As Filed	29,486	-	(61,681)	1,287,097	(647,288)	639,809
29		Difference	\$ -	\$ -	\$ -	\$ -	\$ 3,324	\$ 3,324

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 2, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 2, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 2, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2002

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	153	-	(3,854)	115,816	(60,790)	55,026
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(2,000)	60,069	(31,406)	28,663
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	148	-	(19,915)	159,391	(110,915)	48,476
10	320	Water Treatment Equipment	-	-	(4,845)	145,510	(76,487)	69,023
11	330	Dist. Reservoirs & Standpipes	-	-	(3,003)	135,288	(68,239)	67,049
12	331	Trans. and Dist. Mains	9,188	-	(7,208)	364,996	(174,685)	190,311
13	333	Services	202	-	(1,847)	55,560	(29,382)	26,178
14	334	Meters and Meter Installations	15,593	-	(13,192)	166,166	(91,027)	75,139
15	335	Hydrants	706	-	(347)	17,704	(8,680)	9,024
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	-	-	(277)	4,160	(2,192)	1,968
18	340	Office Furniture and Equipment	95	-	(903)	13,584	(8,131)	5,453
19	341	Transportation Equipment	-	-	(4,182)	20,912	(18,070)	2,842
20	343	Tools, Shop and Garage Equip.	1,962	-	(479)	10,551	(4,303)	6,248
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	(1,090)	21,792	(9,456)	12,336
23	346	Communication Equipment	-	-	(161)	1,610	2,437	4,047
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,404)	2,533
26		Adjustment	-	-	-	-	(14,670)	(14,670)
		Rounding	2	-	-	-	-	-
27		TOTAL WASTEWATER PLANT	<u>\$ 28,049</u>	<u>\$ -</u>	<u>\$ (63,435)</u>	<u>\$ 1,315,146</u>	<u>\$ (707,399)</u>	<u>\$ 607,747</u>
28		Company As Filed	28,049	-	(63,435)	1,315,146	(710,723)	604,423
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,324</u>	<u>\$ 3,324</u>

References:

Columns (A) (B): Company Schedules B-2, Page 2a Thru B-2, Page 2k
Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 3, Col. (D) X RLM-4, Page 1, Col. (A)]
Column (D): Schedule RLM-4, Page 3, Column (D) + (Column (A) + Column (B))
Column (E): Schedule RLM-4, Page 3, Column (E) + Column (B) + Column (C)
Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	820	-	(3,870)	116,636	(64,660)	51,976
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(2,000)	60,069	(33,406)	26,663
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	5,471	-	(20,266)	164,862	(131,181)	33,681
10	320	Water Treatment Equipment	585	-	(4,855)	146,095	(81,342)	64,753
11	330	Dist. Reservoirs & Standpipes	-	-	(3,003)	135,288	(71,242)	64,046
12	331	Trans. and Dist. Mains	6,738	-	(7,367)	371,734	(182,052)	189,682
13	333	Services	-	-	(1,850)	55,560	(31,232)	24,328
14	334	Meters and Meter Installations	7,019	-	(14,134)	173,185	(105,161)	68,024
15	335	Hydrants	-	-	(354)	17,704	(9,034)	8,670
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	1,776	-	(337)	5,936	(2,529)	3,407
18	340	Office Furniture and Equipment	527	-	(924)	14,111	(9,055)	5,056
19	341	Transportation Equipment	8,770	-	(5,059)	29,682	(23,130)	6,552
20	343	Tools, Shop and Garage Equip.	655	-	(544)	11,206	(4,847)	6,359
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	-	-	(1,090)	21,792	(10,545)	11,247
23	346	Communication Equipment	101	-	(166)	1,711	2,271	3,982
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,535)	2,402
26		Adjustment	-	-	-	-	(14,670)	(14,670)
		Rounding	(1)	-	-	(1)	-	(1)
27		TOTAL WASTEWATER PLANT....	\$ 32,461	\$ -	\$ (65,951)	\$ 1,347,607	\$ (773,350)	\$ 574,257
28		Company As Filed	32,461	-	(65,951)	1,347,607	(776,674)	570,933
29		Difference....	\$ -	\$ -	\$ -	\$ -	\$ 3,324	\$ 3,324

