

ORIGINAL



0000107047

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COMMISSIONERS

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

2010 FEB -1 P 4: 40

AZ CORP COMMISSION
DOCKET CONTROL

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

DOCKET NO. W-01427A-09-0120

**STAFF'S NOTICE OF FILING
FINAL SCHEDULES**

Arizona Corporation Commission
DOCKETED

FEB - 1 2010

DOCKETED BY *MM*

1 The Staff of the Arizona Corporation Commission ("Staff") hereby files its Final Schedules in
2 the above-referenced matter.

- 3 Exhibit 1: Rate Design
- 4 Exhibit 2: Rate Base and Revenue Requirement – Water Division
- 5 Exhibit 3: Rate Base and Revenue Requirement – Wastewater Division

6 Included with the schedules for rate base and revenue requirement is a narrative explaining
7 Staff's adjustments.

8 RESPECTFULLY SUBMITTED this 1st day of February, 2010.

9
10 
11 _____
12 Kevin O. Torrey
13 Attorney, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
17 (602) 542-3402

18 Original and thirteen (13) copies
19 of the foregoing were filed this
20 1st day of February, 2010, with:

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

25 Copies of the foregoing were mailed
26 this 1st day of February, 2010 to:

27 Jay L. Shapiro
28 Todd C. Riley
FENNEMORE CRAIG, PC
3003 N. Central Avenue, Suite 2600
Phoenix, Arizona 85012
Attorneys for Litchfield Park Service Co.

Michelle Wood
RUCO
1110 West Washington, Suite 220
Phoenix, Arizona 85007

Martin A. Aronson
Robert J. Moon
MORRILL & ARONSON, PLC
One E. Camelback Road, Suite 340
Phoenix, Arizona 85012
Attorneys for Pebblecreek Properties
Limited Partnership

William P. Sullivan
Susan D. Goodwin
Larry K. Udall
CURTIS GOODWIN SULLIVAN
UDALL & SCHWAB, P.L.C.
501 E. Thomas Road
Phoenix, Arizona 85012-3205
Attorneys for City of Litchfield Park

1 Chad and Jessica Robinson
15629 W. Meadowbrook Avenue
2 Goodyear, Arizona 85395

3 Craig A. Marks
CRAIG A. MARKS, PLC
10645 N. Tatum Blvd., Suite 200-676
4 Phoenix, Arizona 85028
5 Attorney for Westcor/Goodyear LLC
and Globe Land Investors, LLC

6

7 Roseann Corio

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

EXHIBIT 1

WATER DIVISION RATE DESIGN

	Present Rates	Company Proposed	Staff Recommended
Monthly Usage Charge			
5/8 x3/4" Meter - All Classes	\$ 6.75	\$ 10.20	\$ 10.00
3/4" Meter - All Classes	8.30	19.00	10.00
1" Meter - All Classes	14.60	31.67	25.00
1½" Meter - All Classes	28.60	69.67	50.00
2" Meter - All Classes	56.50	111.47	80.00
3" Meter - All Classes	NT	NT	160.00
4" Meter - All Classes	132.00	348.33	250.00
6" Meter - All Classes	NT	NT	500.00
8" Meter - All Classes	225.00	501.00	825.00
10" Meter - All Classes	330.00	960.00	1,150.00
12" Meter - All Classes but irrigation	450.00	1,500.00	2,150.00
12" Meter - Irrigation	450.00	960.00	2,150.00
Construction Water - Hydrants	100.00	By Meter Size	-
Commodity Rates			
5/8 x3/4" Meter (Residential)			
0 to 5,000 Gallons	\$ 0.87		
Over 5,000 Gallons	\$ 1.32		
0 to 3,000 Gallons		\$ 1.25	
3,001 to 10,000 Gallons		\$ 1.80	
Over 10,000 Gallons		\$ 2.40	
0 to 3,000 Gallons			\$ 1.00
3,001 to 9,000 Gallons			\$ 1.88
Over 9,000 Gallons			\$ 2.88
3/4" Meter (Residential)			
0 to 5,000 Gallons	\$ 0.87		
Over 5,000 Gallons	\$ 1.32		
0 to 15,000 Gallons		\$ 1.90	
15,001 to 50,000 Gallons		\$ 2.45	
Over 50,000 Gallons		\$ 3.05	
0 to 3,000 Gallons			\$ 1.00
3,001 to 9,000 Gallons			\$ 1.88
Over 9,000 Gallons			\$ 2.88
5/8 x3/4" and 3/4" Meter (Commercial, Industrial, Irrigation)			
0 to 5,000 Gallons	\$ 0.87		
Over 5,000 Gallons	\$ 1.32		
0 to 3,000 Gallons		\$ 1.25	
3,001 to 10,000 Gallons		\$ 1.80	
Over 10,000 Gallons		\$ 2.40	
0 to 10,000 Gallons			\$ 1.88
Over 10,000 Gallons			\$ 2.88
1" Meter (Residential, Commercial, Industrial, Irrigation)			
0 to 5,000 Gallons	\$ 0.87		
Over 5,000 Gallons	\$ 1.32		
0 to 15,000 Gallons		\$ 1.90	
15,001 to 100,000 Gallons		\$ 2.45	
Over 100,000 Gallons		\$ 3.30	
0 to 20,000 Gallons			\$ 1.88
Over 20,000 Gallons			\$ 2.88

WATER DIVISION RATE DESIGN

Service Line and Meter Installation Charges	Present Rates			Company Proposed			Staff Recommended		
	Line	Meter	Total	Line	Meter	Total	Line	Meter	Total
5/8" x 3/4" Meter			\$ 300	\$ 385	\$ 135	\$ 520	\$ 385	\$ 135	\$ 520
3/4" Meter			300	385	215	600	385	215	600
1" Meter			325	435	255	690	435	255	690
1½" Meter			500	470	465	935	470	465	935
2"			675	-	-	-	-	-	-
Over 2"			At Cost	-	-	-	-	-	-
2" Turbine Meter			NT	630	965	1,595	630	965	1,595
2" Compound Meter			NT	630	1,690	2,320	630	1,690	2,320
3" Turbine Meter			NT	805	1,470	2,275	805	1,470	2,275
3" Compound Meter			NT	845	2,265	3,110	845	2,265	3,110
4" Turbine Meter			NT	1,170	2,350	3,520	1,170	2,350	3,520
4" Compound Meter			NT	1,230	3,245	4,475	1,230	3,245	4,475
6" Turbine Meter			NT	1,730	4,545	6,275	1,730	4,545	6,275
6" Compound Meter			NT	1,770	6,280	8,050	1,770	6,280	8,050
8" & Larger			NT	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
Service Charges									
Establishment (a)			\$ 20.00			\$ 20.00			\$ 20.00
Establishment (After Hours) (a)			40.00			40.00			40.00
Re-Establishment of Service (a)			(b)			(b)			(b)
Reconnection (Regular Hours) (a)			50.00			50.00			50.00
Reconnection (After Hours) (a)			65.00			65.00			65.00
Meter Test (if correct) (c)			25.00			25.00			25.00
Meter Re-Read (if correct)			5.00			5.00			5.00
NSF Check			25.00			25.00			25.00
Deferred Payment, Per Month			1.50%			1.50%			1.50%
Late Charge			(d)			(d)			(d)
Service Calls - Per Hour/After Hours (e)			40.00			40.00			40.00
Deposit Requirement			(f)			(f)			(f)
Deposit Interest			3.50%			3.50%			3.50%
* Hydrant Meter Deposit:									
5/8" x 3/4" Meter			\$ 1,500.00			\$ 1,500.00			\$ 135.00
3/4" Meter			1,500.00			1,500.00			215.00
1" Meter			1,500.00			1,500.00			255.00
1½" Meter			1,500.00			1,500.00			465.00
2" Turbine Meter			1,500.00			1,500.00			965.00
2" Compound Meter			1,500.00			1,500.00			1,690.00
3" Turbine Meter			1,500.00			1,500.00			1,470.00
3" Compound Meter			1,500.00			1,500.00			2,265.00
4" Turbine Meter			1,500.00			1,500.00			2,350.00
4" Compound Meter			1,500.00			1,500.00			3,245.00
6" Turbine Meter			1,500.00			1,500.00			4,545.00
6" Compound Meter			1,500.00			1,500.00			6,280.00
8" & Larger			NT			At Cost			At Cost

NT = No Tariff
 (a) Service charges for customers taking both water and sewer service are not duplicative.
 (b) Minimum charge times number of months disconnected.
 (c) \$25 plus cost of test.
 (d) Greater of \$5.00 or 1.5% of unpaid balance.
 (e) No charge for service calls during normal working hours.
 (f) Per Rule R14-2-403(B): Residential - two times the average bill. Commercial - two and one-half times the average bill.
 * Shall have a non-interest bearing deposit of the amount indicated, refundable in its entirety upon return of the meter in good condition and payment of final bill.

