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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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AZ CORP COMMISSION
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PAUL NEWMAN
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COMMISSIONER

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | Docket No. SW-01428A-09-0103 |
| IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | Docket No. W-01427A-09-0104 |
| IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR AUTHORITY (1) TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,755,000 IN CONNECTION WITH (A) THE CONSTRUCTION OF TWO RECHARGE WELL INFRASTRUCTURE IMPROVEMENTS AND (2) TO ENCUMBER ITS REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS. | Docket No. W-01427A-09-0116 |
| IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR AUTHORITY (1) TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,170,000 IN CONNECTION WITH (A) THE CONSTRUCTION OF ONE 200 KW ROOF MOUNTED SOLAR | Docket No. W-01427A-09-0120 |

Arizona Corporation Commission
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GENERATOR INFRASTRUCTURE IMPROVEMENTS AND (2) TO ENCUMBER ITS REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.

**NOTICE OF FILING FINAL POST-HEARING SCHEDULES**

The Residential Utility Consumer Office ("RUCO") hereby files its Final Post-hearing Schedules in the above-referenced matter. A disk with electronic versions of the schedules is being provided to the Administrative Law Judge.

RESPECTFULLY SUBMITTED this 1st day of February, 2010.

Michelle L. Wood
Counsel

AN ORIGINAL AND THIRTEEN COPIES of the foregoing filed this 1st day of February, 2010 with:

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

COPIES of the foregoing hand delivered/ mailed this 1st day of February, 2010 to:

The Honorable Dwight D. Nodes,
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Hearing Division
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Phoenix, Arizona 85007

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By Ernestine Gamble
Ernestine Gamble

**LITCHFIELD PARK SERVICE COMPANY**
**DOCKET NO. SW-01428A-09-0103**
**DOCKET NO. W-01427A-09-0104**

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| 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 |
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| WAR - 8 | ECONOMIC INDICATORS - 1990 TO PRESENT |
| WAR - 9 | CAPITAL STRUCTURES OF SAMPLE COMPANIES |

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
COST OF CAPITAL SUMMARY

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 1, PAGE 1 OF 3

## 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 | 11,506,844 | - | 11,506,844 | 17.83% | 6.39% | 1.14% |
| 3 | COMMON EQUITY | 53,027,765 | - | 53,027,765 | 82.17% | 9.00% | 7.40% |
| 4 | TOTAL CAPITALIZATION | $ 64,534,609 | $ - | $ 64,534,609 | 100.00% | | |
| 5 | **WEIGHTED AVERAGE COST OF CAPITAL** | | | | | | **8.54%** |

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, SURREBUTTAL TESTIMONY - WAR
COLUMN (F): COLUMN (D) x COLUMN (E)

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
COST OF CAPITAL SUMMARY

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 1, PAGE 2 OF 3

## WEIGHTED COST OF DEBT

| LINE NO. | SYSTEM | (A) AMOUNT OUTSTANDING | (B) ANNUAL INTEREST | (C) INTEREST RATE | (D) COST RATE | (E) WEIGHTED COST |
|---|---|---|---|---|---|---|
| 1 | 1999 INDUSTRIAL DEVELOPMENT AUTHORITY BONDS | $ 4,283,875 | $ 251,892 | 5.88% | 37.23% | 2.19% |
| 2 | 2001 INDUSTRIAL DEVELOPMENT AUTHORITY BONDS | 7,222,969 | 483,939 | 6.70% | 62.77% | 4.21% |
| 3 | TOTALS | $ 11,506,844 | $ 735,831 | | 100.00% | |
| 4 | **WEIGHTED COST OF DEBT** | | | | | **6.39%** |

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2
COLUMN (B): COMPANY SCHEDULE D-2
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): LINES 1 AND 2 DIVIDED BY LINE 3
COLUMN (E): COLUMN (C) x COLUMN (D)

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
COST OF CAPITAL SUMMARY

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR-1, PAGE 3 OF 3

## COST OF COMMON EQUITY CALCULATION

| LINE NO. | | | |
|---|---|---|---|
| 1 | **DCF METHODOLOGY** | | |
| 2 | DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE | 9.94% | 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 | **CAPM METHODOLOGY** | | |
| 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 |

**LITCHFIELD PARK SERVICE COMPANY**
**TEST YEAR ENDED SEPTEMBER 30, 2008**
**DCF COST OF EQUITY CAPITAL**

**DOCKET NO. SW-01428A-09-0103**
**DOCKET NO. W-01427A-09-0104**
**POST HEARING 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 INDUSTIES, 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)

**LITCHFIELD PARK SERVICE COMPANY**
**TEST YEAR ENDED SEPTEMBER 30, 2008**
**DIVIDEND YIELD CALCULATION**

**DOCKET NO. SW-01428A-09-0103**
**DOCKET NO. W-01427A-09-0104**
**POST HEARING 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 INDUSTIES, 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)

**LITCHFIELD PARK SERVICE COMPANY**
**TEST YEAR ENDED SEPTEMBER 30, 2008**
**DIVIDEND GROWTH RATE CALCULATION**

**DOCKET NO. SW-01428A-09-0103**
**DOCKET NO. W-01427A-09-0104**
**POST HEARING 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 INDUSTIES, 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)

**LITCHFIELD PARK SERVICE COMPANY**
**TEST YEAR ENDED SEPTEMBER 30, 2008**
**DIVIDEND GROWTH RATE CALCULATION**

**DOCKET NO. SW-01428A-09-0103**
**DOCKET NO. W-01427A-09-0104**
**POST HEARING SCHEDULE WAR - 4, PAGE 2 OF 2**

| LINE NO. | STOCK SYMBOL | COMPANY | (A) SHARE GROWTH | x | (B) { [ ( ( 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 INDUSTIES, 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)

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 5, PAGE 1 OF 4

| LINE NO. | STOCK SYMBOL | WATER COMPANY NAME | OPERATING PERIOD | (A) RETENTION RATIO (b) | x | (B) RETURN ON BOOK EQUITY (r) | = | (C) DIVIDEND GROWTH (g) | (D) BOOK VALUE ($/SHARE) | (E) SHARES OUTST. (MILLIONS) | (F) SHARE GROWTH |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | AWR | AMERICAN STATES WATER CO. | 2004 | 0.1524 | | 6.60% | | 1.01% | 15.01 | 16.75 | |
| 2 | | | 2005 | 0.3182 | | 8.50% | | 2.70% | 15.72 | 16.80 | |
| 3 | | | 2006 | 0.3158 | | 8.10% | | 2.56% | 16.64 | 17.05 | |
| 4 | | | 2007 | 0.4074 | | 9.30% | | 3.79% | 17.53 | 17.23 | |
| 5 | | | 2008 | 0.3548 | | 8.60% | | 3.05% | 17.95 | 17.30 | |
| 6 | | | GROWTH 2004 - 2008 | | | | | 2.62% | 5.00% | | 0.81% |
| 7 | | | 2009 | 0.4632 | | 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% | | NMF | 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 (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 5, PAGE 2 OF 4

| LINE NO. | STOCK SYMBOL | NATURAL GAS LDC NAME | OPERATING PERIOD | (A) RETENTION RATIO (b) | x | (B) RETURN ON BOOK EQUITY (r) | = | (C) DIVIDEND GROWTH (g) | (D) BOOK VALUE ($/SHARE) | (E) SHARES OUTST. (MILLIONS) | (F) SHARE GROWTH |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | AGL | AGL RESOURCES, INC. | 2004 | 0.4956 | | 11.00% | | 5.45% | 18.06 | 76.70 | |
| 2 | | | 2005 | 0.4758 | | 12.90% | | 6.14% | 19.29 | 77.70 | |
| 3 | | | 2006 | 0.4559 | | 13.20% | | 6.02% | 20.71 | 77.70 | |
| 4 | | | 2007 | 0.3971 | | 12.70% | | 5.04% | 21.74 | 76.40 | |
| 5 | | | 2008 | 0.3801 | | 12.60% | | 4.79% | 21.48 | 76.90 | |
| 6 | | | GROWTH 2004 - 2008 | | | | | 5.49% | 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 | 0.4093 | | 12.50% | | 5.12% | 18.85 | 21.36 | |
| 24 | | | 2007 | 0.3723 | | 11.60% | | 4.32% | 19.79 | 21.65 | |
| 25 | | | 2008 | 0.4356 | | 11.80% | | 5.14% | 22.12 | 21.99 | |
| 26 | | | GROWTH 2004 - 2008 | | | | | 4.04% | 5.50% | | 1.18% |
| 27 | | | 2009 | 0.4814 | | 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 (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 5, PAGE 3 OF 4

| LINE NO. | STOCK SYMBOL | NATURAL GAS LDC NAME | OPERATING PERIOD | (A) RETENTION RATIO (b) | x | (B) RETURN ON BOOK EQUITY (r) | = | (C) DIVIDEND GROWTH (g) | (D) BOOK VALUE ($/SHARE) | (E) SHARES OUTST. (MILLIONS) | (F) SHARE GROWTH |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | GAS | NICOR, INC. | 2004 | 0.1622 | | 13.10% | | 2.12% | 16.99 | 44.10 | |
| 2 | | | 2005 | 0.1806 | | 12.50% | | 2.26% | 18.36 | 44.18 | |
| 3 | | | 2006 | 0.3519 | | 14.70% | | 5.17% | 19.43 | 44.90 | |
| 4 | | | 2007 | 0.3779 | | 14.30% | | 5.40% | 20.58 | 45.90 | |
| 5 | | | 2008 | 0.2928 | | 12.30% | | 3.60% | 21.55 | 45.13 | |
| 6 | | | GROWTH 2004 - 2008 | | | | | 3.71% | 4.00% | | 0.58% |
| 7 | | | 2009 | 0.2706 | | 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 INDUSTIES, INC. | 2004 | 0.4810 | | 12.50% | | 6.01% | 12.41 | 27.76 | |
| 32 | | | 2005 | 0.4971 | | 12.40% | | 6.16% | 13.50 | 28.98 | |
| 33 | | | 2006 | 0.6260 | | 16.30% | | 10.20% | 15.11 | 29.33 | |
| 34 | | | 2007 | 0.5167 | | 12.80% | | 6.61% | 16.25 | 29.61 | |
| 35 | | | 2008 | 0.5110 | | 13.10% | | 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 (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 5, PAGE 4 OF 4

| LINE NO. | STOCK SYMBOL | NATURAL GAS LDC NAME | OPERATING PERIOD | (A) RETENTION RATIO (b) | x | (B) RETURN ON BOOK EQUITY (r) | = | (C) DIVIDEND GROWTH (g) | (D) BOOK VALUE ($/SHARE) | (E) SHARES OUTST. (MILLIONS) | (F) SHARE GROWTH |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 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% | | 4.36% | 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 (C): LINES 6 & 16, SIMPLE AVERAGE GROWTH, 2004 - 2008

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
GROWTH RATE COMPARISON

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 6

**WATER COMPANY SAMPLE:**

| LINE NO. | STOCK SYMBOL | (A) ( br ) + ( sv ) | (B) ZACKS EPS | EPS | (C) VALUE LINE PROJECTED DPS | BVPS | EPS | (D) VALUE LINE HISTORIC DPS | BVPS | (E) VALUE LINE & ZACKS AVGS. | EPS | (F) 5 - YEAR COMPOUND HISTORY DPS | BVPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | AWR | 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 | 6.70% | 8.20% | 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% | -22.50% | - | -10.00% | 8.50% | 7.00% | -1.00% | -35.42% | 7.46% | -7.33% |
| 4 | WTR | 5.78% | 7.50% | 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) ( br ) + ( sv ) | (B) ZACKS EPS | EPS | (C) VALUE LINE PROJECTED DPS | BVPS | EPS | (D) VALUE LINE HISTORIC DPS | BVPS | (E) VALUE LINE & ZACKS AVGS. | EPS | (F) 5 - YEAR COMPOUND HISTORY DPS | BVPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | AGL | 5.95% | 4.70% | 3.50% | 2.50% | 1.50% | 8.50% | 8.00% | 10.00% | 5.53% | 4.41% | 9.94% | 4.43% |
| 2 | ATO | 4.42% | 5.00% | 4.00% | 1.50% | 4.00% | 5.00% | 1.50% | 7.50% | 4.07% | 6.07% | 1.60% | 5.78% |
| 3 | LG | 5.12% | 3.00% | 3.50% | 2.50% | 5.50% | 9.50% | 1.50% | 5.50% | 4.43% | 9.74% | 2.50% | 6.87% |
| 4 | NJR | 5.68% | 6.50% | 5.50% | 5.50% | 9.50% | 7.50% | 5.00% | 11.50% | 7.29% | 12.26% | 6.28% | 11.33% |
| 5 | GAS | 5.18% | 4.20% | 2.50% | - | 4.50% | 1.00% | 0.50% | 4.00% | 2.78% | 4.33% | 0.00% | 6.12% |
| 6 | NWN | 4.95% | 6.00% | 5.00% | 5.50% | 5.00% | 8.00% | 3.00% | 3.50% | 5.14% | 8.42% | 3.99% | 3.53% |
| 7 | PNY | 4.75% | 7.00% | 5.50% | 3.50% | 4.00% | 6.50% | 4.50% | 6.00% | 5.29% | 4.07% | 4.92% | 2.09% |
| 8 | SJI | 7.88% | 9.60% | 5.50% | 7.00% | 6.00% | 13.00% | 6.00% | 11.00% | 8.30% | 9.48% | 7.86% | 8.71% |
| 9 | SWX | 4.00% | 7.00% | 4.50% | 5.00% | 3.50% | 9.00% | 1.00% | 5.00% | 5.00% | -4.34% | 2.35% | 5.20% |
| 10 | WGL | 4.38% | 5.00% | 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 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2009 (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 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's)

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
CAPM COST OF EQUITY CAPITAL

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 7, PAGE 1 OF 2

BASED ON A GEOMETRIC MEAN:

| LINE NO. | STOCK SYMBOL | k | = | $r_f$ | + [ | (A) ß | x | ( | $r_m$ | - | $r_f$ | ) ] | = | (B) EXPECTED RETURN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | AWR | k | = | 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

$$k = r_f + [\, ß\, (r_m - r_f)\, ]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
$r_f$ = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
$r_m$ = PROXY FOR THE MARKET RATE OF RETURN (b)

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 PEI THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2009 YEARBOOK.

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
CAPM COST OF EQUITY CAPITAL

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 7, PAGE 2 OF 2

BASED ON AN ARITHMETIC MEAN:

| LINE NO. | STOCK SYMBOL | k | = | $r_f$ | + [ | (A) ß | x | ( | $r_m$ | - | $r_f$ | ) ] | = | (B) EXPECTED RETURN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | AWR | k | = | 2.46% | + [ | 0.80 | x | ( | 11.70% | - | 5.60% | ) ] | = | 7.34% |
| 2 | CWT | k | = | 2.46% | + [ | 0.75 | x | ( | 11.70% | - | 5.60% | ) ] | = | 7.03% |
| 3 | SWWC | k | = | 2.46% | + [ | 1.10 | x | ( | 11.70% | - | 5.60% | ) ] | = | 9.17% |
| 4 | WTR | k | = | 2.46% | + [ | 0.65 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.42% |
| 5 | **WATER COMPANY AVERAGE** | | | | | 0.83 | | | | | | | | 7.49% |
| 6 | AGL | k | = | 2.46% | + [ | 0.75 | x | ( | 11.70% | - | 5.60% | ) ] | = | 7.03% |
| 7 | ATO | k | = | 2.46% | + [ | 0.65 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.42% |
| 8 | LG | k | = | 2.46% | + [ | 0.60 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.12% |
| 9 | NJR | k | = | 2.46% | + [ | 0.65 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.42% |
| 10 | GAS | k | = | 2.46% | + [ | 0.70 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.73% |
| 11 | NWN | k | = | 2.46% | + [ | 0.60 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.12% |
| 12 | PNY | k | = | 2.46% | + [ | 0.65 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.42% |
| 13 | SJI | k | = | 2.46% | + [ | 0.65 | x | ( | 11.70% | - | 5.60% | ) ] | = | 6.42% |
| 14 | SWX | k | = | 2.46% | + [ | 0.75 | x | ( | 11.70% | - | 5.60% | ) ] | = | 7.03% |
| 15 | WGL | k | = | 2.46% | + [ | 0.65 | x | ( | 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

$$k = r_f + [ß (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
$r_f$ = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
$r_m$ = PROXY FOR THE MARKET RATE OF RETURN (b)

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 TREASURIES DURING THE SAME PER THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2009 YEARBOOK.

LITCHFIELD PARK SERVICE COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. SW-01428A-09-0103
DOCKET NO. W-01427A-09-0104
POST HEARING SCHEDULE WAR - 8

| LINE NO. | YEAR | (A) CHANGE IN CPI | (B) CHANGE IN GDP (1996 $) | (C) PRIME RATE | (D) FED. DISC. RATE | (E) FED. FUNDS RATE | (F) 91-DAY T-BILLS | (G) 30-YR T-BONDS | (H) A-RATED UTIL. BOND YIELD | (I) Baa-RATED UTIL. BOND YIELD |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1990 | 5.39% | 1.90% | 10.01% | 6.98% | 8.10% | 7.50% | 7.49% | 9.86% | 10.06% |
| 2 | 1991 | 4.25% | -0.20% | 8.46% | 5.45% | 5.69% | 5.38% | 5.38% | 9.36% | 9.55% |
| 3 | 1992 | 3.03% | 3.30% | 6.25% | 3.25% | 3.52% | 3.43% | 3.43% | 8.69% | 8.86% |
| 4 | 1993 | 2.96% | 2.70% | 6.00% | 3.00% | 3.02% | 3.00% | 3.00% | 7.59% | 7.91% |
| 5 | 1994 | 2.61% | 4.00% | 7.14% | 3.60% | 4.21% | 4.25% | 4.25% | 8.31% | 8.63% |
| 6 | 1995 | 2.81% | 2.50% | 8.83% | 5.21% | 5.83% | 5.49% | 5.49% | 7.89% | 8.29% |
| 7 | 1996 | 2.93% | 3.70% | 8.27% | 5.02% | 5.30% | 5.01% | 5.01% | 7.75% | 8.17% |
| 8 | 1997 | 2.34% | 4.50% | 8.44% | 5.00% | 5.46% | 5.06% | 5.06% | 7.60% | 8.12% |
| 9 | 1998 | 1.55% | 4.20% | 8.35% | 4.92% | 5.35% | 4.78% | 4.78% | 7.04% | 7.27% |
| 10 | 1999 | 2.19% | 4.50% | 7.99% | 4.62% | 4.97% | 4.64% | 4.64% | 7.62% | 7.88% |
| 11 | 2000 | 3.38% | 3.70% | 9.23% | 5.73% | 6.24% | 5.82% | 5.82% | 8.24% | 8.36% |
| 12 | 2001 | 2.83% | 0.80% | 6.92% | 3.41% | 3.88% | 3.40% | 5.95% | 7.59% | 8.02% |
| 13 | 2002 | 1.59% | 1.60% | 4.67% | 1.17% | 1.67% | 1.61% | 5.38% | 7.41% | 7.98% |
| 14 | 2003 | 2.27% | 2.50% | 4.12% | 2.03% | 1.13% | 1.01% | 4.92% | 6.18% | 6.64% |
| 15 | 2004 | 2.68% | 3.60% | 4.34% | 2.34% | 1.35% | 1.37% | 5.03% | 5.77% | 6.20% |
| 16 | 2005 | 3.39% | 2.90% | 6.16% | 4.19% | 3.22% | 3.15% | 4.57% | 5.38% | 5.78% |
| 17 | 2006 | 3.24% | 2.80% | 7.97% | 5.96% | 4.97% | 4.73% | 4.91% | 5.94% | 6.30% |
| 18 | 2007 | 2.85% | 2.00% | 8.05% | 5.86% | 5.02% | 4.36% | 4.84% | 6.07% | 6.24% |
| 19 | 2008 | 3.58% | 1.30% | 5.09% | 2.39% | 1.92% | 1.37% | 4.28% | 6.34% | 6.64% |
| 20 | CURRENT | -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

## Revenue Requirement

| LINE NO. | DESCRIPTION | (A) COMPANY OCRB/FVRB COST | (B) RUCO OCRB/FVRB COST |
|---|---|---|---|
| 1 | Adjusted Original Cost/Fair Value Rate Base | $ 37,930,921 | $ 37,457,973 |
| 2 | | | |
| 3 | Adjusted Operating Income/(Loss) | $ (282,894) | $ 319,299 |
| 4 | | | |
| 5 | Current Rate of Return (L3 / L1) | -0.75% | 0.85% |
| 6 | | | |
| 7 | Required Operating Income (L9 X L1) | $ 4,327,918 | $ 3,198,911 |
| 8 | | | |
| 9 | Required Rate of Return on Fair Value Rate Base | 11.410% | 8.540% |
| 10 | | | |
| 11 | Operating Income Deficiency (L7 - L3) | $ 4,610,812 | $ 2,879,612 |
| 12 | | | |
| 13 | Gross Revenue Conversion Factor (Schedule 1, Page 2) | 1.6286 | 1.6506 |
| 14 | | | |
| 15 | Required Increase in Gross Revenue Requirement (L11 X L13) | $ 7,509,329 | $ 4,753,178 |
| 16 | | | |
| 17 | Adjusted Test Year Revenue | $ 6,475,002 | $ 6,878,710 |
| 18 | | | |
| 19 | Proposed Annual Revenue (L15 + L17) | $ 13,984,331 | $ 11,631,888 |
| 20 | | | |
| 21 | Required Percentage Increase in Revenue (L15 / L17) | 115.97% | 69.10% |
| 22 | | | |
| 23 | Rate of Return on Common Equity | 12.500% | 8.010% |