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 4, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 4, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	250	-	(3,888)	116,886	(68,549)	48,337
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(2,000)	60,069	(35,406)	24,663
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	105,671	-	(27,212)	270,533	(158,393)	112,140
10	320	Water Treatment Equipment	92,520	-	(6,405)	238,615	(87,747)	150,868
11	330	Dist. Reservoirs & Standpipes	121,382	-	(4,351)	256,670	(75,593)	181,077
12	331	Trans. and Dist. Mains	176,523	-	(9,200)	548,257	(191,252)	357,005
13	333	Services	30,748	-	(2,362)	86,308	(33,594)	52,714
14	334	Meters and Meter Installations	9,249	-	(14,812)	182,434	(119,972)	62,462
15	335	Hydrants	5,809	-	(412)	23,513	(9,446)	14,067
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	75	-	(398)	6,011	(2,928)	3,083
18	340	Office Furniture and Equipment	106	-	(945)	14,217	(9,999)	4,218
19	341	Transportation Equipment	-	(20,935)	(3,843)	8,747	(6,038)	2,709
20	343	Tools, Shop and Garage Equip.	1,448	-	(597)	12,654	(5,444)	7,210
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	647	-	(1,106)	22,439	(11,651)	10,788
23	346	Communication Equipment	197	-	(181)	1,908	2,090	3,998
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,667)	2,270
26		Adjustment	-	-	-	-	(14,670)	(14,670)
		Rounding				(1)		(1)
27		TOTAL WASTEWATER PLANT	<u>\$ 544,625</u>	<u>\$ (20,935)</u>	<u>\$ (77,843)</u>	<u>\$ 1,871,297</u>	<u>\$ (830,258)</u>	<u>\$ 1,041,039</u>
28		Company As Filed	544,625	(20,935)	(61,508)	1,871,297	(838,182)	1,033,115
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,335)</u>	<u>\$ -</u>	<u>\$ 7,924</u>	<u>\$ 7,924</u>

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 5, Column (D) + Column (A) + Column (B)
- Column (E): Schedule RLM-4, Page 5, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D.....
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	-	-	(3,892)	116,886	(72,441)	44,445
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	-	-	(2,000)	60,069	(37,407)	22,662
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-	-
9	311	Pumping Equipment	4,370	-	(34,090)	274,903	(192,483)	82,420
10	320	Water Treatment Equipment	-	-	(7,946)	238,615	(95,693)	142,922
11	330	Dist. Reservoirs & Standpipes	-	-	(5,698)	256,670	(81,291)	175,379
12	331	Trans. and Dist. Mains	-	-	(10,965)	548,257	(202,217)	346,040
13	333	Services	3,482	-	(2,932)	89,790	(36,526)	53,264
14	334	Meters and Meter Installations	10,488	-	(15,634)	192,922	(135,606)	57,316
15	335	Hydrants	3,661	-	(507)	27,174	(9,953)	17,221
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	2,126	-	(472)	8,137	(3,399)	4,738
18	340	Office Furniture and Equipment	460	-	(964)	14,677	(10,963)	3,714
19	341	Transportation Equipment	16,794	-	(3,429)	25,541	(9,466)	16,075
20	343	Tools, Shop and Garage Equip.	1,325	-	(666)	13,979	(6,109)	7,870
21	344	Laboratory Equipment	-	-	-	-	-	-
22	345	Power Operated Equipment	1,509	-	(1,160)	23,948	(12,811)	11,137
23	346	Communication Equipment	298	-	(206)	2,206	1,885	4,091
24	347	Miscellaneous Equipment	-	-	-	-	-	-
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,798)	2,139
26		Adjustment	-	-	-	-	(14,670)	(14,670)
		Rounding	(1)			(2)		1
27		TOTAL WASTEWATER PLANT	\$ 44,512	\$ -	\$ (90,690)	\$ 1,915,809	\$ (920,949)	\$ 994,863
28		Company As Filed	44,512	-	(90,690)	1,915,809	(928,873)	987,069
29		Difference	\$ -	\$ -	\$ -	\$ -	\$ 7,924	\$ 7,794