Typical Bill Analysis
 3/4" Residential

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,537	\$ 18.64	\$ 37.12	\$ 18.48	99.16%
Median Usage	7,000	15.29	32.30	\$ 17.01	111.25%
Staff Recommended					
Average Usage	9,537	\$ 18.64	\$ 25.83	\$ 7.19	38.56%
Median Usage	7,000	15.29	20.52	\$ 5.23	34.21%

Present & Proposed Rates (Without Taxes)
 3/4" Residential

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 8.30	\$ 19.00	128.92%	\$ 10.00	20.48%
1,000	9.17	20.90	127.92%	11.00	19.96%
2,000	10.04	22.80	127.09%	12.00	19.52%
3,000	10.91	24.70	126.40%	13.00	19.16%
4,000	11.78	26.60	125.81%	14.88	26.32%
5,000	12.65	28.50	125.30%	16.76	32.49%
6,000	13.97	30.40	117.61%	18.64	33.43%
7,000	15.29	32.30	111.25%	20.52	34.21%
8,000	16.61	34.20	105.90%	22.40	34.86%
9,000	17.93	36.10	101.34%	24.28	35.42%
9,537	18.64	37.12	99.16%	25.83	38.56%
10,000	19.25	38.00	97.40%	27.16	41.09%
11,000	20.57	39.90	93.97%	30.04	46.04%
12,000	21.89	41.80	90.95%	32.92	50.39%
13,000	23.21	43.70	88.28%	35.80	54.24%
14,000	24.53	45.60	85.89%	38.68	57.68%
15,000	25.85	47.50	83.75%	41.56	60.77%
16,000	27.17	49.95	83.84%	44.44	63.56%
17,000	28.49	52.40	83.92%	47.32	66.09%
18,000	29.81	54.85	84.00%	50.20	68.40%
19,000	31.13	57.30	84.07%	53.08	70.51%
20,000	32.45	59.75	84.13%	55.96	72.45%
25,000	39.05	72.00	84.38%	70.36	80.18%
30,000	45.65	84.25	84.56%	84.76	85.67%
35,000	52.25	96.50	84.69%	99.16	89.78%
40,000	58.85	108.75	84.79%	113.56	92.97%
45,000	65.45	121.00	84.87%	127.96	95.51%
50,000	72.05	133.25	84.94%	142.36	97.59%
75,000	105.05	209.50	99.43%	214.36	104.06%
100,000	138.05	285.75	106.99%	286.36	107.43%

WASTEWATER DIVISION RATE DESIGN

Monthly Usage Charge	Present	Company Proposed	Staff Recommended
Residential	\$ 27.20	\$ 48.21	\$ 39.77
Multiple Unit Service - Per Unit / Month	25.25	44.76	\$ 36.92
Small Comm. ¹	46.00	81.54	\$ 67.25
Regular Domestic ²	25.75	45.64	\$ 37.65
Restaurants, Motels, Grocery, DC	25.75	45.64	\$ 37.65
Wig. Resort/ Room	25.25	44.76	\$ 36.92
Wig. Resort/ Main	1,000.00	1,772.50	\$ 1,462.00
Element. School	680.00	1,205.30	\$ 994.16
Mid. & High School	800.00	1,418.00	\$ 1,169.60
Community College	1,240.00	2,197.90	\$ 1,812.88
Effluent Sales ³	Market	Market	Market

¹ Small commercial is a wastewater commercial customer that averages a maximum of 10,000 gallons of water usage per month.

² Regular Domestic is a wastewater commercial customer that averages a minimum of 10,000 gallons of 10,000 gallons of water usage per month.

³ Market Rate - Maximum effluent rate shall not exceed \$430 per acre foot based on a potable water rate of \$1.32 per thousand gallons and shall not be less than \$ 0.87 per thousand gallons.

Commodity Charge (per 1,000 gallons of water)			
Regular Domestic	\$ 2.25	\$ 3.99	\$ 3.29
Restaurants, Motels, Grocery, DC	3.00	5.32	4.39

Typical Bill Analysis

Residential

<u>Company Proposed</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
	\$ 27.20	\$ 48.21	\$ 21.01	77.24%
<u>Staff Recommended</u>				
	27.20	39.77	\$ 12.57	46.21%

EXHIBIT 2

Summary of Staff's adjustments made to final schedules.

Based on the Company's numbers, Staff has removed \$24,302 from the water division and \$16,201 from the wastewater division's transportation expense as shown on final schedule JMM-W25 and JMM-WW22.

Based on the Company's numbers, Staff has adjusted its customer deposit number to reflect \$248,220 and allocated half or \$124,110 to the water and wastewater divisions as shown on schedules JMM-W9 and JMM-WW9.

Based on the Company's numbers, Staff has adjusted its miscellaneous expense to reflect \$9,031 of interest expense on customer deposits, and allocated half or \$4,516 to the water and wastewater divisions as shown on schedules JMM-W20 and JMM-WW17.

Staff has adjusted its schedules JMM-W7 and JMM-W8 to reflect post hearing adjustments based on the Company's, RUCO's testimony, and Staff's determination of plant items.

Staff has adjusted its schedules JMM-WW7 and JMM-WW8 to reflect post hearing adjustments based on the Company's, RUCO's testimony, and Staff's determination of plant items.

Staff has adjusted schedule JMM-W18 and JMM-W15 to reflect post hearing adjustments based on the Company's, RUCO's testimony, and Staff's determination of plant items.

Staff has adjusted schedule JMM-W18 and JMM-W15 to reflect the actual APIF amounts allocated to LPSCO, based on the Company's numbers.

Staff has adjusted post-test-year plant on schedule JMM-W22.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 37,924,592	\$ 37,401,639
2	Adjusted Operating Income (Loss)	\$ (282,890)	\$ 270,645
3	Current Rate of Return (L2 / L1)	-0.75%	0.72%
4	Required Rate of Return	11.41%	8.70%
5	Required Operating Income (L4 * L1)	\$ 4,327,196	\$ 3,253,943
6	Operating Income Deficiency (L5 - L2)	\$ 4,610,086	\$ 2,983,298
7	Gross Revenue Conversion Factor	1.6286	1.6470
8	Required Revenue Increase (L7 * L6)	\$ 7,508,146	\$ 4,913,457
9	Adjusted Test Year Revenue	\$ 6,475,003	\$ 6,878,710
10	Proposed Annual Revenue (L8 + L9)	\$ 13,983,149	\$ 11,792,167
11	Required Increase in Revenue (%)	115.96%	71.43%

References:

Column (A): Company Schedule A-1

Column (B): Staff Schedules JMM-W3 and JMM-W13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.2831%			
5	Subtotal (L3 - L4)	60.7169%			
6	Revenue Conversion Factor (L1 / L5)	1.646988			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 23)	38.4631%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.5369%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 55)	33.8540%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.4951%			
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.4631%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.4631%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.5369%			
21	Property Tax Factor (JMM-W18, L27)	1.3326%			
22	Effective Property Tax Factor (L20*L21)		0.8201%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.2831%	
24	Required Operating Income (Schedule JMM-W1, Line 5)	\$ 3,253,943			
25	Adjusted Test Year Operating Income (Loss) (Schedule JMM-W11, Line 35)	270,645			
26	Required Increase in Operating Income (L24 - L25)		\$ 2,983,298		
27	Income Taxes on Recommended Revenue (Col. [E], L52)	\$ 1,786,910			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	(77,772)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		1,864,682		
30	Recommended Revenue Requirement (Schedule JMM-W1, Line 10)	\$ 11,792,167			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L30*L31)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		-		
35	Property Tax with Recommended Revenue (JMM-W11, Col B, L31)	\$ 338,597			
36	Property Tax on Test Year Revenue (JMM-W18, Col A, L17)	273,120			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		65,478		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 4,913,457		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule JMM-W11, Col. [C], Line 5 & Sch. JMM-W1, Col. [D] Line 10)	\$ 6,878,710	\$ 4,913,457	\$ 11,792,167	
40	Operating Expenses Excluding Income Taxes	\$ 6,685,837		\$ 6,751,315	
41	Synchronized Interest (L56)	\$ 411,418		\$ 411,418	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (218,545)		\$ 4,629,434	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ (15,228)		\$ 322,579	
45	Federal Taxable Income (L42 - L44)	\$ (203,317)		\$ 4,306,855	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ (6,250)		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ (8,500)		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ (40,294)		\$ 91,650	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ 1,350,431	
51	Total Federal Income Tax	\$ (62,544)		\$ 1,464,331	
52	Combined Federal and State Income Tax (L44 + L51)	\$ (77,772)		\$ 1,786,910	
53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]			33.8540%	
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule JMM-WV3, Col. (C), Line 17)	\$ 37,401,639			
55	Weighted Average Cost of Debt (Schedule JMM-WV19)	1.1000%			
56	Synchronized Interest (L45 X L46)	\$ 411,418			

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1	\$ 73,731,815	\$ (52,521)	1,2,3	\$ 73,679,294
2	9,107,141	(99,554)	4	9,007,587
3	<u>\$ 64,624,674</u>	<u>\$ 47,033</u>		<u>\$ 64,671,707</u>
<u>LESS:</u>				
4	\$ 3,104,068	\$ (7,888)	2	\$ 3,096,180
5	860,706	-		860,706
6	<u>2,243,362</u>	<u>(7,888)</u>		<u>\$ 2,235,474</u>
7	24,583,673	(2,246,699)	5	22,336,974
8	68,685	2,293,447	5	2,362,132
9	21,451	314,036	6	335,487
<u>ADD:</u>				
9	134,528	(134,528)	7	-
10	82,561	(82,561)	8	-
11	<u>\$ 37,924,592</u>	<u>\$ (522,953)</u>		<u>\$ 37,401,639</u>

References:

Column [A]: Company as Filed

Column [B]: Schedule JMM-W4

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1 Post-Test Year Plant	(C) ADJ #2 Plant Not Used And Useful	(D) ADJ #3 Staffs Adjustments to Plant	(E) ADJ #4 Accumulated Depreciation	(F) ADJ #5 Customer Deposits	(G) ADJ #6 Deferred Income Taxes	(H) ADJ #7 Unamortized Finance Charges	(I) ADJ #8 Deferred Asset	(H) STAFF ADJUSTED
			Ref. Sch. JMMW-15	Ref. Sch. JMMW-5	Ref. Sch. JMMW-7	Ref. Sch. JMMW-8	Ref. Sch. JMMW-9	Ref. Sch. JMMW-10	Ref. Sch. JMMW-11	Ref. Sch. JMMW-12		
1	301	Organization Cost	100			21,000						21,100
2	302	Franchise Cost	1,284,595									1,284,595
3	303	Land and Land Rights	24,698,293	(41,971)	(7,072)							24,649,250
4	304	Structures and Improvements										
5	305	Collecting and Impounding Res.										
6	306	Lake River and Other Intakes										
7	307	Wells and Springs										
8	308	Infiltration Galleries and Tunnels	2,382,102		11,389							2,393,491
9	309	Supply Mains										
10	310	Power Generation Equipment	202,269									202,269
11	311	Electric Pumping Equipment	948,213	(31,158)								917,055
12	312	Water Treatment Plant	1,337,824									1,337,824
13	320	Water										
14	320	Water Treatment Plant										
15	330	Distribution Reservoirs & Standpipe	430,644		(5,047)							430,644
16	331	Transmission and Distribution Mains	28,929,171		(9,566)							28,924,124
17	333	Services	4,249,744									4,240,178
18	334	Meters	4,138,752		(400)							4,138,752
19	335	Hydrants	2,065,781									2,065,381
20	336	Backflow Prevention Devices	38,387									38,387
21	339	Other Plant and Miscellaneous Equipment	285,281									285,531
22	340	Office Furniture and Fixtures	551,757	(6,750)								551,757
23	341	Transportation Equipment	177,185		(2,750)							174,415
24	342	Stores Equipment	31,711									31,711
25	343	Tools and Work Equipment	23,350									23,350
26	344	Laboratory Equipment										
27	345	Power Operated Equipment										
28	346	Communications Equipment	119,710									119,710
29	347	Miscellaneous Equipment										
30	348	Other Tangible Plant										
31		Total Plant in Service - Actual	71,864,850									71,793,524
32		Post-Test-Year Plant	18,805									1,895,770
33		Total Plant in Service	73,315,815			7,554						73,679,294
34		Less: Accumulated Depreciation	9,107,141			(99,554)						9,007,587
35		Net Plant in Service	64,524,674			7,554						64,671,707
36		Net Plant in Service										
37		Net Plant in Service										
38		LESS:										
39		Contributions in Aid of Construction (CIAC)										
40		Less: Accumulated Amortization	3,104,068									3,096,180
41		Net CIAC (L25 - L26)	860,706									860,706
42		Advances in Aid of Construction (AIAC)	2,243,362									2,235,474
43		Customer Deposits	24,583,673	(8,677)			(2,238,022)					22,336,974
44		Deferred Income Taxes	21,451				2,293,447					2,362,132
45		Deferred Income Taxes						314,036				335,487
46		Deferred Income Taxes										
47		ADD:										
48		Unamortized Debt Issuance Costs	134,528						(134,528)			
49		Deferred Regulatory Assets	82,561							(82,561)		
50		Deferred Regulatory Assets										
51		Original Cost Rate Base	37,924,592			7,554	(99,554)	(314,036)	(134,528)	(82,561)		37,401,639

RATE BASE ADJUSTMENT NO. 1 - POST-TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Post-Test Year Plant	\$ 1,866,965	\$ 18,805	\$ 1,885,770

Based on Staff Engineering Report Table I-1.

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	304	Structures & Improvements	\$ 24,698,293	\$ (41,971)	\$ 24,656,322
2	311	Electric Pumping Equipment	948,213	(31,158)	917,055
3	339	Other Plant & Miscellaneous Equipment	265,281	(5,750)	259,531
4			<u>\$ 25,911,787</u>	<u>\$ (78,879)</u>	<u>25,832,908</u>

5
6 Based on Staff Engineering Report Table H-1.
7

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AIAC & CIAC AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
12	Advances in Aid of Construction (AIAC)	\$ 24,583,673	\$ (8,677)	\$ 24,574,996
14	Contributions in Aid of Construction (CIAC)	\$ 3,104,068	\$ (7,888)	\$ 3,096,180

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - STAFF'S ADJUSTMENTS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	301	Organization Costs	\$ 100	\$ 21,000	\$ 21,100
2	304	Structures and Improvements	24,698,293	(7,072)	24,691,221
3	307	Wells and Springs	2,382,102	11,389	2,393,491
4	331	Distribution Mains	28,929,171	(5,047)	28,924,124
5	333	Services	4,249,744	(9,566)	4,240,178
6	335	Hydrants	2,055,781	(400)	2,055,381
7	341	Transportation Equipment	177,165	(2,750)	174,415
8			<u>\$ 62,492,356</u>	<u>\$ 7,554</u>	<u>62,499,910</u>
9					
10		<u>Organizational Costs to be Capitalized per last decision</u>			
11	301	Organization Costs		\$ 21,000	
12					
13	304	Structures and Improvements - Suncor Development Company (2002)		\$ (7,072)	
14					
15		<u>Capitalized Expenses</u>			
16	307	Wells and Springs - Hydro Controls and Pump Systems		\$ 1,114	
17	307	Wells and Springs - Southwest Grd Wtr Consult. (well spacing evaluation)		\$ 1,380	
18	307	Wells and Springs - Southwest Grd Wtr Consult. (well impact analysis)		\$ 4,072	
19	307	Wells and Springs - Southwest Grd Wtr Consult. (well rehabilitation)		\$ 4,823	
20				<u>\$ 11,389</u>	
21					
22	331	Distribution Mains - Narasimhan Consulting Services (Dist. Sys. Eval.)		\$ 8,600	
23					
24		Total Capitalized Expenses		\$ 19,989	
25					
26		<u>Unsupported Invoices</u>			
27	333	Services - Pyramid		\$ (2,892)	Company Response to Staff Data Request JMM 14.1
28	341	Transportation Equipment - W. Fisher		\$ (2,750)	Company Response to Staff Data Request JMM 14.1
29				<u>\$ (5,642)</u>	
30		<u>Staff Calculated Retirement of Plant Items</u>			
31			Handy-Whitman Factor	Cost	Retirement Amount
32	333	Services - Pyramid	0.7287	\$ 1,391	\$ (1,014) Company Response to Staff Data Request JMM 14.2
33	333	Services - Yahweh	0.3695	\$ 15,320	\$ (5,660) Company Response to Staff Data Request JMM 14.3
34	331	Transmission and Distribution Mains - Ram Pipeline	0.3695	\$ 14,680	\$ (5,424) Company Response to Staff Data Request JMM 14.4
35	331	Transmission and Distribution Mains - Ram Pipeline	0.5701	\$ 8,316	\$ (4,741) Company Response to Staff Data Request JMM 14.4
36	331	Transmission and Distribution Mains - Ram Pipeline	0.6515	\$ 478	\$ (311) Company Response to Staff Data Request JMM 14.4
37					<u>\$ (17,150)</u>
38		<u>Staff Correction of Company Capitalized Items that should be expensed</u>			
39	331	Transmission and Distribution Mains - Ram Pipeline		\$ (696)	Company Response to Staff Data Request JMM 14.4
40	331	Transmission and Distribution Mains - Ram Pipeline		\$ (2,475)	Company Response to Staff Data Request JMM 14.4
41	335	Meters - MS Hernandez Construction		\$ (400)	Company Response to Staff Data Request JMM 14.5
42				\$ (3,571)	
43					
44		Grand Total		\$ 7,554	

REFERENCES:

Column [A]: Company Filing
Column [B]: Surrebuttal Testimony JMM
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 9,107,141	\$ (99,554)	\$9,071,918
2				
3	<u>A/D Plant Retirements</u>			Accumulated Depreciation
4	304 Structures and improvements			\$ (41,971)
5	311 Electric Pumping Equipment			(31,158)
6	339 Other Plant and Miscellaneous Equipment			(5,750)
7	Total			\$ (78,879) From JMM-W6
8				
9	<u>A/D on Capitalized Plant</u>	Dep. Rate	Original Cost	Year Factor
10	307 Wells and Springs	3.33%	\$ 11,389	0.375
11	331 Transmission and Distribution Mains	2.00%	\$ 8,600	0.375
12	Total		\$ 19,989	\$ 207
13				
14	<u>A/D on Removed Capitalized Office Rent</u>	Dep. Rate	Original Cost	Year Factor
15	304 Structures and Improvements	3.33%	\$ (7,072)	5.79
16	304 Structures and Improvements	2.62%	\$ (7,072)	0.46
17	Total			\$ (1,449)
18				
19	<u>A/D on Unsupported Invoices</u>	Dep. Rate	Original Cost	Year Factor
20	341 Transportation Equipment	10.00%	\$ (2,750)	5.79
21	341 Transportation Equipment	2.62%	\$ (2,750)	0.46
22				\$ (1,625)
23				
24	333 Services	3.33%	\$ (2,892)	4.25
25				\$ (409)
26	Total			\$ (2,035)
27				
28	<u>A/D on Staff Plant Retirements</u>			
29	333 Services - Pyramid			\$ (1,014)
30	333 Services - Yahweh			\$ (5,660)
31	331 Services - Ram Pipeline			\$ (5,424)
32	331 Transmission and Distribution Mains - Ram Pipeline			\$ (4,741)
33	331 Transmission and Distribution Mains - Ram Pipeline			\$ (311)
34				\$ (17,150)
35				
36	<u>A/D on Removed Capitalized Assets determined by Staff to be Expenses</u>	Dep. Rate	Original Cost	Year Factor
37	331 Transmission and Distribution Mains - Ram Pipeline	2.00%	\$ (696)	3.25
38	331 Transmission and Distribution Mains - Ram Pipeline	2.00%	\$ (2,475)	3.25
39			\$ (3,171)	\$ (206)
40				
41	335 Meters - MS Hernandez Construction	2.00%	\$ (400)	5.25
42				\$ (42)
43	Total		\$ (3,571)	\$ (248)
44				
45	Grand Total			\$ (99,554)

References:

Column [A]: Company Application
Column [B]: Surrebutal Testimony JMM
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - CUSTOMER DEPOSITS

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Customer Deposits	\$ 68,685	\$ 2,293,447	\$ 2,362,132

Staff Calculation:

Spread sheet provided to Staff on 1/27/2009	\$ 248,220	
Customer Deposit total at 9/30/2009	<u>2</u>	
Interst Expense will be added in Operaing Adjustment 6	\$ 124,110	Half to Water
Company reclass of AIAC	\$ 2,238,022	

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Advances in Aid of Construction (AIAC)	\$ 24,583,673	\$ (2,238,022)	\$ 22,345,651

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct and Surrebuttal Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - DEFERRED INCOME TAXES

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Deferred Income Taxes	\$ 21,451	\$ 314,036	\$ 335,487

Staff accepts Company's rebuttal position

REFERENCES:

Column [A]: Company Filing

Column [B]: Direct Testimony JMM

Column [C]: Column [A] + Column [B]

Litchfield Park Service Company - Water Division
 Docket No. WS-2987-08-0180
 Test Year Ended: December 31, 2007

Final Schedule JMM-W11

RATE BASE ADJUSTMENT NO. 7 - UNAMORTIZED DEBT ISSUANCE COSTS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Unamortized Debt Issuance Costs	\$ 134,528	\$ (134,528)	\$ -