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Final Schedules 2 and 4

## 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 (Line 12) | (0.3860) | | | |
| 3 | Staff's Effective Property Tax Factor per Schedule JMM W-2 | (0.0082) | | | |
| 4 | Subtotal (Line 1 + Line 2 + Line 3) | 0.6058 | | | |
| 5 | **Revenue Conversion Factor** (L1 / L4) | **1.6506** | | | |
| 6 | | | | | |
| 7 | CALCULATION OF EFFECTIVE TAX RATE: | | | | |
| 8 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | | |
| 9 | Arizona State Income Tax Rate | 6.9680% | | | |
| 10 | Federal Taxable Income (L8 - L9) | 93.0320% | | | |
| 11 | Applicable Federal Income Tax Rate (Col. (D), L48) | 34.0000% | | | |
| 12 | Effective Federal Income Tax Rate (L10 X L11) | 31.6309% | | | |
| 13 | Combined Federal And State Income Tax Rate (L9 + L12) | 38.5989% | | | |
| 14 | | | | | |
| 15 | Required Operating Income (Sch.-1, Pg 1, Col. (B), L7) | $ 3,198,911 | | | |
| 16 | Adjusted T.Y. Oper'g Inc. (Loss) (Sch.-1, Pg 1, C (B), L3) | 319,299 | | | |
| 17 | Required Increase In Operating Income (L15 - L16) | | $ 2,879,612 | | |
| 18 | | | | | |
| 19 | Income Taxes On Recommended Revenue (Col. (D), L43) | $ 1,742,506 | | | |
| 20 | Income Taxes On Test Year Revenue (Col. (D), L45) | (67,718) | | | |
| 21 | Required Increase In Revenue To Provide For Income Taxes (L19 - L20) | | $ 1,810,224 | | |
| 22 | | | | | |
| 23 | Property Taxes on Recommended Revenue (Schedule 4, Col (E), L30) | $ 340,270 | | | |
| 24 | Property Taxes On Test Year Revenue (Schedule 4, Col. C, L30) | 276,928 | | | |
| 25 | Required Increase In Revenue To Provide For Property Taxes (L23 - L24) | | 63,342 | | |
| 26 | | | | | |
| 27 | Total Required Increase In Revenue (Line 17 + Line 21 + L25) | | $ 4,753,178 | | |
| 28 | | | | | |
| 29 | CALCULATION OF INCOME TAX: | | | RUCO RECOMMENDED | |
| 30 | Revenue (Sch -1, Pg 1, Col. (B), L19) | | | $ 11,631,888 | |
| 31 | Operating Expense Excluding Income Tax ( Sch 4, Col. (E), L34 - L31) | | | 6,690,471 | |
| 32 | Synchronized Interest (Col. (C), L53) | | | 427,021 | |
| 33 | Arizona Taxable Income (L30 - L31 - L32) | | | $ 4,514,396 | |
| 34 | Arizona State Income Tax Rate | | | 6.9680% | |
| 35 | Arizona Income Tax (L33 X L34) | | | | $ 314,563 |
| 36 | Fed. Taxable Income (L33 - L35) | | | $ 4,199,833 | |
| 37 | Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15% | | | $ 7,500 | |
| 38 | Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25% | | | 6,250 | |
| 39 | Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34% | | | 8,500 | |
| 40 | Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39% | | | 91,650 | |
| 41 | Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34% | | | 1,314,043 | |
| 42 | Total Federal Income Tax (L37 + L38 + L39 + L40 + L41) | | | | 1,427,943 |
| 43 | Combined Federal and State Income Tax (L35 + L42) | | | | $ 1,742,506 |
| 44 | | | | | |
| 45 | Test Year Combined Income Tax, RUCO as Adjusted ( Sch 4, Col. (C), L31) | | | | $ (67,718) |
| 46 | **RUCO Adjustment To Proposed Income Tax (L43 - L45) (See Sch 4, Col. (D), L31)** | | | | **$ 1,810,224** |
| 47 | | | | | |
| 48 | Applicable Federal Income Tax Rate (Col. (D), L42 / Col. (C), L36) | | | | 34.00% |
| 49 | | | | | |
| 50 | CALCULATION OF INTEREST SYNCHRONIZATION: | | | | |
| 51 | Rate Base | | | $ 37,457,973 | |
| 52 | Weighted Avg. Cost of Debt | | | 1.14% | |
| 53 | Synchronized Interest (L35 X L36) | | | $ 427,021 | |

## RATE BASE - ORIGINAL COST

| LINE NO. | | (A) COMPANY AS FILED OCRB/FVRB | (B) RUCO ADJM'T No. 1 | (C) RUCO ADJM'T No. 2 | (D) RUCO ADJM'T No. 3 | (E) RUCO ADJM'T No. 4 | (F) RUCO ADJM'T No. 5 | (G) RUCO ADJM'T No. 6 | (H) RUCO ADJ'TED OCRB/FVRB |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Gross Utility Plant in Service | $ 73,731,714 | $ (400,627) | | | | | | $ 73,331,087 |
| 2 | | | | | | | | | - |
| 3 | Accumulated Depreciation | (9,097,645) | 103,907 | | | | | | (8,993,738) |
| 4 | | | | | | | | | - |
| 5 | Net Utility Plant in Service (Sum L1 & L3) | $ 64,634,069 | $ (296,720) | $ - | $ - | $ - | $ - | | $ 64,337,349 |
| 6 | | | | | | | | | |
| 7 | **Less:** | | | | | | | | |
| 8 | Advances in Aid Of Construction | $ (24,583,673) | | | | $ 8,677 | | | $ (24,574,996) |
| 9 | | | | | | | | | |
| 10 | Contribution in Aid of Const. | $ (3,104,068) | | | | 7,888 | | | (3,096,180) |
| 11 | Accumulated Amortization of CIAC | 860,706 | | | | | | | 860,706 |
| 12 | NET CIAC (L10 + L11) | $ (2,243,362) | $ - | $ - | $ - | $ 7,888 | $ - | | $ (2,235,474) |
| 13 | | | | | | | | | |
| 14 | Customer Meter Deposits | $ (68,685) | | | | | 68,685 | | $ - |
| 15 | Deferred Income Tax | (24,518) | | | | | | (118,693) | (143,211) |
| 16 | | | | | | | | | |
| 17 | **Plus:** | | | | | | | | |
| 18 | Unamortized Debt Issuance Costs | $ 134,528 | | $ (134,528) | | | | | - |
| 19 | Deferred Regulatory Assets | 82,561 | | | $ (8,256) | | | | 74,305 |
| 20 | | | | | | | | | - |
| 21 | | | | | | | | | - |
| 22 | TOTAL RATE BASE (Sum Lines's 5,8,12-19) | $ 37,930,920 | $ (296,720) | $ (134,528) | $ (8,256) | $ 16,565 | $ 68,685 | $ (118,693) | $ 37,457,973 |

References:

Column (A): Company Schedule B-1
Column (B): RUCO Final Schedule 2, Page 2
Column (C): Per Company Rebuttal Schedule B-2, Page 2, Adjustment 7
Column (D): RUCO Final Schedule 2, Page 3
Column (E): Per Company Rebuttal Schedule B-2, Page 2, Adjustment 4
Column (F): Per Company Rebuttal Schedule B-2, Page 2, Adjustment 6
Column (G): RUCO Final Schedule 2, Page 4
Column (H): Sums of Column (A) through Column (G)

## EXPLANATION OF RATE BASE ADJUSTMENT NO. 1
## TO UTILITY PLANT IN SERVICE

| LINE NO. | DESCRIPTION | AMOUNT | REFERENCE |
|---|---|---|---|
| 1 | RUCO Proposed Utility Plant In Service At End of Test Year | $73,331,087 | RUCO Surrebuttal Schedule 3, Page 1 |
| 2 | | | |
| 3 | Company Proposed Utility Plant In Service At End of Test Year | 73,731,714 | Company Schedule B-1 |
| 4 | | | |
| 5 | **RUCO Proposed Adjustment To Utility Plant in Service** | **$ (400,627)** | |
| 6 | | | |
| 7 | | | |
| 8 | Accumulated Depreciation At End of Prior Test Year | $ 2,016,268 | Staff Amount Per Decision 65436 |
| 9 | 2001 Depreciation Expense | 301,164 | |
| 10 | 2002 Depreciation Expense | 428,319 | |
| 11 | 2003 Depreciation Expense | 680,298 | |
| 12 | 2004 Depreciation Expense | 841,342 | |
| 13 | 2005 Depreciation Expense | 1,052,805 | |
| 14 | 2006 Depreciation Expense | 1,170,915 | |
| 15 | 2007 Depreciation Expense | 1,247,311 | |
| 16 | 2008 Depreciation Expense (9 months) | 1,341,645 | |
| 17 | Subtotal | $ 9,080,067 | Sum of Lines 16 through 19 |
| 18 | | | |
| 19 | Less 2003 Retirements | $ (84,979) | |
| 20 | Less 2006 Retirements | (1,350) | |
| 21 | | | |
| 22 | RUCO Proposed Accumulated Depreciation At End of Test Year | $ 8,993,738 | Sum of Lines 17, 19, and 20 |
| 23 | | | |
| 24 | Company Proposed Accumulated Depreciation At End of Test Year | $ 9,097,645 | Company Schedule B-1 |
| 25 | | | |
| 26 | **RUCO Proposed Adjustment To Accumulated Depreciation** | **$ (103,907)** | Line 22 - Line 24 |

## EXPLANATION OF RATE BASE ADJUSTMENT NO. 3
## TO DEFERRED REGULATORY ASSETS

| LINE NO. | DESCRIPTION | AMOUNT | REFERENCE |
|---|---|---|---|
| 1 | Deferred Regulatory Assets Per Company (TCE Plume) | $ 82,561 | Company Schedule B-1 |
| 2 | | | |
| 3 | Amortization Period In Years | 10 | Company Schedule C-2, Page 13 |
| 4 | | | |
| 5 | Annual Amortization Expense Per Company | $ 8,256 | Line 1 / Line 3 |
| 6 | | | |
| 7 | | | |
| 8 | Portion of Cost Allocated to Rate Base Per RUCO | $ 74,305 | Line 1 - Line 5 |
| 9 | | | |
| 10 | Cost Allocated to Rate Base Per Company | 82,561 | Company Schedule B-1 |
| 11 | | | |
| 12 | **RUCO Proposed Adjustment To Deferred Regulatory Assets** | **$ (8,256)** | Line 8 - Line 10 |
| 13 | | | |
| 14 | | | |
| 15 | Portion of Cost Allocated to Expense Per RUCO | $ 8,256 | Line 1 - Line 8 |
| 16 | | | |
| 17 | Cost Allocated to Expense Per Company | 8,256 | Company Schedule C-2, Page 13 |
| 18 | | | |
| 19 | **RUCO Proposed Adjustment To Miscellaneous Expense** | **$ -** | Line 15 - Line 17 |

## EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
## TO DEFERRED INCOME TAXES

| | Adjusted Book Value @ 09/30/08 | | Tax Value Per RUCO | DIT to be Realized | Tax Rate | Future Tax Asset | Future Tax Liability |
|---|---|---|---|---|---|---|---|
| Plant in Service | $ 128,260,570 | | | | | | |
| Accumulated Depreciation | (17,064,031) | | | | | | |
| CIAC | (18,807,143) | | | | | | |
| Fixed Assets | | $ 92,389,396 | $ 52,575,910 | $ (39,813,486) | 38.60% | | $ (15,368,006) |
| AIAC | $ (29,326,533) | | | 29,326,533 | 38.60% | $ 11,320,042 | |
| Tax Benefits from Bonus Depreciation | | | | 9,838,658 | 38.60% | 3,797,722 | |
| | | | | | | $ 15,117,764 | $ (15,368,006) |
| | | | | | Net Asset (liability) | $ (250,242) | |
| | | | | | Water Division Allocation Factor | 0.57229 | |
| | | | | | RUCO Recommended DIT - Water Division | $ (143,211) | |
| | | | | | Per LPSCO | (24,518) | |
| | | | | | **RUCO Adjustment** | **$ (118,693)** | |

| | | |
|---|---|---|
| LPSCO Net unadjusted cost tax basis per Rejoinder B-2 Page 5 | | $ 81,777,626 |
| Unreconciled difference | $ (381,462) | |
| Capitalized Expenses | (45,691) | |
| RUCO capitalized expenses | 37,112 | |
| Remove capitalized expenses | (229,053) | |
| Remove disallowed plant | (3,324,497) | |
| | | (3,943,591) |
| Proposed Rate Case Retirements | $ (837,627) | |
| Retirements A/D | 743,143 | |
| | | (94,484) |
| LPSCO Affiliate Profit | $ 396,345 | |
| Remove Affiliate Labor/Profit | (2,372,625) | |
| Affiliate A/D | 343,319 | |
| | | (1,632,961) |
| 2007 Basis reduction | | (2,849,349) |
| Accum Depr 2007 and prior | | (8,564,437) |
| Bonus Depr for 9 mos of 2008 | | (10,757,266) |
| Tax Depr for 9 mos of 2008 | | (1,359,628) |
| RUCO Net Tax Value of Plant | | $ 52,575,910 |

## UTILITY PLANT IN SERVICE SCHEDULE
## TEST YEAR ENDED SEPTEMBER 30, 2008

| LINE NO. | ACCT. NO. | ACCOUNT NAME | (A) COMPANY ADJUSTED TEST YEAR | (B) RUCO FINAL ADJUSTMENTS | (C) RUCO FINAL PLANT VALUE |
|---|---|---|---|---|---|
| 1 | 301 | Organization | $ - | $ 21,100 | $ 21,100 |
| 2 | 302 | Franchises | - | - | - |
| 3 | 303 | Land and Land Rights | 1,284,595 | (96,170) | 1,188,425 |
| 4 | 304 | Structures and Improvements | 24,698,293 | (204,823) | 24,493,470 |
| 5 | 307 | Wells and Springs | 2,382,102 | (5,373) | 2,376,729 |
| 6 | 310 | Power Generation Equipment | 202,269 | - | 202,269 |
| 7 | 311 | Electric Pumping Equipment | 948,213 | (40,985) | 907,228 |
| 8 | 320 | Water Treatment Equipment | 1,337,824 | (20,253) | 1,317,571 |
| 9 | 320.1 | Water Treatment Plants | 1,866,965 | 18,805 | 1,885,770 |
| 10 | 320.2 | Chemical Solution Feeders | - | - | - |
| 11 | 330 | Distribution Reservoirs & Standpipes | 430,644 | (3,839) | 426,805 |
| 12 | 330.1 | Storage Tanks | - | - | - |
| 13 | 330.2 | Pressure Tanks | - | - | - |
| 14 | 331 | Transmission and Distribution Mains | 28,929,171 | (18,048) | 28,911,123 |
| 15 | 333 | Services | 4,249,744 | (38,961) | 4,210,783 |
| 16 | 334 | Meters | 4,138,752 | (1,739) | 4,137,013 |
| 17 | 335 | Hydrants | 2,055,781 | (1,258) | 2,054,523 |
| 18 | 336 | Backflow Prevention Devices | 38,387 | - | 38,387 |
| 19 | 339 | Other Plant and Miscellaneous Equipment | 265,281 | (5,175) | 260,106 |
| 20 | 340 | Office Furniture and Equipment | 551,757 | - | 551,757 |
| 21 | 340.1 | Computers and Software | - | - | - |
| 22 | 341 | Transportation Equipment | 177,165 | - | 177,165 |
| 23 | 342 | Stores Equipment | 31,711 | - | 31,711 |
| 24 | 343 | Tools, Shop, and Garage Equipment | 23,350 | - | 23,350 |
| 25 | 344 | Laboratory Equipment | - | - | - |
| 26 | 345 | Power Operated Equipment | - | - | - |
| 27 | 346 | Communications Equipment | 119,710 | (3,908) | 115,802 |
| 28 | 347 | Miscellaneous Equipment | - | - | - |
| 29 | 348 | Other Tangible Plant | - | - | - |
| 30 | | | | | |
| 31 | | **TOTAL WATER UTILITY PLANT IN SERVICE** | **$ 73,731,714** | **$ (400,627)** | **$ 73,331,087** |

**TEST YEAR PLANT SCHEDULE**
**YEAR ENDED SEPTEMBER 30, 2008**

| LINE NO. | ACCT. NO. | ACCOUNT NAME | COMPANY AS FILED | RUCO ADJ 1 | RUCO ADJ 2 | RUCO ADJ 3 | RUCO ADJ 4 | RUCO ADJ 5 | RUCO ADJ 6 | RUCO ADJ 7 | RUCO ADJ 8 | TOTAL PG 1 ADJ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization | $ - | $ 21,100 | | | | | | | | $ 21,100 |
| 2 | 302 | Franchises | - | | | | | | | | | - |
| 3 | 303 | Land and Land Rights | 1,284,595 | | | | | | | | $ (96,170) | (96,170) |
| 4 | 304 | Structures and Improvements | 24,698,293 | | $ (47,721) | $ 602 | $ 28,165 | $ 22,752 | $ 99,915 | | | 103,713 |
| 5 | 307 | Wells and Springs | 2,382,102 | | | | 8,385 | | 166 | 1,925 | | 10,476 |
| 6 | 310 | Power Generation Equipment | 202,269 | | | | | | | | | - |
| 7 | 311 | Electric Pumping Equipment | 948,213 | | (31,158) | 199 | 8,399 | | | | | (22,560) |
| 8 | 320 | Water Treatment Equipment | 1,337,824 | | | | 3,517 | 9,690 | 2,049 | 6,948 | | 22,204 |
| 9 | 320.1 | Water Treatment Plants | 1,866,965 | | | | | | | | | - |
| 10 | 320.2 | Chemical Solution Feeders | - | | | | | | | | | - |
| 11 | 330 | Distribution Reservoirs & Standpipes | 430,644 | | | | | 3,381 | 969 | 111 | | 4,461 |
| 12 | 330.1 | Storage Tanks | - | | | | | | | | | - |
| 13 | 330.2 | Pressure Tanks | - | | | | | | | | | - |
| 14 | 331 | Transmission and Distribution Mains | 28,929,171 | | | | | | | | | - |
| 15 | 333 | Services | 4,249,744 | | | 4,734 | 6,563 | 400 | | | | 11,697 |
| 16 | 334 | Meters | 4,138,752 | | | 280 | 477 | 204 | | | | 961 |
| 17 | 335 | Hydrants | 2,055,781 | | | 511 | 163 | | | 18 | | 692 |
| 18 | 336 | Backflow Prevention Devices | 38,387 | | | | | | | | | - |
| 19 | 339 | Other Plant and Miscellaneous Equipment | 265,281 | | | | | | | | | - |
| 20 | 340 | Office Furniture and Equipment | 551,757 | | | | | | | | | - |
| 21 | 340.1 | Computers and Software | - | | | | | | | | | - |
| 22 | 341 | Transportation Equipment | 177,165 | | | | | | | | | - |
| 23 | 342 | Stores Equipment | 31,711 | | | | | | | | | - |
| 24 | 343 | Tools, Shop, and Garage Equipment | 23,350 | | | | | | | | | - |
| 25 | 344 | Laboratory Equipment | - | | | | | | | | | - |
| 26 | 345 | Power Operated Equipment | - | | | | | | | | | - |
| 27 | 346 | Communications Equipment | 119,710 | | | | 1,394 | 1,883 | 28 | 787 | | 4,092 |
| 28 | 347 | Miscellaneous Equipment | - | | | | | | | | | - |
| 29 | 348 | Other Tangible Plant | - | | | | | | | | | - |
| 30 | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | |
| 32 | TOTAL WATER PLANT | | $ 73,731,714 | $ 21,100 | $ (78,879) | $ 6,326 | $ 57,063 | $ 38,310 | $ 103,127 | $ 9,789 | $ (96,170) | $ 60,666 |

ADJ 1 Replace Organization Costs as approved by last Decision
ADJ 2 Retire Litchfield Greens Booster Pump Station in 2003
ADJ 3 Reverse Company Adjustment for 2004 Affiliate Profit
ADJ 4 Reverse Company Adjustment for 2005 Affiliate Profit
ADJ 5 Reverse Company Adjustment for 2006 Affiliate Profit
ADJ 6 Reverse Company Adjustment for 2007 Affiliate Profit
ADJ 7 Reverse Company Adjustment for 2008 Affiliate Profit
ADJ 8 Remove unsupported affiliate labor and accruals, and rent from 2008 plant additions

| | |
|---|---|
| Capitalized Affiliate Labor - Algonquin | $ (27,040) |
| Capitalized Affiliate Labor - New Spring | (40,013) |
| Rent to Maryland 40, LLC | (9,000) |
| Unsupported Accurals | (20,117) |
| Total Adjustment 8 | $ (96,170) |

**TEST YEAR PLANT SCHEDULE**
**YEAR ENDED SEPTEMBER 30, 2008**

| LINE NO. | ACCT. NO. | ACCOUNT NAME | RUCO ADJ 9 | RUCO ADJ 10 | RUCO ADJ 11 | RUCO ADJ 12 | RUCO ADJ 13 | RUCO ADJ 14 | RUCO ADJ 15 | RUCO ADJ 16 | RUCO ADJ 17 | TOTAL PG 2 ADJ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization | | | | | | | | | | $ - |
| 2 | 302 | Franchises | | | | | | | | | | - |
| 3 | 303 | Land and Land Rights | | | | | | | | | | - |
| 4 | 304 | Structures and Improvements | | $ (1,125) | | $ (33,156) | | $ (267,183) | | $ (7,072) | | (308,536) |
| 5 | 307 | Wells and Springs | (6,200) | | | (19,238) | (1,800) | | | | | (27,238) |
| 6 | 310 | Power Generation Equipment | | | | | | | | | | - |
| 7 | 311 | Electric Pumping Equipment | | (375) | (18,050) | | | | | | | (18,425) |
| 8 | 320 | Water Treatment Equipment | | | (7,188) | | (3,700) | (31,569) | | | | (42,457) |
| 9 | 320.1 | Water Treatment Plants | | | | | | | | | | - |
| 10 | 320.2 | Chemical Solution Feeders | | | | | | | | | | - |
| 11 | 330 | Distribution Reservoirs & Standpipes | | | | | | (8,300) | | | | (8,300) |
| 12 | 330.1 | Storage Tanks | | | | | | | | | | - |
| 13 | 330.2 | Pressure Tanks | | | | | | | | | | - |
| 14 | 331 | Transmission and Distribution Mains | | | | | | | | | | - |
| 15 | 333 | Services | | (10,915) | (14,360) | (875) | | | (8,700) | (4,170) | | (39,020) |
| 16 | 334 | Meters | | (800) | (1,325) | (575) | | | | | | (2,700) |
| 17 | 335 | Hydrants | | | (1,450) | | | (100) | | | | (1,550) |
| 18 | 336 | Backflow Prevention Devices | | | | | | | | | | - |
| 19 | 339 | Other Plant and Miscellaneous Equipment | | | (5,175) | | | | | | | (5,175) |
| 20 | 340 | Office Furniture and Equipment | | | | | | | | | | - |
| 21 | 340.1 | Computers and Software | | | | | | | | | | - |
| 22 | 341 | Transportation Equipment | | | | | | | | | | - |
| 23 | 342 | Stores Equipment | | | | | | | | | | - |
| 24 | 343 | Tools, Shop, and Garage Equipment | | | | | | | | | | - |
| 25 | 344 | Laboratory Equipment | | | | | | | | | | - |
| 26 | 345 | Power Operated Equipment | | | | | | | | | | - |
| 27 | 346 | Communications Equipment | | | | | | (8,000) | | | | (8,000) |
| 28 | 347 | Miscellaneous Equipment | | | | | | | | | | - |
| 29 | 348 | Other Tangible Plant | | | | | | | | | | - |
| 30 | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | |
| 32 | TOTAL WATER PLANT | | $ (6,200) | $ (13,215) | $ (47,548) | $ (53,844) | $ (5,500) | $ (315,152) | $ (8,700) | $ (11,242) | $ - | $ (461,401) |