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 6, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 6, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	341	-	(3,898)	117,227	(76,339)	40,888
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	7,376	-	(2,123)	67,445	(39,530)	27,915
7	309	Supply Mains	-	-	-	-	-	-
8	310	Power Generation Equipment	1,739	-	(43)	1,739	(43)	1,696
9	311	Pumping Equipment	46,813	-	(37,289)	321,716	(229,772)	91,944
10	320	Water Treatment Equipment	5,933	-	(8,045)	244,548	(103,738)	140,810
11	330	Dist. Reservoirs & Standpipes	301	-	(5,701)	256,971	(86,992)	169,979
12	331	Trans. and Dist. Mains	10,476	-	(11,070)	558,733	(213,287)	345,446
13	333	Services	996	-	(3,007)	90,786	(39,533)	51,253
14	334	Meters and Meter Installations	18,917	-	(16,858)	211,839	(152,464)	59,375
15	335	Hydrants	27	-	(544)	27,201	(10,497)	16,704
16	336	Backflow Prevention Devices	-	-	-	-	-	-
17	339	Other Plant and Misc. Equip.	4,605	-	(696)	12,742	(4,096)	8,646
18	340	Office Furniture and Equipment	781	-	(1,005)	15,458	(11,968)	3,490
19	341	Transportation Equipment	-	-	(5,108)	25,541	(14,575)	10,966
20	343	Tools, Shop and Garage Equip.	6,820	-	(869)	20,799	(6,979)	13,820
21	344	Laboratory Equipment	413	-	(21)	413	(21)	392
22	345	Power Operated Equipment	14,976	-	(1,572)	38,924	(14,383)	24,541
23	346	Communication Equipment	448	-	(243)	2,654	1,642	4,296
24	347	Miscellaneous Equipment	4,302	-	(215)	4,302	(215)	4,087
25	348	Other Tangible Plant	-	-	(131)	3,937	(1,929)	2,008
26		Adjustment	-	-	-	-	(14,670)	(14,670)
		Rounding	2	-	-	-	-	-
27		TOTAL WASTEWATER PLANT	<u>\$ 125,266</u>	<u>\$ -</u>	<u>\$ (98,438)</u>	<u>\$ 2,041,075</u>	<u>\$ (1,019,387)</u>	<u>\$ 1,021,688</u>
28		Company As Filed	125,266	-	(98,438)	2,041,075	(1,027,311)	1,013,764
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,924</u>	<u>\$ 7,924</u>

References:

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- Column (D): Schedule RLM-4, Page 7, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 7, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	14,664	-	(4,148)	131,891	(80,487)	51,404
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	5,522	-	(2,338)	72,967	(41,868)	31,099
7	309	Supply Mains	159	-	-	159	-	159
8	310	Power Generation Equipment	9,012	-	(312)	10,751	(356)	10,395
9	311	Pumping Equipment	156,066	-	(49,969)	477,782	(279,740)	198,042
10	320	Water Treatment Equipment	9,390	-	(8,300)	253,938	(112,038)	141,900
11	330	Dist. Reservoirs & Standpipes	7,567	-	(5,789)	264,538	(92,781)	171,757
12	331	Trans. and Dist. Mains	29,373	-	(11,468)	588,106	(224,755)	363,351
13	333	Services	2,635	-	(3,067)	93,421	(42,600)	50,821
14	334	Meters and Meter Installations	7,424	-	(17,955)	219,263	(170,420)	48,843
15	335	Hydrants	2	-	(544)	27,203	(11,041)	16,162
16	336	Backflow Prevention Devices	939	-	(31)	939	(31)	908
17	339	Other Plant and Misc. Equip.	6,569	-	(1,069)	19,311	(5,165)	14,146
18	340	Office Furniture and Equipment	4,715	-	(1,188)	20,173	(13,156)	7,017
19	341	Transportation Equipment	-	(4,695)	(4,639)	20,846	(14,518)	6,328
20	343	Tools, Shop and Garage Equip.	18,919	-	(1,513)	39,718	(8,492)	31,226
21	344	Laboratory Equipment	6,450	-	(364)	6,863	(384)	6,479
22	345	Power Operated Equipment	-	-	(1,946)	38,924	(16,329)	22,595
23	346	Communication Equipment	-	-	(265)	2,654	1,376	4,030
24	347	Miscellaneous Equipment	3,179	-	(589)	7,481	(804)	6,677
25	348	Other Tangible Plant	-	-	(131)	3,937	(2,060)	1,877
26		Adjustment	-	-	14,670	-	-	-
		Rounding	(11)	-	-	(11)	-	(11)
27		TOTAL WASTEWATER PLANT	<u>\$ 282,574</u>	<u>\$ (4,695)</u>	<u>\$ (100,956)</u>	<u>\$ 2,318,954</u>	<u>\$ (1,115,648)</u>	<u>\$ 1,203,306</u>
28		Company As Filed	282,574	(4,695)	(73,967)	2,318,954	(1,101,279)	1,217,675
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,989)</u>	<u>\$ -</u>	<u>\$ (14,369)</u>	<u>\$ (14,369)</u>