To Remove Unamortized Debt Issuance Costs

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 8 - DEFERRED REGULATORY ASSETS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Deferred Regulatory Assets	\$ 82,561	\$ (82,561)	\$ -

To remove Deferred Regulatory Assets

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj. No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>						
2	Metered Water Sales	\$ 6,347,481	\$ 403,707	1	\$ 6,751,188	\$ 4,913,457	\$ 11,664,645
3	Water Sales-Unmetered	-	-		-	-	-
4	Other Operating Revenue	127,522	-		127,522	-	127,522
5	Intentionally Left Blank	-	-		-	-	-
6	Total Operating Revenues	\$ 6,475,003	\$ 403,707		\$ 6,878,710	\$ 4,913,457	\$ 11,792,167
7							
8	<u>OPERATING EXPENSES:</u>						
9	Salaries and Wages	\$ -	\$ -		\$ -	\$ -	\$ -
10	Purchased Wastewater Treatment	5,011	-		5,011	-	5,011
11	Sludge Removal Expense	1,013,811	-		1,013,811	-	1,013,811
12	Purchased Power	58,147	(20,309)	2	37,838	-	37,838
13	Fuel for Power Production	503,278	(305)	3	502,973	-	502,973
14	Chemicals	44,001	-		44,001	-	44,001
15	Materials & Supplies	-	-		-	-	-
16	Contractual Services, Legal&Engr	12,469	-		12,469	-	12,469
17	Contractual Sevices - Other	2,382,976	(339,423)	4	2,043,553	-	2,043,553
18	Contractual Services - Testing	14,317	-		14,317	-	14,317
19	Equipment Rental	28,365	-		28,365	-	28,365
20	Rents - Building	10,647	-		10,647	-	10,647
21	Transportation	151,879	(24,302)	11	127,577	-	127,577
22	General Liability Insurance	95,469	-		95,469	-	95,469
23	Insurance - Other	3,319	-		3,319	-	3,319
24	Regulatory Commission Expense	63,662	-		63,662	-	63,662
25	Regulatory Commission Expense - Rate Case	70,000	(28,000)	5	42,000	-	42,000
26	Misceallenous Exp	81,664	3,689	6	85,353	-	85,353
27	Bad Debt Expense	3,264	5,284	7	8,548	-	8,548
28	Depreciation Expense	2,291,982	(18,178)	8	2,273,804	-	2,273,804
29	Depreciation	-	-		-	-	-
30	Taxes other than Income	-	-		-	-	-
31	Property Taxes	373,338	(100,218)	9	273,120	65,478	338,597
32	Income Taxes	(449,705)	371,933	10	(77,772)	1,864,682	1,786,910
33	Intentionally Left Blank	-	-		-	-	-
34	Total Operating Expenses	\$ 6,757,893	\$ (149,829)		\$ 6,608,065	\$ 1,930,159	\$ 8,538,224
35	Operating Income (Loss)	\$ (282,890)	\$ 553,536		\$ 270,645	\$ 2,983,298	\$ 3,253,943

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule JMM-W14
- Column (C): Column (A) + Column (B)
- Column (D): Schedules JMM-W23 and JMM-W24
- Column (E): Column (C) + Column (D)

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

Final Schedule JMM-W15

OPERATING INCOME ADJUSTMENT NO. 1 - REVENUE ANNUALIZATION CITY OF GOODYEAR

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Metered Water Sales	\$ 6,347,481	\$ 403,707	\$ 6,751,188

Company has agreed to increased Metered Water Sales by \$403,707.

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Surrebuttal Testimony JMM
- Column [C]: Column [A] + Column [B]

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

Final Schedule JMM-W16

OPERATING INCOME ADJUSTMENT NO. 2 - NORMALIZE FUEL FOR POWER PRODUCTION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Fuel for Power Production	\$ 58,147	\$ (20,309)	\$ 37,838

Company has agreed to reduce its Fuel for Power Production by \$20,309.

REFERENCES:

Column [A]: Company Filing
Column [B]: Surrebuttal Testimony JMM
Column [C]: Column [A] + Column [B]

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

Final Schedule JMM-W17

OPERATING INCOME ADJUSTMENT NO. 3 - CHEMICAL EXPENSES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Chemicals	\$ 503,278	\$ (305)	\$ 502,973

Company has agreed to reduce its Fuel for Power Production by \$305.

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Surrebuttal Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 4 - OUTSIDE SERVICE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Contractual Services - Other	\$ 2,357,032	\$ (49,657)	\$ 2,307,375
2	Corporate Expense Allocation	291,708	(289,766)	1,942
3	Total Contractual Services - Other	\$ 2,382,976	\$ (339,423)	\$ 2,309,317
4				
5	Expenses Company has agreed to reduce in its rebuttal testimony:			
6	Capitalized Expenses	\$ 19,989		
7	Remove Unnecessary Expenses	3,191		
8		\$ 23,180		
9	Staff adjustment:			
10	Remove Bonuses	\$ 26,477		
11	Total	\$ 49,657		

[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
COSTS TO BE ALLOCATED TO LPSCO							
Description	Actual Amount	Unallowable Costs	Direct Costs of Unregulated Affiliate(s)	Allowable Common Costs Allocated to All 71 Companies	Allocation ⁵ %	Costs to be Allocated to LPSCO (Col I x Col J)	
21 Rent	\$ 295,887	\$ -	\$ (295,887)	\$ -	1.41%	\$ -	
22 Audit ¹	\$ 984,476	\$ -	\$ (886,028)	\$ 98,448	1.41%	\$ 1,386.59	
23 Tax Services ²	\$ 383,940	\$ -	\$ (345,546)	\$ 38,394	1.41%	\$ 540.76	
24 Legal-General ³	\$ 722,428	\$ -	\$ (650,185)	\$ 72,243	1.41%	\$ 1,017.50	
25 Other Professional Services	\$ 448,761	\$ -	\$ (448,761)	\$ -	1.41%	\$ -	
26 Management Fee	\$ 636,255	\$ -	\$ (636,255)	\$ -	1.41%	\$ -	
27 Unit Holder Communications	\$ 277,582	\$ -	\$ (277,582)	\$ -	1.41%	\$ -	
28 Trustee Fees	\$ 225,052	\$ -	\$ (225,052)	\$ -	1.41%	\$ -	
29 Office Costs	\$ 761,628	\$ (46,186)	\$ (715,442)	\$ -	1.41%	\$ -	
30 Licenses/Fees and Permits	\$ 128,206	\$ (145,642)	\$ 17,436	\$ -	1.41%	\$ -	
31 Escrow and Transfer Fees	\$ 63,843	\$ -	\$ (63,843)	\$ -	1.41%	\$ -	
32 Depreciation Expense ⁴	\$ 194,727	\$ -	\$ (175,254)	\$ 19,473	1.41%	\$ 274.26	
	\$ 5,122,785	\$ (191,828)	\$ (4,702,400)	\$ 228,557		\$ 3,219.11	
					As Filed		
				Water	\$ 291,708	\$ 1,941.94	
				Wastewater	\$ 191,850	\$ 1,277.17	
					\$ 483,558	\$ 3,219.11	

39 Foot Note 1: Audit - As the parent company's lenders require the APIF to have annual financial audits, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 71 companies/interests.

42 Foot Note 2: Tax Services - Given the tax complexity of the APIF's many holdings and transactions, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 71 companies/interests.

45 Foot Note 3: Legal, General - Staff reviewed the legal invoices and found that the very large majority of the legal invoices pertained to the APIF.

49 Foot Note 4: Depreciation Expense - Given that most of APIF's plant costs benefit primarily APIF, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 71 companies/interests.

52 Foot Note 5: Allocation Percentage - Calculated as follows: 1 / 71 companies = 1.41%.

References:

- Column A: Company Schedule
- Column B: Testimony JMM
- Column C: Column [A] + Column [B]

LINE NO.	Category	Description of Unallowable Cost	Amount
1	Office Fees and Expenses	Wind Analysis & Planning Software	\$15,056
2	Office Fees and Expenses	Gold Watches and Clocks	\$16,864
3	Office Fees and Expenses	Pilsner Beer Glasses	\$5,700
4	Office Fees and Expenses	Leafs-Raptors Season Tickets	\$5,066
5	Office Fees and Expenses	Super Bowl XLII Tickets	\$3,500
6		Subtotal for Office Expenses	\$46,186
7			
8			
9	Licenses and Fees	Donation - Wind Project Develop	\$25,000
10	Licenses and Fees	Donation - Water Project in Africa	\$25,000
11	Licenses and Fees	Donation - Cancer Society	\$13,350
12	Licenses and Fees	Donation - Multiple Myeloma	\$5,000
13	Licenses and Fees	Wind Development	\$7,887
14	Licenses and Fees	U.S. Trustee	\$9,375
15	Licenses and Fees	St. Leon Wind Energy	\$12,556
16	Licenses and Fees	Algonquin Power Fund Inc Taxes	\$6,891
17	Licenses and Fees	Algonquin Power Fund Inc Taxes	\$6,794
18	Licenses and Fees	Tax Ruling Request for KMS America & Subs	\$10,000
19	Licenses and Fees	Algonquin Power Fund Inc Taxes	\$23,789
20		Subtotal for Licenses & Fees	\$145,642

OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 70,000	\$ (28,000)	\$ 42,000

Staff Calculation:

Estimated Rate Case Cost	\$	210,000
Normalized Over Five Years		5
		<u>42,000</u>

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

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

Final Schedule JMM-W20

OPERATING INCOME ADJUSTMENT NO. 6 - MISCELLANEOUS EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Miscellaneous Expense	\$ 81,664	\$ 3,689	\$ 85,353
		Meals and Entertainment	\$ (827)		
		Interest on Customer Deposits (Half of \$9,031)	\$ 4,516		
		Total Adjustment	\$ 3,689		

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

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

Final Schedule JMM-W21

OPERATING INCOME ADJUSTMENT NO. 7 - BAD DEBT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Bad Debt Expense	\$ 3,264	\$ 5,284	\$ 8,548

Staff Calculation:

Test Year	\$3,264
2007	1,898
2006	20,483
	\$25,645
Normalized over 3 years	3
	\$ 8,548

References:

Column (A), Company Schedule C-1
 Column (B): Testimony JMM
 Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 8 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ 21,100	\$ 100	\$ 21,000	0.00%	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	303	Land and Land Rights	\$ 1,284,595	\$ 1,284,595	\$ -	0.00%	\$ -
4	304	Structures and Improvements	\$ 24,649,250	\$ -	\$ 24,649,250	3.33%	\$ 820,820
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -	2.50%	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -	2.50%	\$ -
7	307	Wells and Springs	\$ 2,393,491	\$ -	\$ 2,393,491	3.33%	\$ 79,703
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	6.67%	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -	2.00%	\$ -
10	310	Power Generation Equipment	\$ 202,269	\$ -	\$ 202,269	5.00%	\$ 10,113
11	311	Electric Pumping Equipment	\$ 917,055	\$ -	\$ 917,055	12.50%	\$ 114,632
12	320	Water Treatment Equipment	\$ 1,337,824	\$ -	\$ 1,337,824	3.33%	\$ 44,550
13	320	Water Treatment Plant	\$ -	\$ -	\$ -	3.33%	\$ -
14	330	Distribution Reservoirs & Standpipe	\$ 430,644	\$ -	\$ 430,644	2.22%	\$ 9,560
15	331	Transmission and Distribution Mains	\$ 28,924,124	\$ -	\$ 28,924,124	2.00%	\$ 578,482
16	333	Services	\$ 4,240,178	\$ -	\$ 4,240,178	3.33%	\$ 141,198
17	334	Meters	\$ 4,138,752	\$ -	\$ 4,138,752	8.33%	\$ 344,758
18	335	Hydrants	\$ 2,055,381	\$ -	\$ 2,055,381	2.00%	\$ 41,108
19	336	Backflow Prevention Devices	\$ 38,387	\$ -	\$ 38,387	6.67%	\$ 2,560
20	339	Other Plant and Miscellaneous Equipment	\$ 259,531	\$ -	\$ 259,531	6.67%	\$ 17,311
21	340	Office Furniture and Fixtures	\$ 551,757	\$ -	\$ 551,757	6.67%	\$ 36,802
22	341	Transportation Equipment	\$ 174,415	\$ -	\$ 174,415	20.00%	\$ 34,883
23	342	Stores Equipment	\$ 31,711	\$ -	\$ 31,711	4.00%	\$ 1,268
24	343	Tools and Work Equipment	\$ 23,350	\$ -	\$ 23,350	5.00%	\$ 1,168
25	344	Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
26	345	Power Operated Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
27	346	Communications Equipment	\$ 119,710	\$ -	\$ 119,710	10.00%	\$ 11,971
28	347	Miscellaneous Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
29	348	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
30		Total Plant	\$ 71,793,524	\$ 1,284,695	\$ 70,508,829		\$ 2,290,888
31							
32		Plus: Post Test Year Plant					
33	303	Land and Land Rights	\$ 372,446	\$ 372,446	\$ -	0.00%	\$ -
34	304	Structures and Improvements	\$ 1,350,246	\$ -	\$ 1,350,246	3.33%	\$ 44,963
35	320	Water Treatment Equipment	\$ 159,838	\$ -	\$ 159,838	3.33%	\$ 5,323
36	339	Other Plant and Miscellaneous Equipment	\$ 3,240	\$ -	\$ 3,240	6.67%	\$ 216
37			\$ 1,885,770	\$ 372,446	\$ 1,513,324		\$ 50,502
38							
39		Less: Amortization of Contributions					
40	311	Electric Pumping Equipment	\$ 15,219			12.50%	\$ (1,902)
41	331	Transmission and Distribution Mains	\$ 2,854,613			2.00%	\$ (57,092)
42	333	Services	\$ 151,402			3.33%	\$ (5,042)
43	334	Meters	\$ 29,899			8.33%	\$ (2,491)
44	335	Hydrants	\$ 52,935			2.00%	\$ (1,059)
45			\$ 3,104,068				\$ (67,586)
46							
47		Total Depreciation Expense					\$ 2,273,804
48							
49		Depreciation Expense - Company					\$ 2,291,982
50							
51		Staff's Adjustment to Depreciation Expense					\$ (18,178)

References:

Column [A]: Schedule JMM-W4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 6,878,710	\$ 6,878,710
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	13,757,420	\$ 13,757,420
4	Staff Recommended Revenue, Per Schedule JMM-W1	6,878,710	\$ 11,792,167
5	Subtotal (Line 4 + Line 5)	20,636,130	25,549,587
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	6,878,710	\$ 8,516,529
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	13,757,420	\$ 17,033,058
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	94,101	\$ 94,101
12	Full Cash Value (Line 9 + Line 10 - Line 11)	13,663,319	\$ 16,938,957
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	2,869,297	\$ 3,557,181
15	Composite Property Tax Rate (Per Company Schedule)	9.5187%	9.5187%
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 273,120	
18	Company Proposed Property Tax	373,338	
19			
20	Staff Test Year Adjustment (Line 16-Line 17)	\$ (100,218)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 338,597
22	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 273,120
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 65,478
24			
25	Increase to Property Tax Expense		\$ 65,478
26	Increase in Revenue Requirement		4,913,457
27	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		1.332618%

OPERATING INCOME ADJUSTMENT NO. 10 - TEST YEAR INCOME TAXES

LINE NO.	<u>DESCRIPTION</u>	
1		
2		
3		
4	<u>Calculation of Income Tax:</u>	<u>Test Year</u>
5	Revenue (Schedule JMM-11)	\$ 6,878,710
6	Operating Expenses Excluding Income Taxes	\$ 6,685,837
7	Synchronized Interest (L17)	\$ 411,418
8	Arizona Taxable Income (L1 - L2 - L3)	\$ (218,545)
9	Arizona State Income Tax Rate	6.9680%
10	Arizona Income Tax (L4 x L5)	\$ (15,228)
11	Federal Taxable Income (L4 - L6)	\$ (203,317)
12	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)
13	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ (6,250)
14	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ (8,500)
15	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ (40,294)
16	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -
17	Total Federal Income Tax	\$ (62,544)
18	Combined Federal and State Income Tax (L44 + L51)	<u>\$ (77,772)</u>
19		
20		
21	<u>Calculation of Interest Synchronization:</u>	
22	Rate Base (Schedule JMM-W4)	\$ 37,401,639
23	Weighted Average Cost of Debt	1.10%
24	Synchronized Interest (L16 x L17)	<u>\$ 411,418</u>
25		
26		
27		
28		
29		
	Income Tax - Per Staff	\$ (77,772)
	Income Tax - Per Company	\$ (449,705)
	Staff Adjustment	\$ 371,933

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

Final Schedule JMM-W25

OPERATING INCOME ADJUSTMENT NO. 11 - TRANSPORTATION EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Transportation Expenses	\$ 151,879	\$ (24,302)	\$ 127,577

Company stated during the hearing that it would remove expenses related to the Airlink Billing based on the Company's numbers \$24,302 should be removed from the water division and \$16,201 should be removed from the wastewater division.

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

FINANCIAL ANALYSIS

Selected Financial Information
 Pro forma Includes Immediate Effects of the Proposed Long-term Debt

	[A] 9/30/2008 Test Year Operating Results <u>Without Loan</u>		[B] 11/4/2009 With Staff Recommended Operating Income and Staff Recommended Loan Amount of \$2,925,000 <u>Pro Forma</u>	
1 Operating Income/(Loss)	\$ 270,645		\$ 3,253,943	
2 Depreciation Expense	2,273,804		2,273,804	
3 Income Tax Expense	(77,772)		1,786,910	
4 Interest Expense	747,446	Note 1	898,983	Note 3
5 Principal Repayment	230,000	Note 2	314,982	Note 4

TIER & DSC Calculation

TIER				
6	[1+3] ÷ [4]	0.26		5.61
DSC				
7	[1+2+3] ÷ [4+5]	2.52		6.03

Note 1: This information was taken from the Company's 2008 annual report:

1999 IDA Loan Interest	\$ 256,782
2001 IDA Loan Interest	490,664
Total	<u>\$ 747,446</u>

Note 2: This information was taken from the Company's 2008 annual report:

1999 IDA Loan Principle	\$ 170,000
2001 IDA Loan Principle	60,000
Total	<u>\$ 230,000</u>

Note 3: This pro-forma information is based on a 20 year WIFA loan at 5.25 percent annual interest:

Total Interest of Old Loans	\$ 747,446
Interest on New Loans	151,537
	<u>\$ 898,983</u>

Note 4: This pro-forma information is based on a 20 year WIFA loan at 5.25 percent annual interest:

Total Principle of Old Loans	\$ 230,000
Principle on New Loans	84,982
	<u>\$ 314,982</u>

EXHIBIT 3

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 28,296,903	\$ 27,746,122
2	Adjusted Operating Income (Loss)	\$ 163,778	\$ 517,713
3	Current Rate of Return (L2 / L1)	0.58%	1.87%
4	Required Rate of Return	11.41%	8.70%
5	Required Operating Income (L4 * L1)	\$ 3,228,677	\$ 2,413,913
6	Operating Income Deficiency (L5 - L2)	\$ 3,064,899	\$ 1,896,199
7	Gross Revenue Conversion Factor	1.6286	1.6388
8	Required Revenue Increase (L7 * L6)	\$ 4,991,601	\$ 3,107,400
9	Adjusted Test Year Revenue	\$ 6,356,374	\$ 6,356,374
10	Proposed Annual Revenue (L8 + L9)	\$ 11,347,975	\$ 9,463,774
11	Required Increase in Revenue (%)	78.53%	48.89%

References:

Column (A): Company Schedule A-1

Column (B): Staff Schedules JMM-W3 and JMM-W12

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.9779%			
5	Subtotal (L3 - L4)	61.0221%			
6	Revenue Conversion Factor (L1 / L5)	1.638752			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 23)	38.6217%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.3783%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 55)	34.0245%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6537%			
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.6217%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.6217%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.3783%			
21	Property Tax Factor (JMM-WW18, L27)	0.5804%			
22	Effective Property Tax Factor (L20*L21)		0.3563%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			38.9779%	
24	Required Operating Income (Schedule JMM-WW1, Line 5)	\$ 2,413,913			
25	Adjusted Test Year Operating Income (Loss) (Schedule JMM-WW11, Line 34)	517,713			
26	Required Increase in Operating Income (L24 - L25)		\$ 1,896,199		
27	Income Taxes on Recommended Revenue (Col. [E], L52)	\$ 1,325,606			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	132,441			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		1,193,164		
30	Recommended Revenue Requirement (Schedule JMM-WW1, Line 10)	\$ 9,463,774			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L30*L31)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)				
35	Property Tax with Recommended Revenue (JMM-WW18, Col B, L18)	\$ 128,925			
36	Property Tax on Test Year Revenue (JMM-WW18, Col A, L17)	110,889			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		18,036		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		<u>\$ 3,107,400</u>		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule JMM-11, Col. [C], Line 5 & Sch. JMM-1, Col. [D] Line 10)	\$ 6,356,374	\$ 3,107,400	\$ 9,463,774	
40	Operating Expenses Excluding Income Taxes	\$ 5,706,219		\$ 5,724,255	
41	Synchronized Interest (L56)	\$ 305,207		\$ 305,207	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 344,947		\$ 3,434,311	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ 24,036		\$ 239,303	
45	Federal Taxable Income (L42 - L44)	\$ 320,911		\$ 3,195,008	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 86,155		\$ 91,650	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ 972,403	
51	Total Federal Income Tax	\$ 108,405		\$ 1,086,303	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 132,441		\$ 1,325,606	
53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]			34.0245%	
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule JMM-3)	\$ 27,746,122			
55	Weighted Average Cost of Debt (Schedule JMM-WW19)	1.1000%			
56	Synchronized Interest (L45 X L46)	\$ 305,207			

Litchfield Park Service Company - Wastewater Division
Docket No. WS-01428A-09-0103
Test Year Ended September 30, 2008

Final Schedule JMM-WW3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 60,394,260		\$ 59,444,074
2	Less: Accumulated Depreciation	8,475,991		7,678,128
3	Net Plant in Service	<u>\$ 51,918,269</u>		<u>\$ 51,765,946</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ 18,737,132		\$ 18,642,786
5	Less: Accumulated Amortization	2,072,117		\$ 2,072,117
6	Net CIAC	<u>16,665,015</u>		<u>\$ 16,570,669</u>
7	Advances in Aid of Construction (AIAC)	7,006,208		6,989,559
8	Customer Deposits	68,685		124,110
9	Deferred Income Tax Credits	15,987		335,487
<u>ADD:</u>				
9	Unamortized Debt Issuance Costs	134,528		-
10	Cash Working Capital	-		-
11	Original Cost Rate Base	<u>\$ 28,296,903</u>		<u>\$ 27,746,122</u>

References:

Column [A]: Company as Filed

Column [B]: Schedule JMM-WW4

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	PLANT IN SERVICE	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1 Plant Not Used and Useful Ref: Sch. JMM-WW6	(C) ADJ #2 Transfer of Plant Ref: Sch. JMM-WW6	(D) ADJ #3 Adjustments to Plant Staffs Ref: Sch. JMM-WW7	(E) ADJ #4 Accumulated Depreciation Ref: Sch. JMM-WW6	(F) ADJ #5 Customer Deposits Ref: Sch. JMM-WW9	(G) ADJ #6 Deferred Taxes Ref: Sch. JMM-WW10	(H) ADJ #7 Unamortized Debt Issuance Costs Ref: Sch. JMM-WW11	(I) STAFF ADJUSTED
1	351	Organization		\$ -								
2	362	Franchises										
3	353	Land and Land Rights		1,783,426								1,783,426
4	354	Structures and Improvements		19,319,421	(388,834)		(202,043)					18,728,544
5	355	Power Generation Equipment		543,670			5,004					548,674
6	360	Collection Services - Force		1,161,105								1,161,105
7	361	Collection Services - Gravity		23,113,391	(18,730)							23,094,661
8	362	Special Collecting Structures										
9	363	Services to Customers										
10	364	Flow Measuring Devices		47,019								47,019
11	365	Flow Measuring Installations										
12	366	Reuse Services		3,789,468								3,789,468
13	367	Reuse Meters and Installations		52,331								52,331
14	370	Receiving Weirs		860,393								860,393
15	371	Effluent Pumping Equipment		1,858,411	(103,992)							1,590,665
16	374	Reuse Trns. And Dist. System		62,825			(163,754)					62,825
17	375	Reuse T&D		414,315								414,315
18	380	Treatment and Disposal Equipment		5,469,478		(38,250)						5,431,228
19	381	Pant Sewers		47,788								47,788
20	382	Outfall Sewer Lines		343,681								343,681
21	389	Other Plant & Misc. Equipment		644,609	(43,421)		3,835					605,023
22	390	Office Furniture & Equipment		198,772								198,772
23	391	Transportation Equipment		26,078								26,078
24	392	Stores Equipment		8,968								8,968
25	393	Tools Shop & Garage Equipment		56,167								56,167
26	394	Laboratory Equipment		173,948								173,948
27	395	Power Operated Equipment										
28	396	Communication Equipment										
29	396	Communication Equipment										
30	398	Other Tangible Plant		418,996								418,996
31												
32		Total Plant in Service		\$ 60,394,260	\$ (564,977)	\$ (38,250)	\$ (366,969)	\$ (786,823)	\$ -	\$ -	\$ -	\$ 59,444,074
33		Less: Accumulated Depreciation		8,475,991		(11,040)						7,678,128
34		Net Plant in Service (L59 - L 60)		\$ 51,918,269	\$ (564,977)	\$ (27,210)	\$ (366,969)	\$ 786,823	\$ -	\$ -	\$ -	\$ 51,765,946
35		LESS:										
36		Contributions in Aid of Construction (CIAC)		\$ 18,737,132	\$ (94,346)							\$ 18,642,786
37		Less: Accumulated Amortization		2,072,117								2,072,117
38		Net CIAC (L25 - L26)		16,665,015	(94,346)							16,570,669
39		Advances in Aid of Construction (AIAC)		7,006,208	(16,649)							6,989,559
40		Customer Deposits		68,685					55,425			124,110
41		Deferred Income Taxes		15,987						319,500		335,487
42												
43												
44												
45												
46												
47		ADD:										
48		Unamortized Debt Issuance Costs		134,528							(134,528)	-
49		Cash Working Capital										
50												
51		Original Cost Rate Base		\$ 28,296,903	\$ (443,982)	\$ (27,210)	\$ (366,969)	\$ 786,823	\$ (55,425)	\$ (319,500)	\$ (134,528)	\$ 27,746,122

RATE BASE ADJUSTMENT NO. 1 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	354	Structures & Improvements	\$ 19,319,421	\$ (388,834)	\$ 18,930,587
2	361	Collection Sewer - Gravity	23,113,391	(18,730)	23,094,661
3	371	Pumping Equipment	1,858,411	(103,992)	1,754,419
4	389	Other Plant & Miscellaneous Equipment	644,609	(43,421)	601,188
5			<u>\$ 44,935,832</u>	<u>\$ (554,977)</u>	<u>\$ 44,380,855</u>

6
 7 Based on Staff Engineering Report Table G-1.
 8
 9

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AIAC & CIAC AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
10	Advances in Aid of Construction (AIAC)	\$ 7,006,208	\$ (16,649)	\$ 6,989,559
11	Contributions in Aid of Construction (CIAC)	\$ 18,737,132	\$ (94,346)	\$ 18,642,786

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - TRANSFER OF PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Plant in Service	\$ 59,839,283	\$ (38,250)	\$ 59,801,033
2					
3					
4			[A]	[B]	[C]
5			COMPANY AIAC & CIAC AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
6		DESCRIPTION			
7		Accumulated Depreciation	\$ 8,475,991	\$ (11,040)	\$ 8,464,951
8					
9					

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - STAFF'S ADJUSTMENTS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	354	Structures and Improvements	\$ 19,319,421	\$ (202,043)	\$ 19,117,378
2	355	Power Generation Equipment	543,670	5,004	548,674
4	371	Pumping Equipment	1,858,411	(163,754)	1,694,657
5	389	Other Plant & Misc. Equipment	644,609	3,835	648,444
6			<u>\$ 22,366,111</u>	<u>\$ (356,959)</u>	<u>\$ 22,009,152</u>
7					
8		<u>Company Adjustments made on Exhibit A-39 to the PVWRF that Staff accepts</u>			
9	354	Head Work Screens		\$ (51,680)	
10	354	UV Equipment		\$ (147,521)	
11	354	Electrical Work		\$ (14,570)	
12				<u>\$ (213,771)</u>	
13		<u>Company Adjustments to be Capitalized that Staff Accepts</u>			
14	354	Structures and Improvements - Dean Fence and Gate (fence)		\$ 3,725	
18	354	Yahweh Invoice		\$ 8,003	
18				<u>\$ 11,728</u>	
20					
22	355	Power Generation Equipment - Loftin Equipment Co. (generator duct)		\$ 5,004	
23					
25	371	Pumping Equipment - Precision Electric (install rebuilt pump)		\$ 1,530	
26	371	Pumping Equipment - Precision Electric (new reinforced strainer baskets)		<u>4,864</u>	
28				<u>\$ 6,394</u>	
30					
31	389	Other Plant and Misc. Equip. - Keogh Engineering (odor monitor site plant and pole mnt)		\$ 1,450	
33	389	Other Plant and Misc. Equip. - Keogh Engineering (odor monitor legal descr. & map)		550	
34	389	Other Plant and Misc. Equip. - Keogh Engineering (filter system repair)		<u>8,054</u>	
36				<u>\$ 10,054</u>	
38					
39		Total Company Adjustments to be Capitalized		<u>\$ 33,180</u>	
41					
42		<u>Staff Calculated Retirement of Plant Items that Company did not retire</u>			
44			Handy-Whitman Factor	Cost	Retirement Amount
46	389	Other Plant and Misc. Equipment - Keogh Engineering	0.7722	\$ 8,054	\$ (6,219) Company Response to Staff Data Request JMM 14.12
47	371	Pumping Equipment - Precision Electric Co., Inc.	0.8172	\$ 1,239	\$ (1,012) Company Response to Staff Data Request JMM 14.6
49					No corresponding entry made for the replacement of
50					the Capital item.
52		<u>Staff Correction of Company Capitalized Items that should be expensed</u>			
54	371	Pumping Equipment - Precision Electric Co., Inc.		\$ (169,136)	Company Response to Staff Data Request JMM 14.6
55					Total invoices \$170,375 of which \$169,136 were expensed and \$1,239
57		Grand Total		<u>\$ (356,959)</u>	remains a capital item, but should have had a corresponding retirement.