ADJ 9 Remove unsupported affiliate labor from 2008 plant additions

| | |
|---|---|
| Capitalized Affiliate Labor - Algonquin | $ (5,750) |
| Capitalized Affiliate Labor - New Spring | (450) |
| Total Adjustment 8 | $ (6,200) |

ADJ 10 Remove 2004 unsupported affiliate labor costs by estimated year related asset placed in service.
ADJ 11 Remove 2005 unsupported affiliate labor costs by estimated year related asset placed in service.
ADJ 12 Remove 2006 unsupported affiliate labor costs by estimated year related asset placed in service.
ADJ 13 Remove 2007 unsupported affiliate labor costs by estimated year related asset placed in service.
ADJ 14 Remove 2008 unsupported affiliate labor costs by estimated year related asset placed in service.
ADJ 15 Remove 3 repair invoices ($3,000 times 2, and 1 @ $2,700) from 2001 plant additions.
ADJ 16 Remove 2 repair invoices from Yahweh ($2,085 times 2) and 1 rent invoice from Suncor ($7,072) from 2002 plant additions.
ADJ 17 Deleted

**TEST YEAR PLANT SCHEDULE**
**YEAR ENDED SEPTEMBER 30, 2008**

| LINE NO. | ACCT. NO. | ACCOUNT NAME | RUCO ADJ 18 | RUCO ADJ 19 | RUCO ADJ 20 | RUCO ADJ 21 | RUCO ADJ 22 | RUCO ADJ 23 | RUCO ADJ 24 | TOTAL PG 3 ADJ | TOTAL ALL ADJS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization | | | | | | | | - | $ 21,100 |
| 2 | 302 | Franchises | | | | | | | | - | - |
| 3 | 303 | Land and Land Rights | | | | | | | | - | (96,170) |
| 4 | 304 | Structures and Improvements | | | | | | | | - | (204,823) |
| 5 | 307 | Wells and Springs | | | | | | 11,389 | | 11,389 | (5,373) |
| 6 | 310 | Power Generation Equipment | | | | | | | | - | - |
| 7 | 311 | Electric Pumping Equipment | | - | | - | | - | | - | (40,985) |
| 8 | 320 | Water Treatment Equipment | | | | | | | | - | (20,253) |
| 9 | 320.1 | Water Treatment Plants | | | | | | | 18,805 | 18,805 | 18,805 |
| 10 | 320.2 | Chemical Solution Feeders | | | | | | | | - | - |
| 11 | 330 | Distribution Reservoirs & Standpipes | | | | | | | | - | (3,839) |
| 12 | 330.1 | Storage Tanks | | | | | | | | - | - |
| 13 | 330.2 | Pressure Tanks | | | | | | | | - | - |
| 14 | 331 | Transmission and Distribution Mains | | (26,648) | | | | 8,600 | | (18,048) | (18,048) |
| 15 | 333 | Services | (8,411) | | (3,227) | | | | | (11,638) | (38,961) |
| 16 | 334 | Meters | | | | | | | | - | (1,739) |
| 17 | 335 | Hydrants | | | | | (400) | | | (400) | (1,258) |
| 18 | 336 | Backflow Prevention Devices | | | | | | | | - | - |
| 19 | 339 | Other Plant and Miscellaneous Equipment | | | | | | | | - | (5,175) |
| 20 | 340 | Office Furniture and Equipment | | | | | | | | - | - |
| 21 | 340.1 | Computers and Software | | | | | | | | - | - |
| 22 | 341 | Transportation Equipment | | | | | | | | - | - |
| 23 | 342 | Stores Equipment | | | | | | | | - | - |
| 24 | 343 | Tools, Shop, and Garage Equipment | | | | | | | | - | - |
| 25 | 344 | Laboratory Equipment | | | | | | | | - | - |
| 26 | 345 | Power Operated Equipment | | | | | | | | - | - |
| 27 | 346 | Communications Equipment | | | | | | | | - | (3,908) |
| 28 | 347 | Miscellaneous Equipment | | | | | | | | - | - |
| 29 | 348 | Other Tangible Plant | | | | | | | | - | - |
| 30 | | | | | | | | | | | |
| 31 | | | | | | | | | | | |
| 32 | TOTAL WATER PLANT | | $ (8,411) | $ (26,648) | $ (3,227) | $ - | $ (400) | $ 19,989 | $ 18,805 | $ 108 | $ (400,627) |

ADJ 18 Remove 1 repair invoice from Pyramid West Pipeline ($1,391) and 1 unsupported amount from Pyramid ($7,020) from 2004 plant additions.
ADJ 19 Remove several repair invoices from Ram Pipelines that total $26,648 from 2005 plant additions.
ADJ 20 Remove 1 repair invoice from Yahweh ($2,450), and 1 repair invoice from Ram Pipelines ($777) from 2006 plant additions.
ADJ 21 Deleted
ADJ 22 Remove repair invoice from MS Hernandez Construction for $400 from 2003.
ADJ 23 Capitalize amount removed from expenses per RUCO Income Statement adjustment 4a.
ADJ 24 Increase post test year plant per Company Rebuttal Schedule B-2, Page 3.

## OPERATING INCOME

| LINE NO. | DESCRIPTION | (A) COMPANY AS FILED | (B) RUCO TEST YEAR ADJM'TS | REF | (C) RUCO TEST YEAR AS ADJ'TED | (D) RUCO PROPOSED INCREASE | (E) RUCO AS RECOMM'D |
|---|---|---|---|---|---|---|---|
| 1 | Revenues | | | | | | |
| 2 | Metered Water Revenue | $6,347,481 | $ 403,707 | 1 | $ 6,751,188 | $ 4,753,178 | $ 11,504,366 |
| 3 | Unmetered Water Revenue | - | | | - | | - |
| 4 | Other Water Revenue | 127,522 | | | 127,522 | | 127,522 |
| 5 | | | | | - | | - |
| 6 | TOTAL OPERATING REVENUE | $6,475,003 | $ 403,707 | | $ 6,878,710 | $ 4,753,178 | $ 11,631,888 |
| 7 | | | | | | | |
| 8 | Operating Expenses | | | | | | |
| 9 | Salaries & Wages | $ - | | | $ - | | $ - |
| 10 | Purchased Water | 5,011 | | | 5,011 | | 5,011 |
| 11 | Purchased Power | 1,013,811 | | | 1,013,811 | | 1,013,811 |
| 12 | Fuel for Power Production | 58,147 | (56,381) | 2 | 1,766 | | 1,766 |
| 13 | Chemicals | 503,278 | (1,054) | 3 | 502,224 | | 502,224 |
| 14 | Repairs and Maintenance | 44,001 | | | 44,001 | | 44,001 |
| 15 | Office Supplies and Expense | - | | | - | | - |
| 16 | Outside Services | 12,469 | | | 12,469 | | 12,469 |
| 17 | Outside Services - Other | 2,382,976 | (324,876) | 4a-d | 2,058,100 | | 2,058,100 |
| 18 | Outside Services - Legal | 14,317 | | | 14,317 | | 14,317 |
| 19 | Water Testing | 28,365 | (590) | 5 | 27,775 | | 27,775 |
| 20 | Rents | 10,647 | | | 10,647 | | 10,647 |
| 21 | Transportation Expenses | 151,879 | (24,761) | 6 | 127,118 | | 127,118 |
| 22 | Insurance - General Liability | 95,469 | | | 95,469 | | 95,469 |
| 23 | Insurance - Health and Life | 3,319 | | | 3,319 | | 3,319 |
| 24 | Regulatory Comm, Expense | 63,662 | | | 63,662 | | 63,662 |
| 25 | Regulatory Comm, Exp. - Rate Case | 70,000 | (28,000) | 7 | 42,000 | | 42,000 |
| 26 | Miscellaneous Expense | 81,664 | (22,027) | 8 | 59,637 | | 59,637 |
| 27 | Bad Debt Expense | 3,264 | | | 3,264 | | 3,264 |
| 28 | Depreciation & Amortization | 2,291,982 | (26,371) | 9a-b | 2,265,611 | | 2,265,611 |
| 29 | Taxes Other Than Income | - | | | - | | - |
| 30 | Property Taxes | 373,354 | (96,426) | 10 | 276,928 | 63,342 | 340,270 |
| 31 | Income Tax | (449,717) | 381,999 | 11 | (67,718) | 1,810,224 | 1,742,506 |
| 32 | | | | | | | |
| 33 | | | | | | | |
| 34 | TOTAL OPERATING EXPENSES | $6,757,898 | $ (198,487) | | $ 6,559,411 | $ 1,873,566 | $ 8,432,977 |
| 35 | | | | | | | |
| 36 | **OPERATING INCOME (LOSS)** | **$ (282,895)** | **$ 602,194** | | **$ 319,299** | **$ 2,879,612** | **$ 3,198,911** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1 TO METERED WATER REVENUES

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Company Proforma Decrease to Test Year Revenue | | $ (403,707) |
| 2 | | | |
| 3 | RUCO Proposed Decrease to Test Year Revenue | | - |
| 4 | | | |
| 5 | **RUCO Adjustment to Increase Test Year Revenue** | | **$ 403,707** |
| 6 | | | |

7 Portion of Company Adjustment 4 related to contract with the City of Goodyear,
8 AZ. Company decreased test year revenue to adjust for the potential loss of
9 this customer.

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
## TO FUEL FOR POWER PRODUCTION

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Kohler Rental Power | Invoice 5060152 | $ (36,064) |
| 2 | Kohler Rental Power | Invoice 5061075 | (23,170) |
| 3 | Kohler Rental Power | Invoice 5057208 | (25,297) |
| 4 | Kohler Rental Power | Invoice 5063232 | (7,850) |
| 5 | Diesel fuel accrual adjustments | JE 46643 | 36,000 |
| 6 | | | |
| 7 | **RUCO Adjustment to Remove Non-Recurring Expenses** | | **$ (56,381)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
## TO CHEMICALS

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | HILL BROTHERS CHEMICAL CO. | Invoice 04293499 | $ (305) |
| 2 | HOME DEPOT | JE 47955 | (749) |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | **RUCO Adjustment To Remove Expenses Outside of Test Year** | | **$ (1,054)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4a
## TO OUTSIDE SERVICES - OTHER

| LINE NO. | DESCRIPTION | AMOUNT | REFERENCE |
|---|---|---|---|
| 1 | Hydro Controls and Pump Systems (Clocks for well sites) | $ (1,114) | Invoice No. 227 (June 9, 2008) |
| 2 | Narasimhan Consulting Services (Distribution System Evaluation) | (8,600) | Invoice No. 0252-1 (Oct. 27, 2007) |
| 3 | Southwest Ground-water Consultants (Well Spacing Evaluation) | (1,380) | Invoice No. B.1426-2-1 (Feb. 13, 2008) |
| 4 | Southwest Ground-water Consultants (Well Rehabilitation-Dry Ice) | (4,072) | Invoice No. B.1591-2 (Mar. 20, 2008) |
| 5 | Southwest Ground-water Consultants (Well Impact Analysis) | (4,823) | Invoice No. B.1688-1 (Sept. 8, 2008) |
| 6 | | | |
| 7 | **RUCO Adjustment To Remove Expenses To Be Capitalized** | **$ (19,989)** | |
| 8 | | | |
| 9 | | | |
| 10 | Southwest Ground-water Consultants (Recharge Characterization) | (2,613) | Invoice No. B.1426-11 (June 25, 2008) |
| 11 | Southwest Ground-water Consultants (Report for Production Well) | (1,225) | Invoice No. B.1661-1V (July 11, 2008) |
| 12 | Southwest Ground-water Consultants (Report for Production Well) | (2,800) | Invoice No. B.1661-1 (July 11, 2008) |
| 13 | Burke Hansen, LLC (Real estate appraisal) | (3,000) | Invoice No. 8107N (June 5, 2008) |
| 14 | | | |
| 15 | **RUCO Adjustment to Remove Non-Recurring Expenses** | **$ (9,638)** | |
| 16 | | | |
| 17 | **TOTAL RUCO ADJUSTMENT TO OUTSIDE SERVICES - OTHER** | **$ (29,626)** | |

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4b**
**TO OUTSIDE SERVICES - OTHER**

| LINE NO. | GENERAL LEDGER ACCOUNT | VENDOR | DESCRIPTION | AMOUNT |
|---|---|---|---|---|
| 1 | Central Office - Accounting/Administration | Algonquin Power Trust | GENERAL ACCTIN FEE - LPSCO | $ (2,689) |
| 2 | Central Office - Human Resources | Algonquin Power Trust | GEN HR FEE- LPSCO | (12,790) |
| 3 | Central Office - Information Technology | Algonquin Power Trust | GEN IT FEE- LPSCO | (1,127) |
| 4 | Central Office - Operations | Algonquin Power Trust | GENERAL OPS | (1,146) |
| 5 | Central Office Fixed Overhead Costs | Algonquin Power Trust | MGMT FEE- LPSCO | (269,047) |
| 6 | | | | |
| 7 | | | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | **$ (286,799)** |

*Note: Descriptions above are per company journal entries in the general ledger.*

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4c
## TO OUTSIDE SERVICES - OTHER

| LINE NO. | DESCRIPTION | ACCOUNT | REFERENCE | AMOUNT |
|---|---|---|---|---|
| 1 | Algonquin Water Resources | Meals and Entertainment | MISC. SUPPLIES | $ (488) |
| 2 | Algonquin Water Resources | Meals and Entertainment | Expense Reports/Travel | (19,123) |
| 3 | Algonquin Water Resources | Meals and Entertainment | DJ SERVICE - XMAS PARTY | (495) |
| 4 | Algonquin Water Resources | Meals and Entertainment | For Holiday Party Dec. 2008 | (4,959) |
| 5 | Algonquin Water Resources | Meals and Entertainment | BALANCE DUE FOR 2008 XMAS PART | (953) |
| 6 | Algonquin Water Resources | Meals and Entertainment | 2007 CAPITAL PRJECTS PLANNING | (211) |
| 7 | Algonquin Water Resources | Meals and Entertainment | Exp cost for the DBack game | (6,400) |
| 8 | Algonquin Water Resources | Meals and Entertainment | Catered lunch | (412) |
| 9 | Algonquin Water Resources | Licenses, Permits & Fees | FALSE ALARM FINE | (150) |
| 10 | Algonquin Water Resources | Licenses, Permits & Fees | FALSE ALARM FINE | (200) |
| 11 | Algonquin Water Resources | Licenses, Permits & Fees | Credit for Alarm Violation | 250 |
| 12 | Algonquin Water Resources | Dues & Memberships | HR Membership | (274) |
| 13 | Algonquin Water Resources | Dues & Memberships | TWC-FY08 DUES | (1,504) |
| 14 | Algonquin Water Resources | Dues & Memberships | TWC FY08 MBRSHIP DUES | (709) |
| 15 | Algonquin Water Resources | Dues & Memberships | r/c membership fee for 2008 | 1,378 |
| 16 | Algonquin Water Resources | Dues & Memberships | r/c membership fee for 2008 | 650 |
| 17 | Algonquin Water Resources | Dues & Memberships | MEMBERSHIP RENEWAL | (160) |
| 18 | Algonquin Water Resources | Dues & Memberships | MANAGEMENT PUBLICATIONS | (99) |
| 19 | Algonquin Water Resources | Dues & Memberships | Exp Tx Rual Water Assoc. Membe | (383) |
| 20 | Algonquin Water Resources | Dues & Memberships | Exp Tx Rual Wtr Assoc Membersh | (383) |
| 21 | Algonquin Water Resources | Dues & Memberships | exp Tx Rual Water Assoc Member | (383) |
| 22 | | | | |
| 23 | | | Total Expenses | $ (35,008) |
| 24 | | | | |
| 25 | | | Water Division Allocation Factor | 24.14% |
| 26 | | | | |
| 27 | | | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | **$ (8,451)** |
| 28 | | | | |

29 *Note: Account names and references above are per Algonquin journal entries in its general ledger.*

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4d
## TO OUTSIDE SERVICES - OTHER

| LINE NO. | GENERAL LEDGER ACCOUNT | VENDOR | DESCRIPTION | AMOUNT |
|---|---|---|---|---|
| 1 | Admin Allocation - AWS | Algonquin Water Services | Recon fees to 4 factor | $ - |
| 2 | Contractual Services-AWS | Algonquin Water Services | Recon fees to 4 factor | - |
| 3 | Contractual Services-AWS | Algonquin Water Services | Recon fees to 4 factor | - |
| 4 | | | | |
| 5 | | | | |
| 6 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | | **$ -** |
| 7 | | | | |
| 8 | | | | |
| 9 | *Note: Descriptions above are per company journal entries in the general ledger.* | | | |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5
## TO WATER TESTING

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | QUALITY CRANE SERVICES, INC | Invoice 30400 | $ (590) |
| 2 | | | |
| 3 | **RUCO Adjustment to Remove Non-Recurring Expense** | | **$ (590)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
## TO TRANSPORTATION EXPENSES

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Algonquin Water Services | Invoice SALES000000001019 | $ (19,364) |
| 2 | Algonquin Water Services | Invoice SALES000000001036 | (4,938) |
| 3 | | | |
| 4 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | **$ (24,302)** |
| 5 | | | |
| 6 | B&A Auto Repair | Invoice 3266 | $ (284) |
| 7 | DESERT GOLF CARS | Invoice 45331 | (138) |
| 8 | | | |
| 9 | **RUCO Adjustment To Remove Expenses Outside of Test Year** | | **$ (422)** |
| 10 | | | |
| 11 | Commonwealth Tow & Transport | Invoice 4389 | (37) |
| 12 | | | |
| 13 | **RUCO Adjustment to Remove Non-Recurring Expense** | | **$ (37)** |
| 14 | | | |
| 15 | **TOTAL RUCO ADJUSTMENT TO TRANSPORTATION EXPENSES** | | **$ (24,761)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
## TO RATE CASE EXPENSE

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Company Proposed Total Rate Case Expense | | $ 210,000 |
| 2 | Company Proposed Amortization Period in Years | | 3 |
| 3 | Company Proposed Annual Rate Case Expense | | $ 70,000 |
| 4 | | | |
| 5 | RUCO Recommended Total Rate Case Expense | | $ 210,000 |
| 6 | RUCO Recommended Amortization Period in Years | | 5 |
| 7 | RUCO Recommended Annual Rate Case Expense | | $ 42,000 |
| 8 | | | |
| 9 | **RUCO Adjustment to Decrease Rate Case Expense** | | **$ (28,000)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
## TO MISCELLANEOUS EXPENSES