References:

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- Column (D): Schedule RLM-4, Page 8, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 8, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2008

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ADJUSTED PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
1	301	Intangibles/Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	18,100	-	18,100
4	304	Structures and Improvements	66,061	-	(5,492)	197,952	(85,979)	111,973
5	306	Lake, River and Other Intakes	-	-	-	-	-	-
6	307	Wells and Springs	1,549,479	-	(28,229)	1,622,446	(70,096)	1,552,350
7	309	Supply Mains	1,959	-	-	2,118	-	2,118
8	310	Power Generation Equipment	-	-	(538)	10,751	(893)	9,858
9	311	Pumping Equipment	14,623	-	(60,637)	492,405	(340,377)	152,028
10	320	Water Treatment Equipment	9,272	-	(8,611)	263,210	(120,648)	142,562
11	330	Dist. Reservoirs & Standpipes	1,344	-	(5,888)	265,882	(98,669)	167,213
12	331	Trans. and Dist. Mains	32,723	-	(12,089)	620,829	(236,845)	383,984
13	333	Services	1,949	-	(3,143)	95,370	(45,743)	49,627
14	334	Meters and Meter Installations	1,470	-	(18,326)	220,733	(188,745)	31,988
15	335	Hydrants	9,975	-	(644)	37,178	(11,685)	25,493
16	336	Backflow Prevention Devices	85	-	(65)	1,024	(97)	927
17	339	Other Plant and Misc. Equip.	-	-	(1,288)	19,311	(6,453)	12,858
18	340	Office Furniture and Equipment	2,354	-	(1,424)	22,527	(14,580)	7,947
19	341	Transportation Equipment	-	-	(4,169)	20,846	(18,688)	2,158
20	343	Tools, Shop and Garage Equip.	3,192	-	(2,066)	42,910	(10,557)	32,353
21	344	Laboratory Equipment	2,645	-	(819)	9,508	(1,203)	8,305
22	345	Power Operated Equipment	-	-	(1,946)	38,924	(18,275)	20,649
23	346	Communication Equipment	-	-	(265)	2,654	1,111	3,765
24	347	Miscellaneous Equipment	792	-	(788)	8,273	(1,592)	6,681
25	348	Other Tangible Plant	-	-	(131)	3,937	(2,191)	1,746
26		Adjustment	-	-	143	-	143	143
		Rounding	-	-	-	(11)	-	(11)
27		TOTAL WASTEWATER PLANT	<u>\$ 1,697,923</u>	<u>\$ -</u>	<u>\$ (156,414)</u>	<u>\$ 4,016,877</u>	<u>\$ (1,272,062)</u>	<u>\$ 2,744,815</u>
28		Company As Filed	<u>1,697,923</u>	<u>-</u>	<u>(126,768)</u>	<u>4,016,877</u>	<u>(1,228,047)</u>	<u>2,788,830</u>
29		Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,646)</u>	<u>\$ -</u>	<u>\$ (44,015)</u>	<u>\$ (44,015)</u>
30		RUCO Adjustment (Line 28) (See RLM-3, Column (B))			<u>\$ (29,646)</u>		<u>\$ (44,015)</u>	

References:

- Columns (A) (B): Company Workpapers
- Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) X RLM-4, Page 1, Col. (A)]
- Column (D): Schedule RLM-4, Page 9, Column (D) + (Column (A) + Column (B))
- Column (E): Schedule RLM-4, Page 9, Column (E) + Column (B) + Column (C)
- Column (F): Column (D) + Column (E)

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Test Year Ended December 31, 2008

Willow Valley Water Company, Inc.
Schedule RLM-5
Page 1 of 1

RUCO MADE NO POST TEST YEAR PLANT ADJUSTMENTS

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Sales	\$ 453,784	\$ -	\$ 453,784	\$ 382,646	\$ 836,430
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	19,743	-	19,743	5,710	25,453
4	TOTAL OPERATING REVENUE	\$ 473,527	\$ -	\$ 473,527	\$ 388,356	\$ 861,883
Operating Expenses:						
5	Salary and Wages - Employees	\$ 226,369	-	\$ 226,369	\$ -	\$ 226,369
6	Employee Pensions and Benefits	50,965	-	50,965	-	50,965
7	Purchased Water	-	-	-	-	-
8	Purchased Power	33,567	-	33,567	-	33,567
9	Fuel for Power Production	-	-	-	-	-
10	Chemicals	18,049	-	18,049	-	18,049
11	Materials and Supplies	18,697	-	18,697	-	18,697
12	Materials and Supplies	41,492	-	41,492	-	41,492
13	Contractual Services - Testing	5,401	-	5,401	-	5,401
14	Contractual Services - Other	12,787	-	12,787	-	12,787
15	Rental of Building/Real Property	9,185	-	9,185	-	9,185
16	Rental of Equipment	-	-	-	-	-
17	Transportation Expenses	13,076	-	13,076	-	13,076
18	Insurance - General Liability	5,119	-	5,119	-	5,119
19	Insurance - Other	1,072	-	1,072	-	1,072
20	Advertising Expense	-	-	-	-	-
21	Rate Case Expense	5,333	-	5,333	-	5,333
22	Bad Debt Expense	4,735	-	4,735	-	4,735
23	Miscellaneous Expenses	10,257	-	10,257	-	10,257
24	Depreciation Expense	185,697	-	185,697	-	185,697
25	Taxes Other Than Income	140	-	140	-	140
26	Property Taxes	-	5,502	5,502	-	5,502
27	Other Taxes and Licenses	-	-	-	-	-
28	Income Taxes	(72,955)	(1,664)	(74,620)	127,644	53,024
29	TOTAL OPERATING EXPENSES	\$ 568,985	\$ 3,838	\$ 572,823	\$ 127,644	\$ 700,467
30	OPERATING INCOME (LOSS)	\$ (95,458)		\$ (99,296)		\$ 161,416