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | 10/3 Merchant Fees | JE 46993 | $ (2,195) |
| 2 | 11/5 merchant fee | JE47338 | (1,538) |
| 3 | 1/3 Merchant Fees | JE48951 | (862) |
| 4 | Merchant Fees | JE 49341 | (14) |
| 5 | 2/5 Merchant Fees | JE 49730 | (982) |
| 6 | BANK & MERCHANT FEES | JE 50008 | (1,109) |
| 7 | Merchant Fees | JE 50417 | (1,072) |
| 8 | DISCOVER CARD FEES | JE 51126 | (25) |
| 9 | MERCHANT FEES | JE 51127 | (2,259) |
| 10 | Record Credit Card Fees | JE 51940 | (2,201) |
| 11 | Record Monthly CC Fees | JE 53038 | (2,501) |
| 12 | record monthly AMEX cr card fe | JE 54076 | (6) |
| 13 | Record monthly credit card fee | JE 54077 | (2,838) |
| 14 | record monthly credit card fee | JE 54663 | (3,260) |
| 15 | Algonquin Power System | LABOR/TRAVEL/INSURANCE Invoice JC34077 | (21) |
| 16 | Algonquin Water Services | PARTS/MEALS/GAS/MILGE/TELEPHON Invoice JC4258 | (19) |
| 17 | Algonquin Water Services | MATERIAL/TRAVEL/TELEPHONE Invoice JC4457 | (423) |
| 18 | Algonquin Water Services | MTRL/CONTRCTS/EQPMT/TRVL/TELE Invoice JC5243 | (53) |
| 19 | Algonquin Water Services | PARTS/TRAVEL/TELEPHONE Invoice JC5435 | (92) |
| 20 | Algonquin Water Services | PARTS/TRAVEL/CELLULAR Invoice JC6080 | (15) |
| 21 | Algonquin Water Services | 8600-0100-repairs Invoice JC6285 | (204) |
| 22 | | | |
| 23 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | **$ (21,689)** |
| 24 | | | |
| 25 | | | |
| 26 | Write off Unrec Variance | | $ (338) |
| 27 | | | |
| 28 | **RUCO Adjustment to Remove Non-Recurring Expense** | | **$ (338)** |
| 29 | | | |
| 30 | **TOTAL RUCO ADJUSTMENT TO MISCELLANEOUS EXPENSES** | | **$ (22,027)** |
| 31 | | | |
| 32 | | | |
| 33 | *Note: Descriptions and references above are per company journal entries in the general ledger.* | | |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9a
## TO DEPRECIATION EXPENSE

| LINE NO. | ACCT NO. | PLANT ACCOUNT | RUCO ORIGINAL COST | PROPOSED DEPR RATE | PROPOSED DEPR EXPENSE |
|---|---|---|---|---|---|
| 1 | 301 | Organization | $ 21,100 | 0.00% | $ - |
| 2 | 302 | Franchises | - | 0.00% | - |
| 4 | 303 | Land and Land Rights | 1,188,425 | 0.00% | - |
| 5 | 304 | Structures and Improvements | 24,493,470 | 3.33% | 815,633 |
| 6 | 307 | Wells and Springs | 2,376,729 | 3.33% | 79,145 |
| 7 | 310 | Power Generation Equipment | 202,269 | 5.00% | 10,113 |
| 8 | 311 | Electric Pumping Equipment | 907,228 | 12.50% | 113,404 |
| 9 | 320 | Water Treatment Equipment | 1,317,571 | 3.33% | 43,875 |
| 10 | 320.1 | Water Treatment Plants | 1,885,770 | 3.33% | 62,796 |
| 11 | 320.2 | Chemical Solution Feeders | - | 2.22% | - |
| 12 | 330 | Distribution Reservoirs & Standpipes | 426,805 | 2.20% | 9,390 |
| 13 | 330.1 | Storage Tanks | - | 2.20% | - |
| 14 | 330.2 | Pressure Tanks | - | 5.00% | - |
| 15 | 331 | Transmission and Distribution Mains | 28,911,123 | 2.00% | 578,222 |
| 16 | 333 | Services | 4,210,783 | 3.33% | 140,219 |
| 17 | 334 | Meters | 4,137,013 | 8.33% | 344,613 |
| 18 | 335 | Hydrants | 2,054,523 | 2.00% | 41,090 |
| 19 | 336 | Backflow Prevention Devices | 38,387 | 6.67% | 2,560 |
| 20 | 339 | Other Plant and Miscellaneous Equipment | 260,106 | 6.67% | 17,349 |
| 21 | 340 | Office Furniture and Equipment | 551,757 | 6.67% | 36,802 |
| 22 | 340.1 | Computers and Software | - | 20.00% | - |
| 23 | 341 | Transportation Equipment | 177,165 | 20.00% | 35,433 |
| 24 | 342 | Stores Equipment | 31,711 | 4.00% | 1,268 |
| 25 | 343 | Tools, Shop, and Garage Equipment | 23,350 | 5.00% | 1,168 |
| 26 | 344 | Laboratory Equipment | - | 10.00% | - |
| 27 | 345 | Power Operated Equipment | - | 5.00% | - |
| 28 | 346 | Communications Equipment | 115,802 | 10.00% | 11,580 |
| 29 | 347 | Miscellaneous Equipment | - | 10.00% | - |
| 30 | 348 | Other Tangible Plant | - | | - |
| 31 | | **TOTALS** | **$ 73,331,087** | | **$ 2,344,662** |
| 32 | | | | | |
| 33 | | | | | |
| 34 | | Depreciation Expense Per RUCO | | | $ 2,344,662 |
| 35 | | | | | |
| 36 | | Less: Amortization of CIAC per Company Rejoinder Schedule C-2, Page 2 | | | (67,586) |
| 37 | | | | | |
| 38 | | Total Proposed Depreciation Expense Per RUCO | | | $ 2,277,076 |
| 39 | | | | | |
| 40 | | Total Proposed Depreciation Expense Per Company | | | $ 2,291,982 |
| 41 | | | | | |
| 42 | | Net Decrease to Depreciation Expense | | | $ (14,906) |
| 43 | | | | | |
| 44 | | **RUCO Adjustment To Plant Depreciation Expense** | | | **$ (14,906)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9b
## TO DEPRECIATION EXPENSE

| LINE NO. | DESCRIPTION | REFERENCE | TOTAL |
|---|---|---|---|
| 1 | Total Amortization of Debt Discount Per RUCO | | $ - |
| 2 | | | |
| 3 | Test Year Adjusted Amortization of Debt Discount As Filed | | 11,465 |
| 4 | | | |
| 5 | **RUCO Adjustment To Amortization of Debt Discount** | | $ (11,465) |
| 6 | | | |
| 7 | **TOTAL RUCO ADJUSTMENT TO DEPRECIATION EXPENSE** | | **$ (11,465)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
## TO PROPERTY TAX

| LINE NO. | DESCRIPTION | REFERENCE | (A) | (B) |
|---|---|---|---|---|
| 1 | Calculation Of The Company's Full Cash Value: | | | |
| 2 | | | | |
| 3 | Annual Operating Revenues: | | | |
| 4 | Adjusted Test Year Ended 09/30/2008 | | $ 6,878,710 | |
| 5 | Adjusted Test Year Ended 09/30/2008 | | 6,878,710 | |
| 6 | Proposed Revenue | | 11,631,888 | |
| 7 | Total Three Year Operating Revenues | Sum of Lines 4, 5, & 6 | $ 25,389,308 | |
| 8 | Average Annual Operating Revenues | Line 7 / 3 | $ 8,463,103 | |
| 9 | | | | |
| 10 | Two Times Three Year Average Operating Revenues | Line 8 X 2 | | $ 16,926,205 |
| 11 | | | | |
| 12 | ADD: | | | |
| 13 | 10% of construction Work In Progress ("CWIP"): | | | |
| 14 | Test Year CWIP | | $ - | |
| 15 | 10% of CWIP | Line 14 X 10% | | $ - |
| 16 | | | | |
| 17 | SUBTRACT: | | | |
| 18 | Transportation at Book Value: | | | |
| 19 | Original Cost of Transportation Equipment | | 159,496 | |
| 20 | Accum. Depr. Of Transportation Equipment | | (63,104) | |
| 21 | Book Value of Transportation Equipment | Line 19 + Line 20 | | $ 96,392 |
| 22 | | | | |
| 23 | Company's Full Cash Value ("FCV") | Sum of Lines 10, 15, & 21 | | 17,022,597 |
| 24 | | | | |
| 25 | Calculation Of The Company's Tax Liability: | | | |
| 26 | | | | |
| 27 | MULTIPLY: | | | |
| 28 | FCV X Valuation Assessment Ratio X Property Tax Rates: | | | |
| 29 | Assessment Ratio | House Bill 2779 | 21.0000% | |
| 30 | Assessed Value | Line 23 X 29 | $ 3,574,745 | |
| 31 | | | | |
| 32 | Property Tax Rates: | | | |
| 33 | Composite Property Tax Rate (Per Company) | | 9.5187% | |
| 34 | | | | |
| 35 | Estimated Tax Rate Liability | | 9.5187% | |
| 36 | | | | |
| 37 | Company's Total Tax Liability - Based on Full Cash Value | Line 30 X Line 35 | | $ 340,270 |
| 38 | | | | |
| 39 | RUCO Adjusted Test Year Property Tax Expense | | | 276,928 |
| 40 | Increase in Property Tax Expense | Line 37 - Line 39 | | $ 63,342 |
| 41 | | | | |
| 42 | | **TOTAL RUCO ADJUSTMENT TO PROPERTY TAXES** | | **$ 63,342** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11
## TO INCOME TAX EXPENSE

| LINE NO. | DESCRIPTION | (A) REFERENCE | (B) AMOUNT |
|---|---|---|---|
| 1 | **FEDERAL INCOME TAXES:** | | |
| 2 | | | |
| 3 | Operating Income Before Taxes | Sch 4, Page 1, Col C, Lines 31 + 34 | $ 251,581 |
| 4 | Less: | | |
| 5 | Arizona State Tax | Line 21 | $ 12,225 |
| 6 | Interest Expense | Note (A), Line 35 | (427,021) |
| 7 | Federal Taxable Income | Line 3 + Line 5 + Line 6 | $ (163,215) |
| 8 | | | |
| 9 | Federal Tax Rate | Schedule 1, Page 2 | 34.0000% |
| 10 | Federal Income Tax Expense | Line 7 X Line 9 | $ (55,493) |
| 11 | | | |
| 12 | **STATE INCOME TAXES:** | | |
| 13 | | | |
| 14 | Operating Income Before Taxes | Sch 4, Page 1, Col C, Lines 32 + 37 | $ 251,581 |
| 15 | LESS: | | |
| 16 | Interest Expense | Note (A), Line 35 | (427,021) |
| 17 | State Taxable Income | Line 14 + Line 16 | $ (175,440) |
| 18 | | | |
| 19 | State Tax Rate | Tax Rate | 6.9680% |
| 20 | | | |
| 21 | State Income Expense | Line 17 X Line 19 | $ (12,225) |
| 22 | | | |
| 23 | **TOTAL INCOME TAX EXPENSE:** | | |
| 24 | Federal Income Tax Expense | Line 10 | $ (55,493) |
| 25 | State Income Tax Expense | Line 21 | (12,225) |
| 26 | Total Income Tax Expense Per RUCO | Line 24 + Line 25 | $ (67,718) |
| 27 | Total Income Tax Expense Per Company | Company Sch C-1 | (449,717) |
| 28 | **Total RUCO Income Tax Adjustment** | Line 26 - Line 27 | **$ 381,999** |
| 29 | | | |
| 30 | | | |
| 31 | *NOTE (A)* | | |
| 32 | Interest Synchronization: | | |
| 33 | Adjusted Rate Base | $ 37,457,973 | |
| 34 | Weighted Avg. Cost of Debt | 1.14% | |
| 35 | Synchronized Interest Expense (L33 X L34) | $ 427,021 | |

## Water Division Revenue Summary

| Line No. | Meter Size/Class | Company Present Rates | RUCO Proposed Rates | Increase/ (Decrease) Amount | Increase/ (Decrease) Percent |
|---|---|---|---|---|---|
| 1 | ***Residential*** | | | | |
| 2 | 5/8 inch meter | $ 7,865 | $ 12,622 | $ 4,757 | 60.48% |
| 3 | 3/4 inch meter | 2,015,346 | 3,292,828 | 1,277,482 | 63.39% |
| 4 | 1 inch meter | 1,980,115 | 3,217,574 | 1,237,459 | 62.49% |
| 5 | 1.5 inch meter | 53,017 | 97,433 | 44,416 | 83.78% |
| 6 | 2 inch meter | 173,915 | 298,739 | 124,824 | 71.77% |
| 7 | 4 inch meter | 19,356 | 35,939 | 16,583 | 85.67% |
| 8 | **Subtotal Residential** | **$ 4,249,614** | **$ 6,955,135** | **$ 2,705,521** | 63.67% |
| 9 | | | | | |
| 10 | ***Commercial*** | | | | |
| 11 | 5/8 inch meter | $ 25,665 | $ 48,039 | $ 22,374 | 87.18% |
| 12 | 3/4 inch meter | 12,070 | 22,281 | 10,211 | 84.59% |
| 13 | 1 inch meter | 28,688 | 50,366 | 21,678 | 75.56% |
| 14 | 1.5 inch meter | 65,438 | 118,852 | 53,414 | 81.63% |
| 15 | 2 inch meter | 413,985 | 686,397 | 272,412 | 65.80% |
| 16 | 4 inch meter | 76,058 | 130,615 | 54,557 | 71.73% |
| 17 | 8 inch meter | 403,707 | 773,650 | 369,943 | 91.64% |
| 18 | 10 inch meter | 17,579 | 35,425 | 17,846 | 101.52% |
| 19 | **Subtotal Commercial** | **$ 1,043,190** | **$ 1,865,625** | **$ 822,435** | 78.84% |
| 20 | | | | | |
| 21 | ***Irrigation*** | | | | |
| 22 | 5/8 inch meter | $ 1,076 | $ 2,053 | 977 | 90.81% |
| 23 | 3/4 inch meter | 36,882 | 69,121 | 32,239 | 87.41% |
| 24 | 1 inch meter | 153,062 | 287,489 | 134,427 | 87.83% |
| 25 | 1.5 inch meter | 156,419 | 286,206 | 129,787 | 82.97% |
| 26 | 2 inch meter | 895,159 | 1,665,505 | 770,346 | 86.06% |
| 27 | 4 inch meter | 104,340 | 184,835 | 80,495 | 77.15% |
| 28 | **Subtotal Irrigation** | **$ 1,346,938** | **$ 2,495,209** | **$ 1,148,271** | 85.25% |
| 29 | | | | | |
| 30 | **Hydrant** | **$ 110,558** | **$ 187,553** | **$ 76,995** | 69.64% |
| 31 | | | | | |
| 32 | **Total Metered Revenue** | **$ 6,750,300** | **$ 11,503,522** | **$ 4,753,222** | 70.41% |

## PROPOSED RATES AND CHARGES

| LINE NO. | DESCRIPTION | MONTHLY MINIMUM | PROPOSED CHARGES AND USAGE FEES |
|---|---|---|---|
| 1 | **RESIDENTIAL CUSTOMERS** | | |
| 2 | 5/8-inch Meters | $ 11.41 | |
| 3 | First Tier - Zero to 5,000 Gallons | | $ 1.1500 |
| 4 | Second Tier - Next 7,000 Gallons | | 1.8500 |
| 5 | Third Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 6 | | | |
| 7 | 3/4-inch Meters | $ 14.40 | |
| 8 | First Tier - Zero to 5,000 Gallons | | $ 1.1500 |
| 9 | Second Tier - Next 7,000 Gallons | | 1.8500 |
| 10 | Third Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 11 | | | |
| 12 | 1-inch Meters | $ 22.65 | |
| 13 | First Tier - Zero to 5,000 Gallons | | $ 1.1500 |
| 14 | Second Tier - Next 7,000 Gallons | | 1.8500 |
| 15 | Third Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 16 | | | |
| 17 | 1.5-inch Meters | $ 57.05 | |
| 18 | First Tier - First 60,000 Gallons | | $ 1.8500 |
| 19 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 20 | | | |
| 21 | 2-inch Meters | $ 91.28 | |
| 22 | First Tier - First 60,000 Gallons | | $ 1.8500 |
| 23 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 24 | | | |
| 25 | 4-inch Meters | $ 285.25 | |
| 26 | First Tier - First 250,000 Gallons | | $ 1.8500 |
| 27 | Second Tier - In Excess Of 250,000 Gallons | | 2.7415 |
| 28 | | | |
| 29 | **COMMERCIAL CUSTOMERS** | | |
| 30 | 5/8-inch Meters | $ 11.41 | |
| 31 | First Tier - Zero to 12,000 Gallons | | $ 1.8500 |
| 32 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 33 | | | |
| 34 | 3/4-inch Meters | $ 14.40 | |
| 35 | First Tier - Zero to 12,000 Gallons | | $ 1.8500 |
| 36 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 37 | | | |
| 38 | 1-inch Meters | $ 22.65 | |
| 39 | First Tier - Zero to 12,000 Gallons | | $ 1.8500 |
| 40 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 41 | | | |
| 42 | 1.5-inch Meters | $ 57.05 | |
| 43 | First Tier - First 60,000 Gallons | | $ 1.8500 |
| 44 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |

## PROPOSED RATES AND CHARGES

| LINE NO. | DESCRIPTION | MONTHLY MINIMUM | PROPOSED CHARGES AND USAGE FEES |
|---|---|---|---|
| 45 | | | |
| 46 | 2-inch Meters | $ 91.28 | |
| 47 | First Tier - First 60,000 Gallons | | $ 1.8500 |
| 48 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 49 | | | |
| 50 | 4-inch Meters | $ 285.25 | |
| 51 | First Tier - First 250,000 Gallons | | $ 1.8500 |
| 52 | Second Tier - In Excess Of 250,000 Gallons | | 2.7415 |
| 53 | | | |
| 54 | 8-inch Meters | $ 800.00 | |
| 55 | All Gallons | | $ 2.5000 |
| 56 | | | |
| 57 | 10-inch Meters | $ 800.00 | |
| 58 | All Gallons | | $ 2.5000 |
| 59 | | | |
| 60 | **IRRIGATION CUSTOMERS** | | |
| 61 | 5/8-inch Meters | $ 11.41 | |
| 62 | First Tier - First 12,000 Gallons | | $ 1.8500 |
| 63 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 64 | | | |
| 65 | 3/4-inch Meters | $ 14.40 | |
| 66 | First Tier - First 12,000 Gallons | | $ 1.8500 |
| 67 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 68 | | | |
| 69 | 1-inch Meters | $ 22.65 | |
| 70 | First Tier - First 12,000 Gallons | | $ 1.8500 |
| 71 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 72 | | | |
| 73 | 1.5-inch Meters | $ 57.05 | |
| 74 | First Tier - First 60,000 Gallons | | $ 1.8500 |
| 75 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 76 | | | |
| 77 | 2-inch Meters | $ 91.28 | |
| 78 | First Tier - First 100,000 Gallons | | $ 1.8500 |
| 79 | Second Tier - In Excess Of 100,000 Gallons | | 2.7415 |
| 80 | | | |
| 81 | 4-inch Meters | $ 285.25 | |
| 82 | First Tier - First 500,000 gallons | | $ 1.8500 |
| 83 | Second Tier - In Excess Of 500,000 Gallons | | 2.7415 |
| 84 | | | |
| 85 | **Hydrant Rate** | $ 169.10 | $ 4.2500 |

**RUCO Phase-in Proposal**

If a phase-in is going to be adopted RUCO proposes that at the time of the order (assumed to be March 31, 2010) 50% of the approved increase will go into effect. This will be accomplished by only implementing 50% of each approved rate (flat rate and measured) for each class. After **six months** the remaining 50% increase will go into effect.

Under RUCO's proposed rates the waste water revenue forgone over the first six months will be $529,758. Using RUCO's proposed WACC (8.54%) as the interest rate yields $22,621 in interest over the six months, yielding a total to be recovered of $552,379. Amortizing that amount over three years yields a total monthly surcharge of $17,447 or $1.20 per customer.

Under RUCO's proposed rates the water revenue forgone over the first six months will be $1,188,306. Using RUCO's proposed WACC (8.54%) as the interest rate yields $50,741 in interest over the six months, yielding a total to be recovered of $1,239,046. Amortizing that amount over three years yields a total monthly surcharge of $39,137 or $2.51 per customer.

RUCO proposes a six month phase-in rather than a longer time period because it balances the competing goals of limiting rate shock and limiting the amount of interest the customers will be required to fund. If the rate case is decided in the spring of 2010, RUCO's proposed phase-in will insulate customers from 50% of the increase's impact through the first high use period (i.e., summer) that the new rates will be in place. The total impact of the increase will be felt after the high use Summer season and customers will then have several months to prepare for the next high use season (Summer of 2011) under the new rates. We note that summer is also the high use month for electric usage which is an additional reason why insulating customers from the full impact of the increase through the first summer is beneficial.

RUCO recommends a 3 year amortization period because it fully compensates the company for its lost revenue over the first six months of the increase but it does not subject the customers to an excessive "whiplash effect." Under a shorter amortization period (and a longer phase-in period) rates will need to spike up considerably and then fall back considerably causing customer confusion.

RUCO recommends that separate surcharges (one for water and one for wastewater) be used to fund the phase-in in order to avoid customer confusion.

Litchfield Park Service Company - Water Division
Docket No. SW-01428A-09-0103 and W-01427A-09-0104
Test Year Ended September 30, 2008



**Phase I Water Division Revenue Summary March 31, 2010**

(Annualized)

| Line No. | Meter Size/Class | Company Present Rates | RUCO Proposed Rates | Increase/ (Decrease) Amount | Increase/ (Decrease) Percent |
|---|---|---|---|---|---|
| 1 | ***Residential*** | | | | |
| 2 | 5/8 inch meter | $ 7,865 | $ 10,244 | $ 2,379 | 30.24% |
| 3 | 3/4 inch meter | $ 2,015,346 | $ 2,654,087 | $ 638,741 | 31.69% |
| 4 | 1 inch meter | $ 1,980,115 | $ 2,598,845 | $ 618,730 | 31.25% |
| 5 | 1.5 inch meter | $ 53,017 | $ 75,225 | $ 22,208 | 41.89% |
| 6 | 2 inch meter | $ 173,915 | $ 236,327 | $ 62,412 | 35.89% |
| 7 | 4 inch meter | $ 19,356 | $ 27,647 | $ 8,291 | 42.84% |
| 8 | **Subtotal Residential** | **$ 4,249,614** | **$ 5,602,374** | **$ 1,352,760** | **31.83%** |
| 9 | | | | | |
| 10 | ***Commercial*** | | | | |
| 11 | 5/8 inch meter | $ 25,665 | $ 36,852 | $ 11,187 | 43.59% |
| 12 | 3/4 inch meter | $ 12,070 | $ 17,175 | $ 5,105 | 42.30% |
| 13 | 1 inch meter | $ 28,688 | $ 39,527 | $ 10,839 | 37.78% |
| 14 | 1.5 inch meter | $ 65,438 | $ 92,145 | $ 26,707 | 40.81% |
| 15 | 2 inch meter | $ 413,985 | $ 550,191 | $ 136,206 | 32.90% |
| 16 | 4 inch meter | $ 76,058 | $ 103,337 | $ 27,279 | 35.87% |
| 17 | 8 inch meter | $ 403,707 | $ 588,679 | $ 184,972 | 45.82% |
| 18 | 10 inch meter | $ 17,579 | $ 26,502 | $ 8,923 | 50.76% |
| 19 | **Subtotal Commercial** | **$ 1,043,190** | **$ 1,454,408** | **$ 411,218** | **39.42%** |
| 20 | | | | | |
| 21 | ***Irrigation*** | | | | |
| 22 | 5/8 inch meter | $ 1,076 | $ 1,565 | $ 489 | 45.40% |
| 23 | 3/4 inch meter | $ 36,882 | $ 53,002 | $ 16,120 | 43.71% |
| 24 | 1 inch meter | $ 153,062 | $ 220,275 | $ 67,213 | 43.91% |
| 25 | 1.5 inch meter | $ 156,419 | $ 221,313 | $ 64,894 | 41.49% |
| 26 | 2 inch meter | $ 895,159 | $ 1,280,332 | $ 385,173 | 43.03% |
| 27 | 4 inch meter | $ 104,340 | $ 144,588 | $ 40,248 | 38.57% |
| 28 | **Subtotal Irrigation** | **$ 1,346,938** | **$ 1,921,074** | **$ 574,136** | **42.63%** |
| 29 | | | | | |
| 30 | **Hydrant** | **$ 110,558** | **$ 149,056** | **$ 38,498** | **34.82%** |
| 31 | | | | | |
| 32 | **Total Metered Revenue** | **$ 6,750,300** | **$ 9,126,911** | **$ 2,376,611** | **35.21%** |

**Annualized Revenue Shortfall**
$ 2,376,611
**Actual Revenue Shortfall (Over First Six Months)**
$ 1,188,305.60

**Phase II Water Division Revenue Summary October 1, 2010**

(Annualized)

| Line No. | Meter Size/Cl | Company Present Rates | RUCO Proposed Rates | Increase/ (Decrease) Amount | Increase/ (Decrease) Percent |
|---|---|---|---|---|---|
| 1 | Residential | | | | |
| 2 | 5/8 inch meter | $ 7,865 | $ 12,622 | $ 4,757 | 60.48% |
| 3 | 3/4 inch meter | $ 2,015,346 | $ 3,292,828 | $ 1,277,482 | 63.39% |
| 4 | 1 inch meter | $ 1,980,115 | $ 3,217,574 | $ 1,237,459 | 62.49% |
| 5 | 1.5 inch meter | $ 53,017 | $ 97,433 | $ 44,416 | 83.78% |
| 6 | 2 inch meter | $ 173,915 | $ 298,739 | $ 124,824 | 71.77% |
| 7 | 4 inch meter | $ 19,356 | $ 35,939 | $ 16,583 | 85.67% |
| 8 | **Subtotal Resi** | **$ 4,249,614** | **$ 6,955,135** | **$ 2,705,521** | **63.67%** |
| 9 | | | | | |
| 10 | Commercial | | | | |
| 11 | 5/8 inch meter | $ 25,665 | $ 48,039 | $ 22,374 | 87.18% |
| 12 | 3/4 inch meter | $ 12,070 | $ 22,281 | $ 10,211 | 84.59% |
| 13 | 1 inch meter | $ 28,688 | $ 50,366 | $ 21,678 | 75.56% |
| 14 | 1.5 inch meter | $ 65,438 | $ 118,852 | $ 53,414 | 81.63% |
| 15 | 2 inch meter | $ 413,985 | $ 686,397 | $ 272,412 | 65.80% |
| 16 | 4 inch meter | $ 76,058 | $ 130,615 | $ 54,557 | 71.73% |
| 17 | 8 inch meter | $ 403,707 | $ 773,650 | $ 369,943 | 91.64% |
| 18 | 10 inch meter | $ 17,579 | $ 35,425 | $ 17,846 | 101.52% |
| 19 | **Subtotal Com** | **$ 1,043,190** | **$ 1,865,625** | **$ 822,435** | **78.84%** |
| 20 | | | | | |
| 21 | Irrigation | | | | |
| 22 | 5/8 inch meter | $ 1,076 | $ 2,053 | $ 977 | 90.81% |
| 23 | 3/4 inch meter | $ 36,882 | $ 69,121 | $ 32,239 | 87.41% |
| 24 | 1 inch meter | $ 153,062 | $ 287,489 | $ 134,427 | 87.83% |
| 25 | 1.5 inch meter | $ 156,419 | $ 286,206 | $ 129,787 | 82.97% |
| 26 | 2 inch meter | $ 895,159 | $ 1,665,505 | $ 770,346 | 86.06% |
| 27 | 4 inch meter | $ 104,340 | $ 184,835 | $ 80,495 | 77.15% |
| 28 | **Subtotal Irrig** | **$ 1,346,938** | **$ 2,495,209** | **$ 1,148,271** | **85.25%** |
| 29 | | | | | |
| 30 | **Hydrant** | **$ 110,558** | **$ 187,553** | **$ 76,995** | **69.64%** |
| 31 | | | | | |
| 32 | **Total Metered** | **$ 6,750,300** | **$ 11,503,522** | **$ 4,753,222** | **70.41%** |

Litchfield Park Service Company - Water Division
Docket No. SW-01428A-09-0103 and W-01427A-09-0104
Test Year Ended September 30, 2008



**Phase I PROPOSED RATES AND CHARGES March 31, 2010**

| LINE NO. | DESCRIPTION | MONTHLY MINIMUM | PROPOSED CHARGES AND USAGE FEES |
|---|---|---|---|
| 1 | **RESIDENTIAL CUSTOMERS** | | |
| 2 | 5/8-inch Meters | $ 5.71 | |
| 3 | First Tier - Zero to 5,000 Gallons | | $ 0.5750 |
| 4 | Second Tier - Next 7,000 Gallons | | $ 0.9250 |
| 5 | Third Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 6 | | | |
| 7 | 3/4-inch Meters | $ 7.20 | |
| 8 | First Tier - Zero to 5,000 Gallons | | $ 0.5750 |
| 9 | Second Tier - Next 7,000 Gallons | | $ 0.9250 |
| 10 | Third Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 11 | | | |
| 12 | 1-inch Meters | $ 11.33 | |
| 13 | First Tier - Zero to 5,000 Gallons | | $ 0.5750 |
| 14 | Second Tier - Next 7,000 Gallons | | $ 0.9250 |
| 15 | Third Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 16 | | | |
| 17 | 1.5-inch Meters | $ 28.53 | |
| 18 | First Tier - First 60,000 Gallons | | $ 0.9250 |
| 19 | Second Tier - In Excess Of 60,000 Gallons | | $ 1.3708 |
| 20 | | | |
| 21 | 2-inch Meters | $ 45.64 | |
| 22 | First Tier - First 60,000 Gallons | | $ 0.9250 |
| 23 | Second Tier - In Excess Of 60,000 Gallons | | $ 1.3708 |
| 24 | | | |
| 25 | 4-inch Meters | $ 142.63 | |
| 26 | First Tier - First 250,000 Gallons | | $ 0.9250 |
| 27 | Second Tier - In Excess Of 250,000 Gallons | | $ 1.3708 |
| 28 | | | |
| 29 | **COMMERCIAL CUSTOMERS** | | |
| 30 | 5/8-inch Meters | $ 5.71 | |
| 31 | First Tier - Zero to 12,000 Gallons | | $ 0.9250 |
| 32 | Second Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 33 | | | |
| 34 | 3/4-inch Meters | $ 7.20 | |
| 35 | First Tier - Zero to 12,000 Gallons | | $ 0.9250 |
| 36 | Second Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 37 | | | |
| 38 | 1-inch Meters | $ 11.33 | |
| 39 | First Tier - Zero to 12,000 Gallons | | $ 0.9250 |
| 40 | Second Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 41 | | | |
| 42 | 1.5-inch Meters | $ 28.53 | |
| 43 | First Tier - First 60,000 Gallons | | $ 0.9250 |
| 44 | Second Tier - In Excess Of 60,000 Gallons | | $ 1.3708 |
| 45 | | | |
| 46 | 2-inch Meters | $ 45.64 | |
| 47 | First Tier - First 60,000 Gallons | | $ 0.9250 |
| 48 | Second Tier - In Excess Of 60,000 Gallons | | $ 1.3708 |

**PHASE II PROPOSED RATES AND CHARGES October 1, 2010**

| LINE NO. | DESCRIPTION | MONTHLY MINIMUM | PROPOSED CHARGES AND USAGE FEES |
|---|---|---|---|
| 1 | **RESIDENTIAL CUSTOMERS** | | |
| 2 | 5/8-inch Meters | 11.41 | |
| 3 | First Tier - Zero to 5,000 Gallons | | 1.15 |
| 4 | Second Tier - Next 7,000 Gallons | | 1.85 |
| 5 | Third Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 6 | | | |
| 7 | 3/4-inch Meters | 14.4 | |
| 8 | First Tier - Zero to 5,000 Gallons | | 1.15 |
| 9 | Second Tier - Next 7,000 Gallons | | 1.85 |
| 10 | Third Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 11 | | | |
| 12 | 1-inch Meters | 22.65 | |
| 13 | First Tier - Zero to 5,000 Gallons | | 1.15 |
| 14 | Second Tier - Next 7,000 Gallons | | 1.85 |
| 15 | Third Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 16 | | | |
| 17 | 1.5-inch Meters | 57.05 | |
| 18 | First Tier - First 60,000 Gallons | | 1.85 |
| 19 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 20 | | | |
| 21 | 2-inch Meters | 91.28 | |
| 22 | First Tier - First 60,000 Gallons | | 1.85 |
| 23 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 24 | | | |
| 25 | 4-inch Meters | 285.25 | |
| 26 | First Tier - First 250,000 Gallons | | 1.85 |
| 27 | Second Tier - In Excess Of 250,000 Gallons | | 2.7415 |
| 28 | | | |
| 29 | **COMMERCIAL CUSTOMERS** | | |
| 30 | 5/8-inch Meters | 11.41 | |
| 31 | First Tier - Zero to 12,000 Gallons | | 1.85 |
| 32 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 33 | | | |
| 34 | 3/4-inch Meters | 14.4 | |
| 35 | First Tier - Zero to 12,000 Gallons | | 1.85 |
| 36 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 37 | | | |
| 38 | 1-inch Meters | 22.65 | |
| 39 | First Tier - Zero to 12,000 Gallons | | 1.85 |
| 40 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 41 | | | |
| 42 | 1.5-inch Meters | 57.05 | |
| 43 | First Tier - First 60,000 Gallons | | 1.85 |
| 44 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 45 | | | |
| 46 | 2-inch Meters | 91.28 | |
| 47 | First Tier - First 60,000 Gallons | | 1.85 |
| 48 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |

**Phase I PROPOSED RATES AND CHARGES March 31, 2010**

| LINE NO. | DESCRIPTION | MONTHLY MINIMUM | PROPOSED CHARGES AND USAGE FEES |
|---|---|---|---|
| 49 | | | |
| 50 | 4-inch Meters | $ 142.63 | |
| 51 | First Tier - First 250,000 Gallons | | $ 0.9250 |
| 52 | Second Tier - In Excess Of 250,000 Gallons | | $ 1.3708 |
| 53 | | | |
| 54 | 8-inch Meters | $ 400.00 | |
| 55 | All Gallons | | $ 1.2500 |
| 56 | | | |
| 57 | 10-inch Meters | $ 400.00 | |
| 58 | All Gallons | | $ 1.2500 |
| 59 | | | |
| 60 | **IRRIGATION CUSTOMERS** | | |
| 61 | 5/8-inch Meters | $ 5.71 | |
| 62 | First Tier - First 12,000 Gallons | | $ 0.9250 |
| 63 | Second Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 64 | | | |
| 65 | 3/4-inch Meters | $ 7.20 | |
| 66 | First Tier - First 12,000 Gallons | | $ 0.9250 |
| 67 | Second Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 68 | | | |
| 69 | 1-inch Meters | $ 11.33 | |
| 70 | First Tier - First 12,000 Gallons | | $ 0.9250 |
| 71 | Second Tier - In Excess Of 12,000 Gallons | | $ 1.3708 |
| 72 | | | |
| 73 | 1.5-inch Meters | $ 28.53 | |
| 74 | First Tier - First 60,000 Gallons | | $ 0.9250 |
| 75 | Second Tier - In Excess Of 60,000 Gallons | | $ 1.3708 |
| 76 | | | |
| 77 | 2-inch Meters | $ 45.64 | |
| 78 | First Tier - First 100,000 Gallons | | $ 0.9250 |
| 79 | Second Tier - In Excess Of 100,000 Gallons | | $ 1.3708 |
| 80 | | | |
| 81 | 4-inch Meters | $ 142.63 | |
| 82 | First Tier - First 500,000 gallons | | $ 0.9250 |
| 83 | Second Tier - In Excess Of 500,000 Gallons | | $ 1.3708 |
| 84 | | | |
| 85 | **Hydrant Rate** | $ 84.55 | $ 2.1250 |

**PHASE II PROPOSED RATES AND CHARGES October 1, 2010**

| LINE NO. | DESCRIPTION | MONTHLY MINIMUM | PROPOSED CHARGES AND USAGE FEES |
|---|---|---|---|
| 49 | | | |
| 50 | 4-inch Meters | 285.25 | |
| 51 | First Tier - First 250,000 Gallons | | 1.85 |
| 52 | Second Tier - In Excess Of 250,000 Gallons | | 2.7415 |
| 53 | | | |
| 54 | 8-inch Meters | 800 | |
| 55 | All Gallons | | 2.5 |
| 56 | | | |
| 57 | 10-inch Meters | 800 | |
| 58 | All Gallons | | 2.5 |
| 59 | | | |
| 60 | **IRRIGATION CUSTOMERS** | | |
| 61 | 5/8-inch Meters | 11.41 | |
| 62 | First Tier - First 12,000 Gallons | | 1.85 |
| 63 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 64 | | | |
| 65 | 3/4-inch Meters | 14.4 | |
| 66 | First Tier - First 12,000 Gallons | | 1.85 |
| 67 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 68 | | | |
| 69 | 1-inch Meters | 22.65 | |
| 70 | First Tier - First 12,000 Gallons | | 1.85 |
| 71 | Second Tier - In Excess Of 12,000 Gallons | | 2.7415 |
| 72 | | | |
| 73 | 1.5-inch Meters | 57.05 | |
| 74 | First Tier - First 60,000 Gallons | | 1.85 |
| 75 | Second Tier - In Excess Of 60,000 Gallons | | 2.7415 |
| 76 | | | |
| 77 | 2-inch Meters | 91.28 | |
| 78 | First Tier - First 100,000 Gallons | | 1.85 |
| 79 | Second Tier - In Excess Of 100,000 Gallons | | 2.7415 |
| 80 | | | |
| 81 | 4-inch Meters | 285.25 | |
| 82 | First Tier - First 500,000 gallons | | 1.85 |
| 83 | Second Tier - In Excess Of 500,000 Gallons | | 2.7415 |
| 84 | | | |
| 85 | Hydrant Rate | 169.1 | 4.25 |

**Revenue Shortfall Over First Six Months**

$1,188,306

**Interst on Revenue Forgone over first six months at 8.54%**

$ 50,741

**Total Amount Foregone**

$1,239,046

**3 Year Ammortization Period**

**Total Monthly Surcharge**

$39,136.61

**Customers**

15,564

**Monthly Surcharge Per Customer for three years**

$2.51

Litchfield Park Service Company - Wastewater Division
Docket No. SW-01428A-09-0103 and W-01427A-09-0104
Test Year Ended September 30, 2008



**Revenue Requirement**

| LINE NO. | DESCRIPTION | (A) COMPANY OCRB/FVRB COST | (B) RUCO OCRB/FVRB COST |
|---|---|---|---|
| 1 | Adjusted Original Cost/Fair Value Rate Base | $ 28,296,903 | $ 23,190,926 |
| 2 | | | |
| 3 | Adjusted Operating Income/(Loss) | 163,778 | 498,846 |
| 4 | | | |
| 5 | Current Rate of Return (L3 / L1) | 0.58% | 2.15% |
| 6 | | | |
| 7 | Required Operating Income (L9 X L1) | $ 3,228,677 | $ 1,980,505 |
| 8 | | | |
| 9 | Required Rate of Return on Fair Value Rate Base | 11.410% | 8.540% |
| 10 | | | |
| 11 | Operating Income Deficiency (L7 - L3) | $ 3,064,899 | $ 1,481,659 |
| 12 | | | |
| 13 | Gross Revenue Conversion Factor (Schedule 1, Page 2) | 1.6286 | 1.6511 |
| 14 | | | |
| 15 | Required Increase in Gross Revenue Requirement (L11 X L13) | $ 4,991,601 | $ 2,446,307 |
| 16 | | | |
| 17 | Adjusted Test Year Revenue | $ 6,356,374 | $ 6,359,187 |
| 18 | | | |
| 19 | Proposed Annual Revenue (L15 + L17) | $ 11,347,975 | $ 8,805,494 |
| 20 | | | |
| 21 | Required Percentage Increase in Revenue (L15 / L17) | 78.53% | 38.47% |
| 22 | | | |
| 23 | Rate of Return on Common Equity | 12.500% | 8.010% |

## 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 (Line 13) | (0.3860) | | | |
| 3 | Effective Property Tax Factor | (0.0084) | | | |
| 4 | Subtotal (Line 1 + Line 2 + Line 3) | 0.6057 | | | |
| 5 | **Revenue Conversion Factor** (L1 / L4) | **1.6511** | | | |
| 6 | | | | | |
| 7 | CALCULATION OF EFFECTIVE TAX RATE: | | | | |
| 8 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | | |
| 9 | Arizona State Income Tax Rate | 6.9680% | | | |
| 10 | Federal Taxable Income (L8 - L9) | 93.0320% | | | |
| 11 | Applicable Federal Income Tax Rate (Col. (D), L48) | 34.0000% | | | |
| 12 | Effective Federal Income Tax Rate (L10 X L11) | 31.6309% | | | |
| 13 | Combined Federal And State Income Tax Rate (L9 + L12) | 38.5989% | | | |
| 14 | | | | | |
| 15 | Required Operating Income (Sch.-1, Pg 1, Col. (B), L7) | 1,980,505 | | | |
| 16 | Adjusted T.Y. Oper'g Inc. (Loss) (Sch.-1, Pg 1, Col (B), L3) | 498,846 | | | |
| 17 | Required Increase In Operating Income (L15 - L16) | | $ 1,481,659 | | |
| 18 | | | | | |
| 19 | Income Taxes On Recommended Revenue (Col. (D), L43) | $ 1,081,976 | | | |
| 20 | Income Taxes On Test Year Revenue (Col. (D), L45) | 150,553 | | | |
| 21 | Required Increase In Revenue To Provide For Income Taxes (L19 - L20) | | $ 931,423 | | |
| 22 | | | | | |
| 23 | Property Taxes on Recommended Revenue (Schedule 4, Col (E), L31) | $ 287,928 | | | |
| 24 | Property Taxes On Test Year Revenue (Schedule 4, Col. C, L31) | 254,705 | | | |
| 25 | Required Increase In Revenue To Provide For Property Taxes (L23 - L24) | | $ 33,223 | | |
| 26 | | | | | |
| 27 | Total Required Increase In Revenue (L17 + L21 + L25) | | $ 2,446,307 | | |
| 28 | | | | RUCO | |
| 29 | CALCULATION OF INCOME TAX: | | | RECOMMENDED | |
| 30 | Revenue (Sch -1, Pg 1, Col. (B), L19) | | | $ 8,805,494 | |
| 31 | Operating Expense Excluding Income Tax ( Sch 4, Col (E), L35 - L32) | | | 5,743,011 | |
| 32 | Synchronized Interest (Col. (C), L53) | | | 259,354 | |
| 33 | Arizona Taxable Income (L30 - L31 - L32) | | | $ 2,803,128 | |
| 34 | Arizona State Income Tax Rate | | | 6.9680% | |
| 35 | Arizona Income Tax (L33 X L34) | | | | $ 195,322 |
| 36 | Fed. Taxable Income (L33 - L35) | | | $ 2,607,806 | |
| 37 | Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15% | | | $ 7,500 | |
| 38 | Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25% | | | 6,250 | |
| 39 | Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34% | | | 8,500 | |
| 40 | Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39% | | | 91,650 | |
| 41 | Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34% | | | 772,754 | |
| 42 | Total Federal Income Tax (L37 + L38 + L39 + L40 + L41) | | | | 886,654 |
| 43 | Combined Federal and State Income Tax (L35 + L42) | | | | $ 1,081,976 |
| 44 | | | | | |
| 45 | Test Year Combined Income Tax, RUCO as Adjusted ( Sch 4, Col. (C), L32) | | | | $ 150,553 |
| 46 | **RUCO Adjustment To Proposed Income Tax (L43 - L45) (See Sch 4, Col. (D), L32)** | | | | **$ 931,423** |
| 47 | | | | | |
| 48 | Applicable Federal Income Tax Rate (Col. (D), L42 / Col. (C), L36) | | | | 34.00% |
| 49 | | | | | |
| 50 | CALCULATION OF INTEREST SYNCHRONIZATION: | | | | |
| 51 | Rate Base | | | $ 22,750,383 | |
| 52 | Weighted Avg. Cost of Debt | | | 1.14% | |
| 53 | Synchronized Interest (L51 X L52) | | | $ 259,354 | |

## RATE BASE - ORIGINAL COST

| LINE NO. | | (A) COMPANY AS FILED OCRB/FVRB | (B) RUCO ADJM'T No. 1 | (C) RUCO ADJM'T No. 2 | (D) RUCO ADJM'T No. 3 | (E) RUCO ADJM'T No. 4 | (F) RUCO ADJM'T No. 5 | (G) RUCO ADJM'T No. 6 | (H) RUCO ADJ'TED OCRB/FVRB |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Gross Utility Plant in Service | $ 60,394,260 | $ (5,464,782) | | | | | | $ 54,929,478 |
| 2 | | | | | | | | | |
| 3 | Accumulated Depreciation | (8,475,991) | 405,698 | | | | | | (8,070,293) |
| 4 | | | | | | | | | |
| 5 | Net Utility Plant in Service (Sum L1 & L3) | $ 51,918,269 | $ (5,059,084) | $ - | $ - | $ - | $ - | $ - | $ 46,859,185 |
| 6 | | | | | | | | | |
| 7 | **Less:** | | | | | | | | |
| 8 | Advances in Aid Of Construction | $ (7,006,208) | | | | $ 16,649 | | | $ (6,989,559) |
| 9 | | | | | | | | | |
| 10 | Contribution in Aid of Const. | $ (18,737,132) | | | | $ 93,346 | | | $ (18,643,786) |
| 11 | Accumulated Amortization of CIAC | 2,072,117 | | | | | | | 2,072,117 |
| 12 | NET CIAC (L10 + L11) | $ (16,665,015) | $ - | $ - | $ - | $ 93,346 | $ - | $ - | $ (16,571,669) |
| 13 | | | | | | | | | |
| 14 | Customer Meter Deposits | $ (68,685) | | | | | $ 68,685 | | $ - |
| 15 | Deferred Income Tax | (15,987) | | | | | | (91,044) | (107,031) |
| 16 | | | | | | | | | |
| 17 | **Plus:** | | | | | | | | |
| 18 | Unamortized Debt Issuance Costs | $ 134,528 | | $ (134,528) | | | | | - |
| 19 | | | | | | | | | |
| 20 | | | | | | | | | |
| 21 | | | | | | | | | |
| 22 | TOTAL RATE BASE (Sum Lines's 5,8,12-18) | $ 28,296,902 | $ (5,059,084) | $ (134,528) | $ - | $ 109,995 | $ 68,685 | $ (91,044) | $ 23,190,926 |