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (K)
- Column (C): Column (A) + Column (B)
- Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ # 1 PROPERTY TAX	(C) ADJ # 2 CAGRD	(D) INTENTLY LEFT BLANK	(E) ADJ # 3 INCOME TAX	(F) RUCO AS ADJT'D
Revenues:							
1	Metered Water Sales	\$ 453,784	\$ -	\$ -	\$ -	\$ -	\$ 453,784
2	Other Operating Revenue	-	-	-	-	-	-
3	Water Sales - Unmetered	19,743	-	-	-	-	19,743
4	TOTAL OPR'G REV.	<u>\$ 473,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,527</u>
Operating Expenses:							
5	Salary and Wages - Employees	\$ 226,369	\$ -	\$ -	\$ -	\$ -	\$ 226,369
6	Employee Pensions and Benefits	50,965	-	-	-	-	50,965
7	Purchased Water	-	-	-	-	-	-
8	Purchased Power	33,567	-	-	-	-	33,567
9	Fuel for Power Production	-	-	-	-	-	-
10	Chemicals	18,049	-	-	-	-	18,049
11	Materials and Supplies	18,697	-	-	-	-	18,697
12	Materials and Supplies	41,492	-	-	-	-	41,492
13	Contractual Services - Testing	5,401	-	-	-	-	5,401
14	Contractual Services - Other	12,787	-	-	-	-	12,787
15	Rental of Building/Real Property	9,185	-	-	-	-	9,185
16	Rental of Equipment	-	-	-	-	-	-
17	Transportation Expenses	13,076	-	-	-	-	13,076
18	Insurance - General Liability	5,119	-	-	-	-	5,119
19	Insurance - Other	1,072	-	-	-	-	1,072
20	Advertising Expense	-	-	-	-	-	-
21	Rate Case Expense	5,333	-	-	-	-	5,333
22	Bad Debt Expense	4,735	-	-	-	-	4,735
23	Miscellaneous Expenses	10,257	-	-	-	-	10,257
24	Depreciation Expense	185,697	-	-	-	-	185,697
25	Taxes Other Than Income	140	-	-	-	-	140
26	Property Taxes	-	5,502	-	-	-	5,502
27	Other Taxes and Licenses	-	-	-	-	-	-
28	Income Taxes	(72,955)	-	-	-	(1,664)	(74,620)
29	TOTAL OPR'G EXP.	<u>\$ 568,985</u>	<u>\$ 5,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,664)</u>	<u>\$ 572,823</u>
30	OPR'G INC. (LOSS)	<u>\$ (95,458)</u>					<u>\$ (99,296)</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony, RLM And Schedule RLM-8
- Column (C): Testimony, RLM
- Column (D): Intentionally Left Blank
- Column (E): Testimony, RLM And Schedule RLM-9
- Column (F): Sum Of Columns (A) Thru (E)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	\$ 473,527	
2	Adjusted Revenues In Year Ended Dec. 2008	Sch. RLM-6, Col (C), Ln 4	473,527	
3	Proposed Revenues	Sch. RLM-6, Col (E), Ln 4	861,883	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 1,808,937	
5	Average Annual Operating Revenues	Line 4 / 3	602,979	
6	Two Times 3-Year Average Operating Revenues	Line 5 X 2		\$ 1,205,958
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 129,694	
8	10% Of CWIP	Line 7 X 10%		\$ 12,969
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-4, Pg 13, Col. (D), Ln 19	\$ -	
10	Acc. Dep. Of Transportation Equipment	RLM-4, Pg 13, Col. (E), Ln 19	-	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		\$ 1,218,928
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio For 2010	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 255,975	
Property Tax Rates:				
15	Primary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	2.1496%	
16	Secondary Tax Rate - 2008 Tax Notice	RUCO Data Req. 1.29	0.0000%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	2.15%	
18	Co.'s Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		\$ 5,502
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 29		-
20	Increase In Property Tax Expense	Line 18 - Line 19		\$ 5,502
21	RUCO Adjustment (See RLM-7, Col. (B), Line 26)	Line 20		\$ 5,502

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L24	\$ (173,916)
LESS:			
2	Arizona State Tax	Line 11	15,819
3	Interest Expense	Note (A) Line 20	(53,114)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (211,211)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	27.84%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (58,800)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (173,916)
LESS:			
8	Interest Expense	Note (A) Line 20	(53,114)
9	State Taxable Income	Line 7 - Line 8	\$ (227,030)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (15,819)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (58,800)
13	State Income Tax Expense	Line 11	(15,819)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (74,620)
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(72,955)
16	Total Income Tax Adjustment	Line 14 - Line 15	\$ (1,664)
17	RUCO Adjustment (See Sch. RLM-7, Column (I), L28)	Line 16	\$ (1,664)

NOTE (A):

Interest Synchronization:

18	Adjusted Rate Base (Sch. RLM-3, Col. (E), L13)	\$ 2,177,504
19	Weighted Cost Of Debt (Sch. RLM-11, Col. (F), L2)	2.44%
20	Interest Expense (L17 X L18)	\$ 53,114

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
2	Long-term Debt	\$ 118,466,992	\$ -	\$ 118,466,992	37.89%	6.44%	2.44%
3	Common Equity	\$ 194,182,956	\$ -	\$ 194,182,956	62.11%	8.01%	4.97%
4	TOTAL CAPITAL	<u>\$ 312,649,948</u>	<u>\$ -</u>	<u>\$ 312,649,948</u>	<u>100.00%</u>		
5	COST OF CAPITAL						<u>7.41%</u>

References:

Columns (A) Thru (F): Testimony, WAR