References:
Column (A): Company Schedule B-1
Column (B): RUCO Final Schedule 2, Page 2
Column (C): Per Company Rebuttal Schedule B-2, Page 2, Adjustment 6
Column (D): Deleted
Column (E): Per Company Rebuttal Schedule B-2, Page 2, Adjustment 4
Column (F): Per Company Rebuttal Schedule B-2, Page 2, Adjustment 5
Column (G): RUCO Final Schedule 2, Page 3
Column (H): Sums of Column (A) through Column (G)

## EXPLANATION OF RATE BASE ADJUSTMENT NO. 1
## TO UTILITY PLANT IN SERVICE

| LINE NO. | DESCRIPTION | AMOUNT | REFERENCE |
|---|---|---|---|
| 1 | RUCO Proposed Utility Plant In Service At End of Test Year | $ 54,929,478 | RUCO Schedule 3, Page 1 |
| 2 | | | |
| 3 | Company Proposed Utility Plant In Service At End of Test Year | 60,394,260 | Company Schedule B-1 |
| 4 | | | |
| 5 | **RUCO Proposed Adjustment To Utility Plant in Service** | **$ (5,464,782)** | |
| 6 | | | |
| 7 | | | |
| 8 | Accumulated Depreciation At End of Prior Test Year | $ 1,261,559 | Amount Per RUCO TJC-2 |
| 9 | 2001 Depreciation Expense | 299,711 | |
| 10 | 2002 Depreciation Expense | 481,407 | |
| 11 | 2003 Depreciation Expense | 975,920 | |
| 12 | 2004 Depreciation Expense | 1,053,822 | |
| 13 | 2005 Depreciation Expense | 1,200,551 | |
| 14 | 2006 Depreciation Expense | 1,316,996 | |
| 15 | 2007 Depreciation Expense | 1,398,229 | |
| 16 | 2008 Depreciation Expense (9 months) | 1,184,709 | |
| 17 | Subtotal | $ 9,172,904 | Sum of Lines 8 through 16 |
| 18 | | | |
| 19 | Less 2002 Retirements | $ (780,874) | |
| 20 | Less 2007 Retirements | (96,926) | |
| 21 | Black Mountain Sewer Transfer/Adjustment | (11,040) | |
| 22 | Less 2008 PVWRF Retirements | (213,771) | |
| 23 | Subtotal | $ (1,102,611) | Sum of Lines 19 through 22 |
| 24 | | | |
| 25 | RUCO Proposed Accumulated Depreciation At End of Test Year | $ 8,070,293 | Line 17 plus Line 23 |
| 26 | | | |
| 27 | Company Proposed Accumulated Depreciation At End of Test Year | $ 8,475,991 | Company Schedule B-1 |
| 28 | | | |
| 29 | **RUCO Proposed Adjustment To Accumulated Depreciation** | **$ (405,698)** | Line 25 - Line 27 |

## EXPLANATION OF RATE BASE ADJUSTMENT NO. 6
## TO DEFERRED INCOME TAXES

| | | Adjusted Book Value @ 09/30/08 | | Tax Value Per RUCO | DIT to be Realized | Tax Rate | Future Tax Asset | Future Tax Liability |
|---|---|---|---|---|---|---|---|---|
| Plant in Service | $ 128,260,570 | | | | | | | |
| Accumulated Depreciation | (17,064,031) | | | | | | | |
| CIAC | (18,807,143) | | | | | | | |
| Fixed Assets | | | $ 92,389,396 | $ 52,575,910 | $ (39,813,486) | 38.60% | | $ (15,368,006) |
| AIAC | $ (29,326,533) | | | | 29,326,533 | 38.60% | $ 11,320,042 | |
| Tax Benefits from Bonus Depreciation | | | | | 9,838,658 | 38.60% | 3,797,722 | |
| | | | | | | | $ 15,117,764 | $ (15,368,006) |
| | | | | | | Net Asset (liability) | $ (250,242) | |
| | | | | | | Wastewater Division Allocation Factor | 0.42771 | |
| | | | | | | RUCO Recommended DIT - Wastewater Division | $ (107,031) | |
| | | | | | | Per LPSCO | (15,987) | |
| | | | | | | **RUCO Adjustment** | **$ (91,044)** | |

| | | |
|---|---|---|
| LPSCO Net unadjusted cost tax basis per Rejoinder B-2 Page 5 | | $ 81,777,626 |
| Unreconciled difference | $ (381,462) | |
| Capitalized Expenses | (45,691) | |
| RUCO capitalized exp | 37,112 | |
| Remove capitalized exp | (229,053) | |
| Remove disallowed | (3,324,497) | |
| | | (3,943,591) |
| Proposed Rate Case Retirements | $ (837,627) | |
| Retirements A/D | 743,143 | |
| | | (94,484) |
| LPSCO Affiliate Profit | $ 396,345 | |
| Remove Affiliate Labor/Profit | (2,372,625) | |
| Affiliate A/D | 343,319 | |
| | | (1,632,961) |
| 2007 Basis reduction | | (2,849,349) |
| Accum Depr 2007 and prior | | (8,564,437) |
| Bonus Depr for 9 mos of 2008 | | (10,757,266) |
| Tax Depr for 9 mos of 2008 | | (1,359,628) |
| RUCO Net Tax Value of Plant | | $ 52,575,910 |

**TEST YEAR PLANT SCHEDULE**
**YEAR ENDED SEPTEMBER 30, 2008**

| LINE NO. | ACCT. NO. | ACCOUNT NAME | (A) COMPANY ADJ TEST YR | (B) RUCO ADJUSTMENTS | (C) RUCO PLANT VALUE |
|---|---|---|---|---|---|
| 1 | 351 | Organization | $ - | $ - | $ - |
| 2 | 353 | Land and Land Rights | 1,783,426 | - | 1,783,426 |
| 3 | 354 | Structures and Improvements | 19,319,421 | (4,269,219) | 15,050,202 |
| 4 | 355 | Power Generation Equipment | 543,670 | 5,004 | 548,674 |
| 5 | 360 | Collection Sewers - Force | 1,161,105 | (164,647) | 996,458 |
| 6 | 361 | Collection Sewers - Gravity | 23,113,391 | (565,711) | 22,547,680 |
| 7 | 362 | Special Collecting Structures | | - | - |
| 8 | 363 | Customer Services | | - | - |
| 9 | 364 | Flow Measuring Devices | 47,019 | (412) | 46,607 |
| 10 | 366 | Reuse Services | 3,789,468 | (1,249) | 3,788,219 |
| 11 | 367 | Reuse Meters and Installation | 52,331 | - | 52,331 |
| 12 | 370 | Receiving Wells | 860,393 | - | 860,393 |
| 13 | 371 | Pumping Equipment | 1,858,411 | (284,996) | 1,573,415 |
| 14 | 374 | Reuse Distribution Reservoirs | 62,825 | - | 62,825 |
| 15 | 375 | Reuse Trans. And Distrib. System | 414,315 | (73,638) | 340,677 |
| 16 | 380 | Treatment and Disposal Equipment | 5,469,478 | (63,432) | 5,406,046 |
| 17 | 381 | Plant Sewers | 47,788 | (178) | 47,610 |
| 18 | 382 | Outfall Sewer Lines | 343,681 | - | 343,681 |
| 19 | 389 | Other Plant and Miscellaneous Equipment | 644,609 | (41,454) | 603,155 |
| 20 | 390 | Office Furniture and Equipment | 198,772 | - | 198,772 |
| 21 | 391 | Transportation Equipment | 26,078 | - | 26,078 |
| 22 | 392 | Stores Equipment | 8,968 | - | 8,968 |
| 23 | 393 | Tools, Shop, and Garage Equipment | 56,167 | - | 56,167 |
| 24 | 394 | Laboratory Equipment | 173,948 | - | 173,948 |
| 25 | 396 | Communications Equipment | 418,996 | (4,850) | 414,146 |
| 26 | 398 | Other Tangible Plant | - | - | - |
| 27 | | | | | |
| 28 | | **TOTAL WASTEWATER PLANT** | **$ 60,394,260** | **$ (5,464,782)** | **$ 54,929,478** |

| LINE NO. | ACCT. NO. | ACCOUNT NAME | COMPANY AS FILED | RUCO ADJ 1 | RUCO ADJ 2 | RUCO ADJ 3 | RUCO ADJ 4 | RUCO ADJ 5 | RUCO ADJ 6 | RUCO ADJ 7 | RUCO ADJ 8 | TOTAL PG 1 ADJ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 351 | Organization | $ - | | | | | | | | | $ - |
| 2 | 353 | Land | 1,783,426 | | | | | | | | | - |
| 3 | 354 | Structures & Improvements | 19,319,421 | | $ (36,500) | $ (348,603) | $ (83,652) | | | $ 3,725 | | (465,030) |
| 4 | 355 | Power Generation | 543,670 | | | | | | $ 5,004 | | | 5,004 |
| 5 | 360 | Collection Sewer Forced | 1,161,105 | | | | | | | | | - |
| 6 | 361 | Collection Sewers Gravity | 23,113,391 | $ - | | (7,527) | $ (1,203) | | | | | (8,730) |
| 7 | 362 | Special Collecting Structures | - | | | | | | | | | - |
| 8 | 363 | Customer Services | - | | | | | | | | | - |
| 9 | 364 | Flow Measuring Devices | 47,019 | | | | | | | | | - |
| 10 | 366 | Reuse Services | 3,789,468 | | | | | | | | | - |
| 11 | 367 | Reuse Meters and Installation | 52,331 | | | | | | | | | - |
| 12 | 370 | Receiving Wells | 860,393 | | | | | | | | | - |
| 13 | 371 | Pumping Equipment | 1,858,411 | | | (91,921) | (12,071) | | $ 1,530 | $ 4,864 | $ (136,488) | (234,086) |
| 14 | 374 | Reuse Distribution Reservoirs | 62,825 | | | | | | | | | - |
| 15 | 375 | Reuse Trans. and Dist. System | 414,315 | | | | | | | | | - |
| 16 | 380 | Treatment & Disposal Equip. | 5,469,478 | | | | | $ (38,250) | | | | (38,250) |
| 17 | 381 | Plant Sewers | 47,788 | | | | | | | | | - |
| 18 | 382 | Outfall Sewer Lines | 343,681 | | | | | | | | | - |
| 19 | 389 | Other Sewer Plant & Equip. | 644,609 | | | | | | $ 2,000 | | | 2,000 |
| 20 | 390 | Office Furniture & Equipment | 198,772 | | | | | | | | | - |
| 21 | 391 | Transportation Equipment | 26,078 | | | | | | | | | - |
| 22 | 392 | Stores Equipment | 8,968 | | | | | | | | | - |
| 23 | 393 | Tools, Shop And Garage Equip | 56,167 | | | | | | | | | - |
| 24 | 394 | Laboratory Equip | 173,948 | | | | | | | | | - |
| 25 | 396 | Communication Equip | 418,996 | | | | | | | | | - |
| 26 | 398 | Other Tangible Plant | - | | | | | | | | | - |
| 27 | | | | | | | | | | | | |
| 28 | | **TOTALS** | $ 60,394,260 | $ - | $ (36,500) | $ (448,051) | $ (96,926) | $ (38,250) | $ 8,534 | $ 8,589 | $ (136,488) | $ (739,092) |
| 29 | | | | | | | | | | | | |
| 30 | | | | | | | | | | | | |

31 ADJ 1 Removed.
32 ADJ 2 Disallow costs of 2004 PACE Report.
33 ADJ 3 Record abandonment of Wigwam and Bullard lift stations in July of 2002 per response to Staff Engineering request dated September 3, 2009.
34 ADJ 4 Record abandonment of Litchfield Greens lift stations in September of 2007.
35 ADJ 5 Remove water treatment plant transferred to Black Mountain Sewer Company in 2008 using company revised amount per Rebuttal Schedule B-2, Page 3.2.
36 ADJ 6 Capitalize test year expenses in 2007 from Loftin Equipment, Precision Electric, and KEOGH Engineering.
37 ADJ 7 Capitalize test year expenses in 2008 from Precision Electric and Dean Fence & Gate.
38 ADJ 8 Reclassify Repair invoices from Precision Electric during 2008 to Contractual Services - Other.

| LINE NO. | ACCT. NO. | ACCOUNT NAME | RUCO ADJ 9 | RUCO ADJ 10 | RUCO ADJ 11 | RUCO ADJ 12 | RUCO ADJ 13 | RUCO ADJ 14 | RUCO ADJ 15 | RUCO ADJ 16 | TOTAL PG 2 ADJ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 351 | Organization | | | | | | | | | $ - |
| 2 | 353 | Land | | | | | | | | | - |
| 3 | 354 | Structures & Improvements | | $ 31,804 | $ 14,187 | $ 1,378 | $ 57,739 | $ 58,210 | $ (55,508) | $ (40,684) | 67,126 |
| 4 | 355 | Power Generation | | | | | | | | | - |
| 5 | 360 | Collection Sewer Forced | | 11,360 | 7,843 | 268 | | 154 | (30,284) | (21,550) | (32,209) |
| 6 | 361 | Collection Sewers Gravity | | 51,113 | 135,919 | 78,415 | 102,212 | 36,779 | (125,280) | (327,018) | (47,860) |
| 7 | 362 | Special Collecting Structures | | | | | | | | | - |
| 8 | 363 | Customer Services | | | | | | | | | - |
| 9 | 364 | Flow Measuring Devices | | | 341 | | | | | (753) | (412) |
| 10 | 366 | Reuse Services | | | | | 665 | 886 | | | 1,551 |
| 11 | 367 | Reuse Meters and Installation | | | | | | | | | - |
| 12 | 370 | Receiving Wells | | | | | | | | | - |
| 13 | 371 | Pumping Equipment | $ (33,887) | 604 | 11,712 | 568 | 70 | 1,174 | (1,300) | (25,638) | (46,697) |
| 14 | 374 | Reuse Distribution Reservoirs | | | | | | | | | - |
| 15 | 375 | Reuse Trans. and Dist. System | | | | | | | | | - |
| 16 | 380 | Treatment & Disposal Equip. | | 1,063 | 872 | 4,522 | 11,615 | 111 | (2,000) | (1,860) | 14,323 |
| 17 | 381 | Plant Sewers | | | | | | 222 | | | 222 |
| 18 | 382 | Outfall Sewer Lines | | | | | | | | | - |
| 19 | 389 | Other Sewer Plant & Equip. | | 11,334 | 1,715 | 443 | 1,357 | 14,506 | (23,209) | (3,750) | 2,396 |
| 20 | 390 | Office Furniture & Equipment | | | | | | | | | - |
| 21 | 391 | Transportation Equipment | | | | | | | | | - |
| 22 | 392 | Stores Equipment | | | | | | | | | - |
| 23 | 393 | Tools, Shop And Garage Equip | | | | | | | | | - |
| 24 | 394 | Laboratory Equip | | | | | | | | | - |
| 25 | 396 | Communication Equip | | | | | | | | | - |
| 26 | 398 | Other Tangible Plant | | | | | | | | | - |
| 27 | | | | | | | | | | | |
| 28 | | **TOTALS** | $ (33,887) | $ 107,278 | $ 172,589 | $ 85,594 | $ 173,658 | $ 112,042 | $ (237,581) | $ (421,253) | $ (41,560) |
| 29 | | | | | | | | | | | |
| 30 | | | | | | | | | | | |

31 ADJ 9 Reclassify Repair invoice from Precision Electric during 2007 to Contractual Services - Other, and remove Precision repair invoice from 2007. The
32 first invoice ($14,691) is within the test year and includable in expense, while the second ($19,196) is outside the test year, and not included in expense.
33 ADJ 10 Reverse Company Adjustment for 2004 Affiliate Profit
34 ADJ 11 Reverse Company Adjustment for 2005 Affiliate Profit
35 ADJ 12 Reverse Company Adjustment for 2006 Affiliate Profit
36 ADJ 13 Reverse Company Adjustment for 2007 Affiliate Profit
37 ADJ 14 Reverse Company Adjustment for 2008 Affiliate Profit
38 ADJ 15 Remove 2004 unsupported affiliate labor costs by estimated year related asset placed in service.
39 ADJ 16 Remove 2005 unsupported affiliate labor costs by estimated year related asset placed in service.

| LINE NO. | ACCT. NO. | ACCOUNT NAME | RUCO ADJ 17 | RUCO ADJ 18 | RUCO ADJ 19 | RUCO ADJ 20 | RUCO ADJ 21 | RUCO ADJ 22 | TOTAL PG 3 ADJ | TOTAL ALL ADJS |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 351 | Organization | | | | | | | $ - | $ - |
| 2 | 353 | Land | | | | | | | - | - |
| 3 | 354 | Structures & Improvements | $ (7,035) | | $ (362,512) | $ (3,286,229) | $ (1,768) | $ (213,771) | (3,871,315) | (4,269,219) |
| 4 | 355 | Power Generation | | | | | | | - | 5,004 |
| 5 | 360 | Collection Sewer Forced | (131,238) | | (1,200) | | | | (132,438) | (164,647) |
| 6 | 361 | Collection Sewers Gravity | (162,996) | $ (288,769) | (57,356) | | | | (509,121) | (565,711) |
| 7 | 362 | Special Collecting Structures | | | | | | | - | - |
| 8 | 363 | Customer Services | | | | | | | - | - |
| 9 | 364 | Flow Measuring Devices | | | | | | | - | (412) |
| 10 | 366 | Reuse Services | | (1,200) | (1,600) | | | | (2,800) | (1,249) |
| 11 | 367 | Reuse Meters and Installation | | | | | | | - | - |
| 12 | 370 | Receiving Wells | | | | | | | - | - |
| 13 | 371 | Pumping Equipment | (1,200) | (200) | (2,813) | | | | (4,213) | (284,996) |
| 14 | 374 | Reuse Distribution Reservoirs | | | | | | | - | - |
| 15 | 375 | Reuse Trans. and Dist. System | | | (73,638) | | | | (73,638) | (73,638) |
| 16 | 380 | Treatment & Disposal Equip. | (8,756) | (30,549) | (200) | | | | (39,505) | (63,432) |
| 17 | 381 | Plant Sewers | | | (400) | | | | (400) | (178) |
| 18 | 382 | Outfall Sewer Lines | | | | | | | - | - |
| 19 | 389 | Other Sewer Plant & Equip. | (800) | (2,450) | (42,600) | | | | (45,850) | (41,454) |
| 20 | 390 | Office Furniture & Equipment | | | | | | | - | - |
| 21 | 391 | Transportation Equipment | | | | | | | - | - |
| 22 | 392 | Stores Equipment | | | | | | | - | - |
| 23 | 393 | Tools, Shop And Garage Equip | | | | | | | - | - |
| 24 | 394 | Laboratory Equip | | | | | | | - | - |
| 25 | 396 | Communication Equip | | | (4,850) | | | | (4,850) | (4,850) |
| 26 | 398 | Other Tangible Plant | | | | | | | - | - |
| 27 | | | | | | | | | | |
| 28 | | **TOTALS** | $ (312,025) | $ (323,168) | $ (547,169) | $ (3,286,229) | $ (1,768) | $ (213,771) | $ (4,684,130) | $ (5,464,782) |
| 29 | | | | | | | | | | |
| 30 | | | | | | | | | | |

31 ADJ 17 Remove 2006 unsupported affiliate labor costs by estimated year related asset placed in service.
32 ADJ 18 Remove 2007 unsupported affiliate labor costs by estimated year related asset placed in service.
33 ADJ 19 Remove 2008 unsupported affiliate labor costs by estimated year related asset placed in service.
34 ADJ 20 Remove costs associated with the PVWRF at 50% of amount incurred ($3,500,000) and placed in service during the Test Year,
35 per testimony of Matthew Rowell, and adjust for retirements provided by Company in Exhibit A-39 ($213,771).
36 ADJ 21 Per Rebuttal Schedule B-2, Page 3, Adjustment D adds $7,072 to account 354, yet this amount is not explained. RUCO makes an
37 adjustment to remove the actual amount recorded to account 354 for rent in 2002.
38 ADJ 22 Remove retirements associated with PVWRF costs included in Test Year per Company Exhibit A-39.

## OPERATING INCOME

| LINE NO. | DESCRIPTION | (A) COMPANY AS FILED | (B) RUCO TEST YEAR ADJUSTMENTS | REF | (C) RUCO TEST YEAR AS ADJUSTED | (D) RUCO PROPOSED CHANGES | (E) RUCO AS RECOMMENDED |
|---|---|---|---|---|---|---|---|
| 1 | Revenues | | | | | | |
| 2 | Flat Rate Revenues | $ 6,164,589 | | | $ 6,164,589 | $ 2,107,409 | $ 8,271,998 |
| 3 | Measured Revenues | 92,030 | 2,813 | 1 | 94,843 | 338,898 | 433,741 |
| 4 | Other Wastewater Revenues | 99,755 | | | 99,755 | | 99,755 |
| 5 | | | | | - | | - |
| 6 | TOTAL OPERATING REVENUE | $ 6,356,374 | $ 2,813 | | $ 6,359,187 | $ 2,446,307 | $ 8,805,494 |
| 7 | | | | | | | |
| 8 | Operating Expenses | | | | | | |
| 9 | Salaries & Wages | $ - | | | $ - | | $ - |
| 10 | Purchased Wastewater Treatment | 1,205 | | | 1,205 | | 1,205 |
| 11 | Sludge Removal Expense | 267,554 | | | 267,554 | | 267,554 |
| 12 | Purchased Power | 632,064 | (406) | 2/3 | 631,658 | | 631,658 |
| 13 | Fuel for Power Production | 2,076 | (425) | 2 | 1,651 | | 1,651 |
| 14 | Chemicals | 279,749 | (12,089) | 3 | 267,660 | | 267,660 |
| 15 | Materials and Supplies | 75,579 | (13,520) | 8 | 62,059 | | 62,059 |
| 16 | Contractual Services | 3,117 | | | 3,117 | | 3,117 |
| 17 | Contractual Services - Testing | 33,348 | (6,398) | 5 | 26,951 | | 26,951 |
| 18 | Contractual Services - Other | 2,716,000 | (157,307) | 4a-e | 2,558,693 | | 2,558,693 |
| 19 | Contractual Services - Legal | 24,084 | | | 24,084 | | 24,084 |
| 20 | Equipment Rental | 78,309 | (4,387) | 7 | 73,922 | | 73,922 |
| 21 | Rents - Building | 18,976 | | | 18,976 | | 18,976 |
| 22 | Transportation Expenses | 69,551 | (17,726) | 6 | 51,825 | | 51,825 |
| 23 | Insurance - General Liability | 32,133 | | | 32,133 | | 32,133 |
| 24 | Insurance - Vehicle | 2,213 | | | 2,213 | | 2,213 |
| 25 | Regulatory Comm. Expense | 19,133 | | | 19,133 | | 19,133 |
| 26 | Regulatory Comm, Exp. - Rate Case | 70,000 | (28,000) | 14 | 42,000 | | 42,000 |
| 27 | Miscellaneous Expense | 36,656 | (6,409) | 9 | 30,247 | | 30,247 |
| 28 | Bad Debt Expense | 43,889 | (40,848) | 10 | 3,041 | | 3,041 |
| 29 | Depreciation & Amortization | 1,550,237 | (213,275) | 11a-b | 1,336,962 | | 1,336,962 |
| 30 | Taxes Other Than Income | - | | | - | | - |
| 31 | Property Taxes | 336,629 | (81,924) | 12 | 254,705 | 33,223 | 287,928 |
| 32 | Income Tax | (99,906) | 250,459 | 13 | 150,553 | 931,423 | 1,081,976 |
| 33 | | | | | - | | - |
| 34 | | | | | | | |
| 35 | TOTAL OPERATING EXPENSES | $ 6,192,596 | $ (332,255) | | $ 5,860,341 | $ 964,646 | $ 6,824,987 |
| 36 | | | | | | | |
| 37 | **OPERATING INCOME (LOSS)** | **$ 163,778** | **$ 335,068** | | **$ 498,846** | **$ 1,481,659** | **$ 1,980,505** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1 TO MEASURED REVENUES

| LINE NO. | DESCRIPTION | AMOUNT | REFERENCE |
|---|---|---|---|
| 1 | Company Test Year Effluent Revenue per data Response | $ 94,843 | RUCO MJR 2.19 and 2.20 |
| 2 | | | |
| 3 | Company Test Year Effluent Revenue per Application | 92,030 | Schedule C-1 |
| 4 | | | |
| 5 | **RUCO Adjustment to Increase Test Year Effluent Revenue** | **$ 2,813** | |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
## TO FUEL FOR POWER PRODUCTION

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | APS | MAY08-342122282 | $ (425) |
| 2 | | | |
| 3 | **RUCO Adjustment to Move Expense to Purchased Power** | | **$ (425)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
## TO CHEMICALS

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | HILL BROTHERS CHEMICAL CO. | Invoice No. 04293182 | $ (891) |
| 2 | HILL BROTHERS CHEMICAL CO. | Invoice No. 04293614 | (267) |
| 3 | HILL BROTHERS CHEMICAL CO. | Invoice No. 04293602 | (2,226) |
| 4 | Ashland Specialty | Invoice No. 2500042992 | (9,618) |
| 5 | | | |
| 6 | **RUCO Adjustment To Remove Expenses Outside of Test Year** | | **$ (13,002)** |
| 7 | | | |
| 8 | | | |
| 9 | HILL BROTHERS CHEMICAL CO. | Invoice No. 04305583 | $ 831 |
| 10 | | | |
| 11 | **RUCO Adjustment To Move Expense from Purchased Power** | | **$ 831** |
| 12 | | | |
| 13 | RUCO Adjustment to Company Annualized Chemicals | | $ 82 |
| 14 | | | |
| 15 | **TOTAL RUCO ADJUSTMENT TO CHEMICALS** | | **$ (12,089)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4a
## TO CONTRACTUAL SERVICES - OTHER

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Loftin Equipment Co. (Generator duct fabricated & installed) | Invoice No. 0752086 (Dec. 32, 2007) | $ (5,004) |
| 2 | Precision Electric Co. (Install rebuilt pump) | Invoice No. 1-047294 (Oct. 5, 2007) | (1,530) |
| 3 | Precision Electric Co. (New reinforced strainer baskets installed) | Invoice No. 1-049159 (Mar. 20, 2008) | (4,864) |
| 4 | Dean Fence & Gate (Fence fabricated and installed) | Invoice No. 109347 (Jan. 11, 2008) | (3,725) |
| 5 | KEOGH Engineering (Odor monitor - site plan and pole mount) | Invoice No. 22477 (Oct. 9, 2007) | (1,450) |
| 6 | KEOGH Engineering (Odor monitor - legal description and map) | Invoice No. 22637 (Dec. 6, 2007) | (550) |
| 7 | | | |
| 8 | **RUCO Adjustment To Remove Expenses To Be Capitalized** | | **$ (17,123)** |
| 9 | | | |
| 10 | | | |
| 11 | Keller Equipment Co. (Filter System Repair) | Invoice No. 0167123-IN (Sept. 14, 2007) | $ (8,054) |
| 12 | Keller Equipment Co. (Work on UV System) | Invoice No. 0167341-IN (Sept. 19, 2007) | (525) |
| 13 | Yahweh Contracting, LLC (Remove Sewer Lift Station) | Invoice No. 1 (September 21, 2007) | (8,003) |
| 14 | | | |
| 15 | **RUCO Adjustment To Remove Expenses Outside of Test Year** | | **$ (16,582)** |
| 16 | | | |
| 17 | | | |
| 18 | SunCor Farms (Effluent Clean Up and Oat Crop Planting) | Invoice No. 093007LPSCO (Oct. 3, 2007) | $ (19,784) |
| 19 | | | |
| 20 | **RUCO Adjustment to Remove Non-Recurring Expenses** | | **$ (19,784)** |
| 21 | | | |
| 22 | | | |
| 23 | GreensKeeper, LLC (Remove weeds at LPSCO Farm) | Invoice No. 4340 (Oct. 18, 2007) | $ (11,500) |
| 24 | Pro-Tech Environmental (Clean Sewer Lines in Gilbert, AZ) | Invoice No. 08012201 (Jan. 25, 2008) | (4,928) |
| 25 | | | |
| 26 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | **$ (16,428)** |
| 27 | | | |
| 28 | | | |
| 29 | Thomas J. Bourassa, CPA (Professional Service) | Invoice No. 1000002402 (Dec 10, 2007) | $ (155) |
| 30 | Thomas J. Bourassa, CPA (Rate Review - Water and Sewer) | Invoice No. 1000002413 (Feb 5, 2008) | (981) |
| 31 | | | |
| 32 | **RUCO Adjustment to Remove Expenses Included in Estimated Rate Case Expense** | | **$ (1,136)** |
| 33 | | | |
| 34 | | | |
| 35 | **TOTAL RUCO ADJUSTMENT TO OUTSIDE SERVICES - OTHER** | | **$ (71,053)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4b
## TO CONTRACTUAL SERVICES - OTHER AND ADMINISTRATIVE ALLOCATION - AWS

| LINE NO. | GENERAL LEDGER ACCOUNT | VENDOR | DESCRIPTION | AMOUNT |
|---|---|---|---|---|
| 1 | Contractual Services-AWS | Algonquin Water Services | Recon fees to 4 factor | $ - |
| 2 | Contractual Services-AWS | Algonquin Water Services | Recon fees to 4 factor | - |
| 3 | Admin Allocation-AWS | Algonquin Water Services | Recon fees to 4 factor | - |
| 4 | | | | |
| 5 | Contractual Services-Other | Aerotek/AWS | Rebuttal Schedule C-1, Page 2.1 | (42,200) |
| 6 | | | | |
| 7 | | | | |
| 8 | | | **RUCO Adjustment To Remove Expenses** | **$ (42,200)** |

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4c**
**TO CONTRACTUAL SERVICES - OTHER**

| LINE NO. | GENERAL LEDGER ACCOUNT | VENDOR | DESCRIPTION | AMOUNT |
|---|---|---|---|---|
| 1 | Central Office - Accounting/Administration | Algonquin Power Trust | GENERAL ACCTIN FEE - LPSCO | $ (1,793) |
| 2 | Central Office - Human Resources | Algonquin Power Trust | GEN HR FEE- LPSCO | (6,138) |
| 3 | Central Office - Information Technology | Algonquin Power Trust | GEN IT FEE- LPSCO | (518) |
| 4 | Central Office - Operations | Algonquin Power Trust | GENERAL OPS | (764) |
| 5 | Central Office Fixed Overhead Costs | Algonquin Power Trust | MGMT FEE- LPSCO | (177,737) |
| 6 | | | | |
| 7 | | | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | **$ (186,950)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4d
## TO CONTRACTUAL SERVICES - OTHER

| LINE NO. | DESCRIPTION | ACCOUNT | REFERENCE | AMOUNT |
|---|---|---|---|---|
| 1 | Algonquin Water Resources | Meals and Entertainment | MISC. SUPPLIES | $ (488) |
| 2 | Algonquin Water Resources | Meals and Entertainment | Expense Reports/Travel | (19,123) |
| 5 | Algonquin Water Resources | Meals and Entertainment | DJ SERVICE - XMAS PARTY | (495) |
| 6 | Algonquin Water Resources | Meals and Entertainment | For Holiday Party Dec. 2008 | (4,959) |
| 7 | Algonquin Water Resources | Meals and Entertainment | BALANCE DUE FOR 2008 XMAS PART | (953) |
| 8 | Algonquin Water Resources | Meals and Entertainment | 2007 CAPITAL PRJECTS PLANNING | (211) |
| 9 | Algonquin Water Resources | Meals and Entertainment | Exp cost for the DBack game | (6,400) |
| 10 | Algonquin Water Resources | Meals and Entertainment | Catered lunch | (412) |
| 11 | Algonquin Water Resources | Licenses, Permits & Fees | FALSE ALARM FINE | (150) |
| 12 | Algonquin Water Resources | Licenses, Permits & Fees | FALSE ALARM FINE | (200) |
| 13 | Algonquin Water Resources | Licenses, Permits & Fees | Credit for Alarm Violation | 250 |
| 14 | Algonquin Water Resources | Dues & Memberships | HR Membership | (274) |
| 15 | Algonquin Water Resources | Dues & Memberships | TWC-FY08 DUES | (1,504) |
| 16 | Algonquin Water Resources | Dues & Memberships | TWC FY08 MBRSHIP DUES | (709) |
| 17 | Algonquin Water Resources | Dues & Memberships | r/c membership fee for 2008 | 1,378 |
| 18 | Algonquin Water Resources | Dues & Memberships | r/c membership fee for 2008 | 650 |
| 19 | Algonquin Water Resources | Dues & Memberships | MEMBERSHIP RENEWAL | (160) |
| 20 | Algonquin Water Resources | Dues & Memberships | MANAGEMENT PUBLICATIONS | (99) |
| 21 | Algonquin Water Resources | Dues & Memberships | Exp Tx Rual Water Assoc. Membe | (383) |
| 22 | Algonquin Water Resources | Dues & Memberships | Exp Tx Rual Wtr Assoc Membersh | (383) |
| 23 | Algonquin Water Resources | Dues & Memberships | exp Tx Rual Water Assoc Member | (383) |
| 24 | | | | |
| 25 | | | Total Expenses | $ (35,008) |
| 26 | | | | |
| 27 | | | Wastewater Division Allocation Factor | 23.66% |
| 28 | | | | |
| 29 | | | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | **$ (8,283)** |

*Note: Account names and references above are per Algonquin journal entries in its general ledger.*

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4e
## TO CONTRACTUAL SERVICES - OTHER

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Precision Electric Co., Inc. | Invoice 1-048214 | $ 14,691 |
| 2 | Precision Electric Co., Inc. | Invoice 1-048528 | 23,931 |
| 5 | Precision Electric Co., Inc. | Invoice 1-049514A | 25,391 |
| 6 | Precision Electric Co., Inc. | Invoice 1 -050074 | 14,862 |
| 7 | Precision Electric Co., Inc. | Invoice 1-050769 | 1,239 |
| 8 | Precision Electric Co., Inc. | Invoice 1 -050812 | 19,924 |
| 9 | Precision Electric Co., Inc. | Invoice 1 -050929 | 28,289 |
| 10 | Precision Electric Co., Inc. | Invoice 1-051517 | 7,826 |
| 11 | Precision Electric Co., Inc. | Invoice 1-050563 | 15,026 |
| 12 | | | |
| 13 | **Reclassified from Account 371 for Repairs During the Test Year** | | **$ 151,179** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5
## TO CONTRACTUAL SERVICES - TESTING

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | LEGEND TECHNICAL SERVICES | Invoice No. 0714659 | $ (28.00) |
| 2 | LEGEND TECHNICAL SERVICES | Invoice No. 0714650 | (28.00) |
| 3 | LEGEND TECHNICAL SERVICES | Invoice No. 0714652 | (28.00) |
| 4 | LEGEND TECHNICAL SERVICES | Invoice No. 0714647 | (28.00) |
| 5 | LEGEND TECHNICAL SERVICES | Invoice No. 0714641 | (28.00) |
| 6 | LEGEND TECHNICAL SERVICES | Invoice No. 0714630 | (28.00) |
| 7 | LEGEND TECHNICAL SERVICES | Invoice No. 0714601 | (252.80) |
| 8 | LEGEND TECHNICAL SERVICES | Invoice No. 0714602 | (96.00) |
| 9 | LEGEND TECHNICAL SERVICES | Invoice No. 0714676 | (497.60) |
| 10 | LEGEND TECHNICAL SERVICES | Invoice No. 0714665 | (28.00) |
| 11 | LEGEND TECHNICAL SERVICES | Invoice No. 0714621 | (28.00) |
| 12 | LEGEND TECHNICAL SERVICES | Invoice No. 0714918 | (28.00) |
| 13 | LEGEND TECHNICAL SERVICES | Invoice No. 0714916 | (28.00) |
| 14 | LEGEND TECHNICAL SERVICES | Invoice No. 0714901 | (28.00) |
| 15 | LEGEND TECHNICAL SERVICES | Invoice No. 0714907 | (28.00) |
| 16 | LEGEND TECHNICAL SERVICES | Invoice No. 0714896 | (28.00) |
| 17 | LEGEND TECHNICAL SERVICES | Invoice No. 0712007 | (68.00) |
| 18 | LEGEND TECHNICAL SERVICES | Invoice No. 0711989 | (68.00) |
| 19 | LEGEND TECHNICAL SERVICES | Invoice No. 0711986 | (68.00) |
| 20 | LEGEND TECHNICAL SERVICES | Invoice No. 0711610 | (68.00) |
| 21 | LEGEND TECHNICAL SERVICES | Invoice No. 0711608 | (68.00) |
| 22 | Lamb Tech | Invoice No. 1142 | (4,375.00) |
| 23 | LEGEND TECHNICAL SERVICES | Invoice No. 0807373 | (41.60) |
| 24 | LEGEND TECHNICAL SERVICES | Invoice No. 0807211 | (390.00) |
| 25 | LEGEND TECHNICAL SERVICES | Invoice No. 0809433 | (40.50) |
| 26 | | | |
| 27 | **RUCO Adjustment To Remove Expenses Outside of Test Year** | | **$ (6,398)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
## TO TRANSPORTATION EXPENSES

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Jerry and Lori King | CHK 3152 | $ (1,500) |
| 2 | Algonquin Water Services | Invoice No. SALES000000001019 | (12,910) |
| 3 | Algonquin Water Services | Invoice No. SALES000000001036 | (3,292) |
| 4 | | | |
| 5 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | **$ (17,702)** |
| 6 | | | |
| 7 | | | |
| 8 | Commonwealth Tow & Transport | Invoice No. 4389 | $ (25) |
| 9 | | | |
| 10 | **RUCO Adjustment to Remove Non-Recurring Expense** | | **$ (25)** |
| 11 | | | |
| 12 | **TOTAL RUCO ADJUSTMENT TO TRANSPORTATION EXPENSES** | | **$ (17,726)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
## TO RENTAL OF EQUIPMENT

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | RAIN FOR RENT | Invoice No. 092011748 | $ (2,303) |
| 2 | PUMP RENTAL DURING SUPERBOWL | Invoice No. 0038296 | (2,084) |
| 3 | | | |
| 4 | **RUCO Adjustment to Remove Non-Recurring Expenses** | | $ (4,387) |
| 5 | | | |
| 6 | | | |
| 7 | **TOTAL RUCO ADJUSTMENT TO RENTAL OF EQUIPMENT** | | **$ (4,387)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
## TO MATERIALS AND SUPPLIES

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Culligan | SEP07-291-09981218-7 | $ (169) |
| 2 | Culligan | SEP07-291099812260 | (184) |
| 3 | Culligan | OCT07-291099812187 | (186) |
| 4 | Culligan | OCT07-291099812260 | (375) |
| 5 | Culligan | 291X08946503 | (15) |
| 6 | Culligan | 291X08946602 | (428) |
| 7 | Culligan | 291X09027402 | (97) |
| 8 | Culligan | 291X09027501 | (219) |
| 9 | Culligan | 291X09106107 | (49) |
| 10 | Culligan | 291X09106206 | (353) |
| 11 | Culligan | 291X09188709 | (173) |
| 12 | Culligan | 291X09188808 | (488) |
| 13 | Culligan | 291X09272404 | (322) |
| 14 | Culligan | 291X09359607 | (83) |
| 15 | Culligan | 291X09359706 | (400) |
| 16 | Culligan | 291X09272305 | (51) |
| 17 | Culligan | 291X09448202 | (115) |
| 18 | Culligan | 291X09448301 | (438) |
| 19 | Culligan | 291X09541600 | (317) |
| 20 | Culligan | 291X09541501 | (101) |
| 21 | Culligan | 291X09641400 | (644) |
| 22 | Culligan | 291X09641301 | (126) |
| 23 | Culligan | 291X09748908 | (155) |
| 24 | Culligan | 291X09749005 | (487) |
| 25 | | | |
| 26 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | **$ (5,975)** |
| 27 | | | |
| 28 | | | |
| 29 | HARRINGTON INDUSTRIAL PLASTICS | Invoice No. 015B0142A | $ (662) |
| 30 | Pro-Tec Environmental Inc. | Invoice No. 07091001 | (6,351) |
| 31 | ZEP MFG COMPANY | Invoice No. 69643508 | (256) |
| 32 | ZEP MFG COMPANY | Invoice No. 69640081 | (276) |
| 33 | | | |
| 34 | **RUCO Adjustment To Remove Expenses Outside of Test Year** | | **$ (7,545)** |
| 35 | | | |
| 36 | | | |
| 37 | **TOTAL RUCO ADJUSTMENT TO MATERIALS AND SUPPLIES** | | **$ (13,520)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
## TO MISCELLANEOUS EXPENSES

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Bank Charges | 11/5 merchant fee | $ (1,537.71) |
| 2 | Bank Charges | Write off Unrec Variance | (338.37) |
| 3 | Bank Charges | 1/3 Merchant Fees | (862.48) |
| 4 | Bank Charges | Merchant Fees | (13.58) |
| 5 | Bank Charges | 2/5 Merchant Fees | (981.61) |
| 6 | Bank Charges | BANK & MERCHANT FEES | (1,109.27) |
| 7 | Bank Charges | Merchant Fees | (1,072.00) |
| 8 | Meals and Entertainment | PRTS/TOOLS/MLS/GAS/MILGE/TELEP | (91.93) |
| 9 | Meals and Entertainment | MATERIAL/TRAVEL/UTILITIES | (76.56) |
| 10 | Meals and Entertainment | MTRL/TRVL/TELEPHONE | (27.97) |
| 11 | Meals and Entertainment | PARTS/EQPMT/TRAVEL/TELEPHONE | (116.41) |
| 12 | Meals and Entertainment | PARTS/TRAVEL/ TELEPHONE | (15.82) |
| 13 | Meals and Entertainment | PARTS/TRAVEL/CELLULAR | (14.98) |
| 14 | Meals and Entertainment | 8600-0200-repairs | (150.74) |
| 15 | | | |
| 16 | **RUCO Adjustment To Remove Unnecessary/Inappropriate Expenses** | | **$ (6,409)** |
| 17 | | | |
| 18 | **TOTAL RUCO ADJUSTMENT TO MISCELLANEOUS EXPENSES** | | **$ (6,409)** |

*Note: Descriptions and references above are per company journal entries in the general ledger.*

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
## TO BAD DEBT EXPENSE

| Line No. | Description | | Amount |
|---|---|---|---|
| 1 | Bad Debt Expense -- Company as Filed | | $ 43,889 |
| 2 | | | |
| 3 | Test Year Revenues -- Company as Filed | $ 6,383,886 | |
| 4 | Bad Debt Percentage -- RUCO Selected | x 0.0476% | |
| 5 | Bad Debt Expense -- RUCO Adjusted | | 3,041 |
| 6 | | | |
| 7 | **RUCO ADJUSTMENT TO BAD DEBT EXPENSE** | | **$ (40,848)** |

| | Wastewater Division | | | Water Division | | |
|---|---|---|---|---|---|---|
| | (A) | (B) | (C ) | (D) | (E) | (F) |
| Description | Test Year Ended 30-Sep-08 | Prior Year Ended 30-Sep-07 | Prior Year Ended 30-Sep-06 | Test Year Ended 30-Sep-08 | Prior Year Ended 30-Sep-07 | Prior Year Ended 30-Sep-06 |
| Revenues | $6,383,886 | $ 6,191,689 | $ 5,851,080 | $ 6,851,029 | $ 6,749,901 | $6,389,605 |
| Bad Debt Expense | $ 43,889 | $ 19,632 | $ 2,773 | $ 3,264 | $ 1,898 | $ 20,483 |
| Bad Debt as a % of Revenues (L3 / L1) | 0.6875% | 0.3171% | 0.0474% | **0.0476%** | 0.0281% | 0.3206% |
| Growth in Revenues from Prior Year | 3.10% | 5.82% | | 1.50% | 5.64% | |
| Growth in Bad Debt from Prior Year | 123.56% | 607.97% | | 71.97% | -90.73% | |

References:
Revenues and Bad Debt Expense in Columns (A), (B) and (C ): Company Schedule E-2 -- Wastewater Division
Revenues and Bad Debt Expense in Columns (D), (E) and (F): Company Schedule E-2 -- Water Division

*Note: For purposes of making its adjustment to bad debt expense, RUCO utilized the 0.0476% bad debt as a percent of revenues figure experienced by the Company's Water Division during the test year ended September 30, 2008. This figure appears in Column D, Line 18, of the chart above.*

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11a
## TO DEPRECIATION EXPENSE

| LINE NO. | ACCT NO. | PLANT ACCOUNT | RUCO ORIGINAL COST | PROPOSED DEPR RATE | PROPOSED DEPR EXPENSE |
|---|---|---|---|---|---|
| 1 | 351 | Organization | $ - | | |
| 2 | 353 | Land | 1,783,426 | | |
| 3 | 354 | Structures & Improvements | 15,050,202 | 3.33% | 501,172 |
| 4 | 355 | Power Generation | 548,674 | 5.00% | 27,434 |
| 5 | 360 | Collection Sewer Forced | 996,458 | 2.00% | 19,929 |
| 6 | 361 | Collection Sewers Gravity | 22,547,680 | 2.00% | 450,954 |
| 7 | 362 | Special Collecting Structures | - | 2.00% | - |
| 8 | 363 | Customer Services | - | 2.00% | - |
| 9 | 364 | Flow Measuring Devices | 46,607 | 10.00% | 4,661 |
| 10 | 366 | Reuse Services | 3,788,219 | 2.00% | 75,764 |
| 11 | 367 | Reuse Meters and Installation | 52,331 | 8.33% | 4,359 |
| 12 | 370 | Receiving Wells | 860,393 | 3.33% | 28,651 |
| 13 | 371 | Pumping Equipment | 1,573,415 | 12.50% | 196,677 |
| 14 | 374 | Reuse Distribution Reservoirs | 62,825 | 2.50% | 1,571 |
| 15 | 375 | Reuse Trans. and Dist. System | 340,677 | 2.50% | 8,517 |
| 16 | 380 | Treatment & Disposal Equip. | 5,406,046 | 5.00% | 270,302 |
| 17 | 381 | Plant Sewers | 47,610 | 5.00% | 2,381 |
| 18 | 382 | Outfall Sewer Lines | 343,681 | 3.33% | 11,445 |
| 19 | 389 | Other Sewer Plant & Equip. | 603,155 | 6.67% | 40,230 |
| 20 | 390 | Office Furniture & Equipment | 198,772 | 6.67% | 13,258 |
| 21 | 391 | Transportation Equipment | 26,078 | 20.00% | 5,216 |
| 22 | 392 | Stores Equipment | 8,968 | 4.00% | 359 |
| 23 | 393 | Tools, Shop And Garage Equip | 56,167 | 5.00% | 2,808 |
| 24 | 394 | Laboratory Equip | 173,948 | 10.00% | 17,395 |
| 25 | 396 | Communication Equip | 414,146 | 10.00% | 41,415 |
| 26 | 398 | Other Tangible Plant | - | | - |
| 27 | | | | | - |
| 28 | | **TOTALS** | **$ 54,929,478** | | **$ 1,724,496** |
| 29 | | | | | |
| 30 | | | | | |
| 31 | | Less: Amortization of CIAC per Company Rejoinder Schedule C-2, Page 2 | | | $ (372,876) |
| 32 | | | | | |
| 33 | | Total Proposed Depreciation Expense Per RUCO | | | $ 1,351,620 |
| 34 | | | | | |
| 35 | | Total Proposed Depreciation Expense Per Company | | | $ 1,550,237 |
| 36 | | | | | |
| 37 | | Net Decrease to Depreciation Expense | | | $ (198,617) |
| 38 | | | | | |
| 39 | | | | | |
| 40 | | **RUCO Adjustment To Plant Depreciation Expense** | | | **$ (198,617)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11b
## TO DEPRECIATION EXPENSE

| LINE NO. | DESCRIPTION | REFERENCE | | TOTAL |
|---|---|---|---|---|
| 1 | Total Amortization of Debt Discount Per RUCO | | $ | - |
| 2 | | | | |
| 3 | Test Year Adjusted Amortization of Debt Discount As Filed | | $ | 14,658 |
| 4 | | | | |
| 5 | **RUCO Adjustment To Amortization of Debt Discount** | | $ | (14,658) |
| 6 | | | | |
| 7 | **TOTAL RUCO ADJUSTMENT TO DEPRECIATION EXPENSE** | | **$** | **(14,658)** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
## TO PROPERTY TAX

| LINE NO. | DESCRIPTION | REFERENCE | (A) | (B) |
|---|---|---|---|---|
| 1 | Calculation Of The Company's Full Cash Value: | | | |
| 2 | | | | |
| 3 | Annual Operating Revenues: | | | |
| 4 | Year Ended 09/30/2008 | | $ 6,359,187 | |
| 5 | Year Ended 09/30/2008 | | 6,359,187 | |
| 6 | Proposed Revenue | | 8,805,494 | |
| 7 | Total Three Year Operating Revenues | Sum of Lines 4, 5, & 6 | $ 21,523,868 | |
| 8 | Average Annual Operating Revenues | Line 7 / 3 | $ 7,174,623 | |
| 9 | | | | |
| 10 | Two Times Three Year Average Operating Revenues | Line 8 X 2 | | $ 14,349,245 |
| 11 | | | | |
| 12 | ADD: | | | |
| 13 | 10% of construction Work In Progress ("CWIP"): | | | |
| 14 | Test Year CWIP | Co. Sch E-1, Line 4 | $ 393,011 | |
| 15 | 10% of CWIP | Line 14 X 10% | | $ 39,301 |
| 16 | | | | |
| 17 | SUBTRACT: | | | |
| 18 | Transportation at Book Value: | | | |
| 19 | Original Cost of Transportation Equipment | | 26,078 | |
| 20 | Accum. Depr. Of Transportation Equipment | | (10,496) | |
| 21 | Book Value of Transportation Equipment | Line 19 + Line 20 | | $ 15,582 |
| 22 | | | | |
| 23 | Company's Full Cash Value ("FCV") | Sum of Lines 10, 15, & 21 | | 14,404,129 |
| 24 | | | | |
| 25 | Calculation Of The Company's Tax Liability: | | | |
| 26 | | | | |
| 27 | MULTIPLY: | | | |
| 28 | FCV X Valuation Assessment Ratio X Property Tax Rates: | | | |
| 29 | Assessment Ratio | House Bill 2779 | 21.0000% | |
| 30 | Assessed Value | Line 23 X 29 | $ 3,024,867 | |
| 31 | | | | |
| 32 | Property Tax Rates: | | | |
| 33 | Composite Tax Rate (Per Company) | Rebuttal Schedule C-2, Page 3 | 9.5187% | |
| 34 | | | | |
| 35 | Estimated Tax Rate Liability | | 9.5187% | |
| 36 | | | | |
| 37 | Company's Total Tax Liability - Based on Full Cash Value | Line 30 X Line 35 | | $ 287,928 |
| 38 | | | | |
| 39 | RUCO Adjusted Test Year Property Tax Expense | | | 254,705 |
| 40 | Decrease in Property Tax Expense | Line 37 - Line 39 | | $ 33,223 |
| 41 | | | | |
| 42 | **TOTAL RUCO ADJUSTMENT TO PROPERTY TAXES** | | | **$ 33,223** |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 13 TO TEST YEAR INCOME TAX EXPENSE

| LINE NO. | DESCRIPTION | (A) REFERENCE | (B) AMOUNT |
|---|---|---|---|
| 1 | **FEDERAL INCOME TAXES:** | | |
| 2 | | | |
| 3 | Operating Income Before Taxes | Sch 4, Page 1, Col C, Lines 32 + 37 | $ 649,399 |
| 4 | Less: | | |
| 5 | Arizona State Tax | Line 21 | $ (27,178) |
| 6 | Interest Expense | Note (A), Line 35 | (259,354) |
| 7 | Federal Taxable Income | Line 3 + Line 5 + Line 6 | $ 362,866 |
| 8 | | | |
| 9 | Federal Tax Rate | Schedule 1, Page 2 | 34.0000% |
| 10 | Federal Income Tax Expense | Line 7 X Line 9 | $ 123,374 |
| 11 | | | |
| 12 | **STATE INCOME TAXES:** | | |
| 13 | | | |
| 14 | Operating Income Before Taxes | Sch 4, Page 1, Col C, Lines 32 + 37 | $ 649,399 |
| 15 | LESS: | | |
| 16 | Interest Expense | Note (A), Line 35 | (259,354) |
| 17 | State Taxable Income | Line 14 + Line 16 | $ 390,044 |
| 18 | | | |
| 19 | State Tax Rate | Tax Rate | 6.9680% |
| 20 | | | |
| 21 | State Income Expense | Line 17 X Line 19 | $ 27,178 |
| 22 | | | |
| 23 | **TOTAL TEST YEAR INCOME TAX EXPENSE:** | | |
| 24 | Federal Income Tax Expense | Line 10 | $ 123,374 |
| 25 | State Income Tax Expense | Line 21 | 27,178 |
| 26 | Total Income Tax Expense Per RUCO | Line 24 + Line 25 | $ 150,553 |
| 27 | Total Income Tax Expense Per Company | Company Sch C-1 | (99,906) |
| 28 | **Total RUCO Income Tax Adjustment** | Line 26 - Line 27 | **$ 250,459** |
| 29 | | | |
| 30 | | | |
| 31 | *NOTE (A)* | | |
| 32 | Interest Synchronization: | | |
| 33 | Adjusted Rate Base | $ 22,750,383 | |
| 34 | Weighted Avg. Cost of Debt | 1.14% | |
| 35 | Synchronized Interest Expense (L33 X L34) | $ 259,354 | |

## EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 14
## TO RATE CASE EXPENSE

| LINE NO. | DESCRIPTION | REFERENCE | AMOUNT |
|---|---|---|---|
| 1 | Company Proposed Total Rate Case Expense | | $ 210,000 |
| 2 | Company Proposed Amortization Period in Years | | 3 |
| 3 | Company Proposed Annual Rate Case Expense | | $ 70,000 |
| 4 | | | |
| 5 | RUCO Recommended Total Rate Case Expense | | $ 210,000 |
| 6 | RUCO Recommended Amortization Period in Years | | 5 |
| 7 | RUCO Recommended Annual Rate Case Expense | | $ 42,000 |
| 8 | | | |
| 9 | **RUCO Adjustment to Decrease Rate Case Expense** | | **$ (28,000)** |

## Wastewater Revenue Summary and Rates

| | Company Present Rates | RUCO Proposed Rates | Increase/ (Decrease) Amount | Increase/ (Decrease) Percent | RUCO Proposed Mo. Rate | RUCO Rate Per Thousand |
|---|---|---|---|---|---|---|
| ***Revenue By Class*** | | | | | | |
| Residential | $4,610,726 | $ 6,102,432 | $ 1,491,706 | 32.35% | $ 36.00 | |
| Residential HOA 135 | 44,064 | 58,320 | 14,256 | 32.35% | 36.00 | |
| Residential HOA 160 | 52,224 | 69,120 | 16,896 | 32.35% | 36.00 | |
| Residential HOA 520 | 169,728 | 224,640 | 54,912 | 32.35% | 36.00 | |
| **Subtotal** | **$4,876,742** | **$ 6,454,512** | **$ 1,577,770** | 32.35% | | |
| Multi-Unit 3 | $ 9,923 | $ 13,126 | $ 3,203 | 32.28% | $ 33.40 | |
| Multi-Unit 5 | 3,156 | 4,175 | 1,019 | 32.29% | 33.40 | |
| Multi-Unit 6 | 1,818 | 2,405 | 587 | 32.28% | 33.40 | |
| Multi-Unit 7 | 8,484 | 11,222 | 2,738 | 32.28% | 33.40 | |
| Multi-Unit 8 | 75,144 | 99,398 | 24,254 | 32.28% | 33.40 | |
| Multi-Unit 9 | 2,727 | 3,607 | 880 | 32.28% | 33.40 | |
| Multi-Unit 14 | 46,662 | 61,723 | 15,061 | 32.28% | 33.40 | |
| Multi-Unit 16 | 116,352 | 153,907 | 37,555 | 32.28% | 33.40 | |
| Multi-Unit 17 | 5,151 | 6,814 | 1,663 | 32.28% | 33.40 | |
| Multi-Unit 18 | 5,454 | 7,214 | 1,760 | 32.28% | 33.40 | |
| Multi-Unit 24 | 7,272 | 9,619 | 2,347 | 32.28% | 33.40 | |
| Multi-Unit 46 | 13,938 | 18,437 | 4,499 | 32.28% | 33.40 | |
| Multi-Unit 84 | 25,452 | 33,667 | 8,215 | 32.28% | 33.40 | |
| Multi-Unit 90 | 27,270 | 36,072 | 8,802 | 32.28% | 33.40 | |
| Multi-Unit 132 | 79,992 | 105,811 | 25,819 | 32.28% | 33.40 | |
| Multi-Unit 304 | 92,112 | 121,843 | 29,731 | 32.28% | 33.40 | |
| **Subtotal Multi-Unit** | **$ 520,907** | **$ 689,042** | **$ 168,135** | 32.28% | | |
| **Small Commercial** | **$ 84,456** | **$ 111,721** | **$ 27,265** | 32.28% | $ 60.85 | |
| Measured Regular Domestic Service | $ 277,822 | $ 375,271 | $ 97,449 | 35.08% | $ 34.06 | $ 2.750 |
| Msrd Restrnt, Motels, Groc, Dry Clean | 234,293 | 298,130 | 63,837 | 27.25% | 34.06 | 3.869 |
| **Subtotal Measured Service** | **$ 512,115** | **$ 673,401** | **$ 161,286** | 31.49% | | |
| Wigwam Resort - Per Room | $ 103,929 | $ 137,474 | $ 33,545 | 32.28% | $ 30.85 | |
| Wigwam Resort - Main | 12,000 | 15,872 | 3,872 | 32.27% | $1,322.70 | |
| **Subtotal Wigwam** | **$ 115,929** | **$ 153,347** | **$ 37,418** | 32.28% | | |
| Elementary Schools | $ 32,640 | $ 43,173 | $ 10,533 | 32.27% | $ 899.44 | |
| Middle and High Schools | 28,800 | 38,094 | 9,294 | 32.27% | 1,058.16 | |
| Community College | 14,880 | 19,682 | 4,802 | 32.27% | 1,640.15 | |
| **Subtotal Educational Facilities** | **$ 76,320** | **$ 100,949** | **$ 24,629** | 32.27% | | |
| Effluent @ $0.1688/thousand | $ 50,842 | $ 448,604 | $ 397,763 | 782.35% | $1.50/thou | |
| Effluent @ $0.6905/thousand | 44,331 | 96,372 | 52,041 | 117.39% | $1.50/thou | |
| **Subtotal Effluent Sales** | **$ 95,173** | **$ 544,976** | **$ 449,803** | 472.62% | | |
| **Total Revenue** | **$6,281,642** | **$ 8,727,948** | **$ 2,446,307** | 38.94% | | |

**RUCO Phase-in Proposal**

If a phase-in is going to be adopted RUCO proposes that at the time of the order (assumed to be March 31, 2010) 50% of the approved increase will go into effect. This will be accomplished by only implementing 50% of each approved rate (flat rate and measured) for each class. After **six months** the remaining 50% increase will go into effect.

Under RUCO's proposed rates the waste water revenue forgone over the first six months will be $529,758. Using RUCO's proposed WACC (8.54%) as the interest rate yields $22,621 in interest over the six months, yielding a total to be recovered of $552,379. Amortizing that amount over three years yields a total monthly surcharge of $17,447 or $1.20 per customer.

Under RUCO's proposed rates the water revenue forgone over the first six months will be $1,188,306. Using RUCO's proposed WACC (8.54%) as the interest rate yields $50,741 in interest over the six months, yielding a total to be recovered of $1,239,046. Amortizing that amount over three years yields a total monthly surcharge of $39,137 or $2.51 per customer.

RUCO proposes a six month phase-in rather than a longer time period because it balances the competing goals of limiting rate shock and limiting the amount of interest the customers will be required to fund. If the rate case is decided in the spring of 2010, RUCO's proposed phase-in will insulate customers from 50% of the increase's impact through the first high use period (i.e., summer) that the new rates will be in place. The total impact of the increase will be felt after the high use Summer season and customers will then have several months to prepare for the next high use season (Summer of 2011) under the new rates. We note that summer is also the high use month for electric usage which is an additional reason why insulating customers from the full impact of the increase through the first summer is beneficial.

RUCO recommends a 3 year amortization period because it fully compensates the company for its lost revenue over the first six months of the increase but it does not subject the customers to an excessive "whiplash effect." Under a shorter amortization period (and a longer phase-in period) rates will need to spike up considerably and then fall back considerably causing customer confusion.

RUCO recommends that separate surcharges (one for water and one for wastewater) be used to fund the phase-in in order to avoid customer confusion.

**PHASE I** **31-Mar-10**

| Class | | Present Rates | RUCO Proposed Rates | RUCO Proposed Increase | RUCO Proposed % Increase | Number of Customers | Average Gallons | RUCO Proposed Monthly Rev increase | RUCO Proposed Rev increase First six months |
|---|---|---|---|---|---|---|---|---|---|
| Residential | | $ 27.20 | $ 31.60 | $ 4.40 | 16% | 14129 | | $ 62,168 | $ 373,005.60 |
| Multi Unit (per unit) | | $ 25.25 | $ 29.33 | $ 4.08 | 16% | 93 | | $ 379 | $ 2,273.85 |
| Small Commercial | | $ 46.00 | $ 53.43 | $ 7.43 | 16% | 153 | | $ 1,136 | $ 6,816.15 |
| Measured Service | | | | | | | | | |
| | Monthly Service Charge | $ 25.75 | $ 29.91 | $ 4.16 | 16% | 138 | | $ 573 | $ 3,440.34 |
| | Rate per 1000 | $ 2.25 | $ 2.50 | $ 0.25 | 11% | | 57450 | $ 1,982 | $ 11,892.15 |
| Restaurant, motels, Grocery, Dry Cleaning | | | | | | | | | |
| | Monthly Service Charge | $ 25.75 | $ 29.91 | $ 4.16 | 16% | 62 | | $ 258 | $ 1,545.66 |
| | Rate per 1000 | $ 3.00 | $ 3.43 | $ 0.43 | 14% | | 91567 | $ 2,467 | $ 14,800.34 |
| Wigwam Resort | | | | | | | | | |
| | Per Unit | $ 25.25 | $ 28.05 | $ 2.80 | 11% | 343 | | $ 960 | $ 5,762.40 |
| | Main Buliding | $ 1,000.00 | $ 1,161.35 | $ 161.35 | 16% | 1 | | $ 161 | $ 968.10 |
| Schools | | | | | | | | | |
| | Elementary | $ 680.00 | $ 789.72 | $ 109.72 | 16% | 4 | | $ 439 | $ 2,633.28 |
| | Middle and High | $ 800.00 | $ 929.08 | $ 129.08 | 16% | 3 | | $ 387 | $ 2,323.44 |
| | Coummunity College | $ 1,240.00 | $ 1,440.08 | $ 200.08 | 16% | 1 | | $ 200 | $ 1,200.45 |
| Effluent | Rate per 1000 | $ 0.17 | $ 0.83 | $ 0.67 | 394% | 4 | 5,939,470 | $ 15,813 | $ 94,879.47 |
| | Rate per 1000 | $ 0.69 | $ 1.10 | $ 0.40 | 59% | 1 | 3,383,491 | $ 1,369 | $ 8,216.81 |
| **TOTAL** | | | | | | | | $ 88,293 | $ 529,758.04 |

**PHASE II** **1-Oct-10**

| Class | | Present Rates | RUCO Proposed Rates | RUCO Proposed Increase | RUCO Proposed % Increase | Number of Customers | Average Gallons | RUCO Proposed Rev increase | RUCO Proposed Rev increase second six months |
|---|---|---|---|---|---|---|---|---|---|
| Residential | | $ 27.20 | $ 36.00 | $ 8.80 | 32% | 14129 | | $ 124,335 | $ 746,011.20 |
| Multi Unit (per unit) | | $ 25.25 | $ 33.40 | $ 8.15 | 32% | 93 | | $ 758 | $ 4,547.70 |
| Small Commercial | | $ 46.00 | $ 60.85 | $ 14.85 | 32% | 153 | | $ 2,272 | $ 13,632.30 |
| Measured Service | | | | | | | | | |
| | Monthly Service Charge | $ 25.75 | $ 34.06 | $ 8.31 | 32% | 138 | | $ 1,147 | $ 6,880.68 |
| | Rate per 1000 | $ 2.25 | $ 2.75 | $ 0.50 | 22% | | 57450 | $ 3,964 | $ 23,784.30 |
| Restaurant, motels, Grocery, Dry Cleaning | | | | | | | | | |
| | Monthly Service Charge | $ 25.75 | $ 34.06 | $ 8.31 | 32% | 62 | | $ 515 | $ 3,091.32 |
| | Rate per 1000 | $ 3.00 | $ 3.87 | $ 0.87 | 29% | | 91567 | $ 4,933 | $ 29,600.68 |
| Wigwam Resort | | | | | | | | | |
| | Per Unit | $ 25.25 | $ 30.85 | $ 5.60 | 22% | 343 | | $ 1,921 | $ 11,524.80 |
| | Main Buliding | $ 1,000.00 | $ 1,322.70 | $ 322.70 | 32% | 1 | | $ 323 | $ 1,936.20 |
| Schools | | | | | | | | | |
| | Elementary | $ 680.00 | $ 899.44 | $ 219.44 | 32% | 4 | | $ 878 | $ 5,266.56 |
| | Middle and High | $ 800.00 | $ 1,058.16 | $ 258.16 | 32% | 3 | | $ 774 | $ 4,646.88 |
| | Coummunity College | $ 1,240.00 | $ 1,640.15 | $ 400.15 | 32% | 1 | | $ 400 | $ 2,400.90 |
| Effluent | Rate per 1000 | $ 0.17 | $ 1.50 | $ 1.33 | 789% | 4 | 5,939,470 | $ 31,626 | $ 189,758.94 |
| | Rate per 1000 | $ 0.69 | $ 1.50 | $ 0.81 | 117% | 1 | 3,383,491 | $ 2,739 | $ 16,433.62 |
| **TOTAL** | | | | | | | | $ 176,586 | $ 1,059,516.08 |

**Revenue Shortfall Over First Six Months**

$ 529,758

**Interst on Revenue Forgone over first six months at 8.54%**

$ 22,621

**Total Amount Foregone**

$ 552,379

**3 Year Ammortization Period**

**Total Monthly Surcharge**

$17,447.48

**Customers**

14,589

**Monthly Surcharge Per Customer for three years**

$1.20