References:

- Column [A]: Company Filing
- Column [B]: Surrebuttal Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]	
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED	
1	Accumulated Depreciation	\$ 8,464,843	\$ (786,823)	\$ 8,282,147	
2					Accumulated Depreciation
3	A/D Plant Retirements				
4	354 Structures and improvements				\$ (388,834)
5	361 Collection Sewer - Gravity				(18,730)
6	371 Pumping Equipment				(103,992)
7	339 Other Plant and Miscellaneous Equipment				(43,421)
8					\$ (554,977) From Schedule JMM- WW5
10	A/D PVWRF				
11	354 Structures and Improvements				\$ (213,771)
12					
13	A/D on Staff Retirements				
14	389 Other Plant and Misc. Equipment - Keogh Engineering				\$ (6,219)
15	371 Pumping Equipment - Precision Electric Co., Inc.				\$ (1,012)
16					
17	A/D on Capitalized Plant	Dep. Rate	Original Cost	Year Factor	Accumulated Depreciation
18	354 Structures & Improvements	3.33%	\$ 11,728	0.375	\$ 146
19	355 Power Generation	5.00%	\$ 5,004.00	0.375	\$ 94
20	371 Pumping Equipment	12.50%	\$ 6,394.00	0.375	\$ 300
21	389 Other Sewer Plant & Equip.	6.67%	\$ 10,054.00	0.375	\$ 251
22			\$ 33,180.00		\$ 791
23					
24	A/D on Removed Expenses				
25	371 Pumping Equipment	12.50%	\$ (33,887)	1.25	\$ (5,295)
26	371 Pumping Equipment	12.50%	\$ (135,249)	0.375	\$ (6,340)
27			\$ (169,136)		\$ (11,635)
28					
29	Total				\$ (786,823)

References:

Column [A]: Company Filing
Column [B]: Surrebuttal Testimony JMM
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - CUSTOMER DEPOSITS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Customer Deposits	\$ 68,685	\$ 55,425	\$ 124,110
2					
3		<u>Staff Calculation:</u>			
4		Spread sheet provided to Staff on 1/27/2009	\$ 248,220		
5		Customer Deposit total at 9/30/2009		2 Half to Wastewater	
5		Interst Expense will be added in Operaing Adjustment 4	\$ 124,110		

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - DEFERRED INCOME TAXES

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Deferred Income Taxes	\$ 15,987	\$ 319,500	\$ 335,487

To reverse the Company's pro-forma adjustment.

REFERENCES:

- Column [A]: Company Filing
- Column [B]: Direct Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 7 - UNAMORTIZED DEBT ISSUANCE COSTS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Unamortized Debt Issuance Costs	\$ 134,528	\$ (134,528)	\$ -

To Remove Unamortized Debt Issuance Costs.

REFERENCES:

Column [A]: Company Filing

Column [B]: Direct Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj. No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:						
2	Flat Rate Revenues	\$ 6,164,589	\$ -		\$ 6,164,589	\$ 3,107,400	\$ 9,271,989
3	Measured Revenues	92,030	-		92,030	-	92,030
4	Other Wastewater Revenues	99,755	-		99,755	-	99,755
5	Intentionally Left Blank	-	-		-	-	-
6	Total Operating Revenues	\$ 6,356,374	\$ -		\$ 6,356,374	\$ 3,107,400	\$ 9,463,774
7							
8	OPERATING EXPENSES:						
9	Salaries and 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	-		632,064	-	632,064
13	Fuel for Power Production	2,076	-		2,076	-	2,076
14	Chemicals	279,749	-		279,749	-	279,749
15	Materials & Supplies	75,579	(5,975)	1	69,604	-	69,604
16	Contractual Services, Legal&Engr	24,084	-		24,084	-	24,084
17	Contractual Services - Other	2,719,118	(235,528)	2	2,483,590	-	2,483,590
18	Contractual Services - Testing	33,348	-		33,348	-	33,348
19	Equipment Rental	78,309	-		78,309	-	78,309
20	Rents - Building	18,976	-		18,976	-	18,976
21	Transportation	69,551	(16,201)	9	53,350	-	53,350
22	General Liability Insurance	32,133	-		32,133	-	32,133
23	Insurance - Other	2,213	-		2,213	-	2,213
24	Reg Commission Expense	19,133	(1,136)	3	17,997	-	17,997
25	Reg Commission Expense - Rate Case	70,000	(28,000)	3	42,000	-	42,000
26	Miscellaneous Expense	36,656	4,022	4	40,678	-	40,678
27	Bad Debt Expense	43,889	(21,791)	5	22,098	-	22,098
28	Intentionally Left Blank	-	-		-	-	-
29	Depreciation	1,550,237	(55,935)	6	1,494,302	-	1,494,302
30	Taxes other than Income	-	-		-	-	-
31	Property Taxes	336,629	(225,740)	7	110,889	18,036	128,925
32	Income Taxes	(99,906)	232,347	8	132,441	1,193,164	1,325,606
33	Intentionally Left Blank	-	-		-	-	-
34	Total Operating Expenses	\$ 6,192,596	\$ (353,936)		\$ 5,838,661	\$ 1,211,200	\$ 7,049,861
35	Operating Income (Loss)	\$ 163,778	\$ 353,936		\$ 517,713	\$ 1,896,199	\$ 2,413,912

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-WW13
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-WW20 and JMM-WW21
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Materials and Supplies Expense ADJ #1	(C) Outside Service Expense ADJ #2	(D) Rate Case Expense ADJ #3	(E) Miscellaneous Expense ADJ #4	(F) Bad Debt Expense ADJ #5	(G) Depreciation Expense ADJ #6	(H) Property Tax Expense ADJ #7	(I) Income Tax Expense ADJ #8	(J) Transportation Expense ADJ #9	(K) STAFF ADJUSTED
		Ref. Sch JMM-WW14	Ref. Sch JMM-WW16	Ref. Sch JMM-WW15	Ref. Sch JMM-WW17	Ref. Sch JMM-WW13	Ref. Sch JMM-WW19	Ref. Sch JMM-WW20	Ref. Sch JMM-WW21	Ref. Sch JMM-WW22		
1	REVENUES:											
2	Fiat Rate Revenues	\$ 6,164,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,164,589
3	Measured Revenues	92,030	-	-	-	-	-	-	-	-	-	92,030
4	Other Wastewater Revenues	99,755	-	-	-	-	-	-	-	-	-	99,755
5	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-	-
6	Total Operating Revenues	\$ 6,356,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,356,374
7												
8	OPERATING EXPENSES:											
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Wastewater Trmt	1,205	-	-	-	-	-	-	-	-	-	1,205
11	Sludge Removal Expense	267,554	-	-	-	-	-	-	-	-	-	267,554
12	Purchased Power	632,064	-	-	-	-	-	-	-	-	-	632,064
13	Fuel for Power Production	2,076	-	-	-	-	-	-	-	-	-	2,076
14	Chemicals	279,749	-	-	-	-	-	-	-	-	-	279,749
15	Materials & Supplies	75,579	(5,975)	-	-	-	-	-	-	-	-	69,604
16	Contractual Services, Legal&Engr	24,084	-	-	-	-	-	-	-	-	-	24,084
17	Contractual Services - Other	2,719,118	-	(235,528)	-	-	-	-	-	-	-	2,483,590
18	Contractual Services - Testing	33,348	-	-	-	-	-	-	-	-	-	33,348
19	Equipment Rental	78,309	-	-	-	-	-	-	-	-	-	78,309
20	Rents - Building	18,976	-	-	-	-	-	-	-	-	-	18,976
21	Transportation	69,551	-	-	-	-	-	-	-	-	(16,201)	53,350
22	General Liability Insurance	32,133	-	-	-	-	-	-	-	-	-	32,133
23	Insurance - Other	2,213	-	-	-	-	-	-	-	-	-	2,213
24	Reg Commission Expense	19,133	-	-	(1,136)	-	-	-	-	-	-	17,997
25	Reg Commission Expense - Rate Case	70,000	-	-	(28,000)	-	-	-	-	-	-	42,000
26	Miscellaneous Expense	36,656	-	-	-	-	-	-	-	-	-	36,656
27	Bad Debt Expense	43,889	-	-	-	-	(21,791)	-	-	-	-	22,098
28	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-	-
29	Depreciation	1,550,237	-	-	-	-	-	(55,935)	-	-	-	1,494,302
30	Taxes other than Income	-	-	-	-	-	-	-	(225,740)	-	-	110,889
31	Property Taxes	336,629	-	-	-	-	-	-	232,347	-	-	132,441
32	Income Taxes	(99,906)	-	-	-	-	-	-	-	-	-	-
33	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-	-
34	Total Operating Expenses	\$ 6,192,586	\$ (5,975)	\$ (235,528)	\$ (29,136)	\$ (4,022)	\$ (21,791)	\$ (55,935)	\$ (225,740)	\$ 232,347	\$ (16,201)	\$ 5,833,661
35	Operating Income (Loss)	\$ 163,778	\$ 5,975	\$ 235,528	\$ 29,136	\$ (4,022)	\$ 21,791	\$ 55,935	\$ 225,740	\$ (232,347)	\$ 16,201	\$ 517,713

OPERATING INCOME ADJUSTMENT NO. 1 - MATERIALS AND SUPPLIES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Materials and Supplies	\$ 75,579	\$ (5,975)	\$ 69,604

References:

Column (A), Company Schedule C-1

Column (B): Testimony JMM

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 2 - OUTSIDE SERVICE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Contractual Services - Other	\$ 2,527,268	\$ (44,955)	\$ 2,482,313
2	Corporate Expense Allocation	191,850	(190,573)	1,277
3	Total Contractual Services - Other	\$ 2,719,118	\$ (235,528)	\$ 2,483,590
4				
5				
6	Expenses Company has agreed to reduce in its rebuttal testimony:			
7	Contractual Service Aerotek		\$ (42,200)	
8	Remove Capitalized Expenses		(33,180)	
9	Remove Unnecessary Expenses		(3,128)	
11			(78,508)	
12	Staff adjustments:			
14	Pumping Expenses Precision Electric Co. (Reclass from account 371)		\$ 149,940	\$169,136 less invoice out of test year in the amount of \$19,196.
15				
17	Remove Bonuses		(26,477)	
18	Total Removal		\$ 44,955	

[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
COSTS TO BE ALLOCATED TO LPSCO							
Description	Actual Amount	Unallowable Costs (Sch JMM-6, P2)	Direct Costs of Unregulated Affiliate(s)	Allowable Common Costs Allocated to All 71 Companies	Allocation ⁵ %	Costs to be Allocated to LPSCO (Col I x Col J)	
32 Rent	\$ 295,887	\$ -	\$ (295,887)	\$ -	1.41%	\$ -	\$ -
33 Audit ¹	\$ 984,476	\$ -	\$ (886,028)	\$ 98,448	1.41%	\$ 1,386.59	\$ -
35 Tax Services ²	\$ 383,940	\$ -	\$ (345,546)	\$ 38,394	1.41%	\$ 540.76	\$ -
36 Legal-General ³	\$ 722,428	\$ -	\$ (650,185)	\$ 72,243	1.41%	\$ 1,017.50	\$ -
38 Other Professional Services	\$ 448,761	\$ -	\$ (448,761)	\$ -	1.41%	\$ -	\$ -
39 Management Fee	\$ 636,255	\$ -	\$ (636,255)	\$ -	1.41%	\$ -	\$ -
41 Unit Holder Communications	\$ 277,582	\$ -	\$ (277,582)	\$ -	1.41%	\$ -	\$ -
42 Trustee Fees	\$ 225,052	\$ -	\$ (225,052)	\$ -	1.41%	\$ -	\$ -
44 Office Costs	\$ 761,628	\$ (46,186)	\$ (715,442)	\$ -	1.41%	\$ -	\$ -
45 Licenses/Fees and Permits	\$ 128,206	\$ (145,642)	\$ 17,436	\$ -	1.41%	\$ -	\$ -
47 Escrow and Transfer Fees	\$ 63,843	\$ -	\$ (63,843)	\$ -	1.41%	\$ -	\$ -
48 Depreciation Expense ⁴	\$ 194,727	\$ -	\$ (175,254)	\$ 19,473	1.41%	\$ 274.26	\$ -
50	\$ 5,122,785	\$ (191,828)	\$ (4,702,400)	\$ 228,557		\$ 3,219.11	\$ -
51					As Filed		
53				Water	\$ 291,708	\$ 1,941.94	
54				Wastewater	\$ 191,850	\$ 1,277.17	
56					\$ 483,558	\$ 3,219.11	

59 Foot Note 1: Audit - As the parent company's lenders require the APIF to have annual financial audits, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 71 companies/interests.
60
62
63 Foot Note 2: Tax Services - Given the tax complexity of the APIF's many holdings and transactions, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 71 companies/interests.
65
66
68 Foot Note 3: Legal, General - Staff reviewed the legal invoices and found that the very large majority of the legal invoices pertained to the APIF.
69
71
72
74 Foot Note 4: Depreciation Expense - Given that most of APIF's plant costs benefit primarily APIF, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 71 companies/interests.
75
77
78 Foot Note 5: Allocation Percentage - Calculated as follows: 1 / 71 companies = 1.41%.

References:
Column A: Company Schedule
Column B: Testimony
Column C: Column [A] + Column [B]

LINE NO.	Category	Description of Unallowable Cost	Amount
1	Office Fees and Expenses	Wind Analysis & Planning Software	\$15,056
2	Office Fees and Expenses	Gold Watches and Clocks	\$16,864
3	Office Fees and Expenses	Pilsner Beer Glasses	\$5,700
4	Office Fees and Expenses	Leafs-Raptors Season Tickets	\$5,066
5	Office Fees and Expenses	Super Bowl XLII Tickets	\$3,500
6		Subtotal for Office Expenses	\$46,186
7			
8			
9	Licenses and Fees	Donation - Wind Project Develop	\$25,000
10	Licenses and Fees	Donation - Water Project in Africa	\$25,000
11	Licenses and Fees	Donation - Cancer Society	\$13,350
12	Licenses and Fees	Donation - Multiple Myeloma	\$5,000
13	Licenses and Fees	Wind Development	\$7,887
14	Licenses and Fees	U.S. Trustee	\$9,375
15	Licenses and Fees	St. Leon Wind Energy	\$12,556
16	Licenses and Fees	Algonquin Power Fund Inc Taxes	\$6,891
17	Licenses and Fees	Algonquin Power Fund Inc Taxes	\$6,794
18	Licenses and Fees	Tax Ruling Request for KMS America & Subs	\$10,000
19	Licenses and Fees	Algonquin Power Fund Inc Taxes	\$23,789
20		Subtotal for Licenses & Fees	\$145,642

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE AND REGULATORY COMMISSION EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 70,000	\$ (28,000)	\$ 42,000

Staff Calculation:

Estimated Rate Case Cost	\$ 210,000
Normalized Over Five Years	5
	<u>42,000</u>

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Regulatory Commission Expense	\$ 19,133	\$ (1,136)	\$ 17,997

References:

- Column (A), Company Schedule C-1
- Column (B): Direct and Surrebuttal Testimony JMM
- Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 4 - MISCELLANEOUS EXPENSES

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Miscellaneous Expense	\$ 36,656	\$ 4,022	\$ 40,678
		Meals and Entertainment	\$ (494)		
		Interest on Customer Deposits (Half of \$9,031)	\$ 4,516		
		Total Adjustment	\$ 4,022.00		

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

Litchfield Park Service Company - Wastewater Division
 Docket No. WS-01428A-09-0103
 Test Year Ended September 30, 2008

Final Schedule JMM-WW18

OPERATING INCOME ADJUSTMENT NO. 5 - BAD DEBT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Bad Debt Expense	\$ 43,889	\$ (21,791)	\$ 22,098

Staff Calculation:

Test Year	\$43,889
2007	19,632
2006	2,773
	<u>\$66,294</u>
Normalized over 3 years	3
	<u>\$ 22,098</u>

References:

Column (A), Company Schedule C-1
 Column (B): Testimony JMM
 Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	351	Organization	\$ -	\$ -	\$ -	0.00%	\$ -
2	352	Franchises	\$ -	\$ -	\$ -	0.00%	\$ -
3	353	Land and Land Rights	\$ 1,783,426	\$ 1,783,426	\$ -	0.00%	\$ -
4	354	Structures and Improvements	\$ 18,728,544	\$ -	\$ 18,728,544	3.33%	\$ 623,661
5	355	Power Generation Equipment	\$ 548,674	\$ -	\$ 548,674	5.00%	\$ 27,434
6	360	Collection Services - Force	\$ 1,161,105	\$ -	\$ 1,161,105	2.00%	\$ 23,222
7	361	Collection Services - Gravity	\$ 23,094,661	\$ -	\$ 23,094,661	2.00%	\$ 461,893
8	362	Special Collecting Structures	\$ -	\$ -	\$ -	2.00%	\$ -
9	363	Services to Customers	\$ -	\$ -	\$ -	2.00%	\$ -
10	364	Flow Measuring Devices	\$ 47,019	\$ -	\$ 47,019	10.00%	\$ 4,702
11	365	Flow Measuring Installations	\$ -	\$ -	\$ -	10.00%	\$ -
12	366	Reuse Services	\$ 3,789,468	\$ -	\$ 3,789,468	2.00%	\$ 75,789
13	367	Reuse Meters and Installations	\$ 52,331	\$ -	\$ 52,331	8.33%	\$ 4,359
14	370	Receiving Wells	\$ 860,393	\$ -	\$ 860,393	3.33%	\$ 28,651
15	371	Effluent Pumping Equipment	\$ 1,590,665	\$ -	\$ 1,590,665	12.50%	\$ 198,833
16	374	Reuse Trans. And Dist. System	\$ 62,825	\$ -	\$ 62,825	2.50%	\$ 1,571
17	375	Reuse T&D	\$ 414,315	\$ -	\$ 414,315	2.50%	\$ 10,358
18	380	Treatment and Disposal Equipment	\$ 5,431,228	\$ -	\$ 5,431,228	5.00%	\$ 271,561
19	381	Plant Sewers	\$ 47,788	\$ -	\$ 47,788	5.00%	\$ 2,389
20	382	Outfall Sewer Lines	\$ 343,681	\$ -	\$ 343,681	3.33%	\$ 11,445
21	389	Other Plant & Misc. Equipment	\$ 605,023	\$ -	\$ 605,023	6.67%	\$ 40,355
22	390	Office Furniture & Equipment	\$ 198,772	\$ -	\$ 198,772	6.67%	\$ 13,258
23	391	Transportation Equipment	\$ 26,078	\$ -	\$ 26,078	20.00%	\$ 5,216
24	392	Stores Equipment	\$ 8,968	\$ -	\$ 8,968	4.00%	\$ 359
25	393	Tools, Shop & Garage Equipment	\$ 56,167	\$ -	\$ 56,167	5.00%	\$ 2,808
26	394	Labratory Equipment	\$ 173,948	\$ -	\$ 173,948	10.00%	\$ 17,395
27	395	Power Operated Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
28	396	Communication Equipment	\$ 418,996	\$ -	\$ 418,996	10.00%	\$ 41,900
29	398	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
30		Total Plant	\$ 59,444,074	\$ 1,783,426	\$ 57,660,648		\$ 1,867,158
31							
32		Less: Amortization of Contributions					
33	361	Collection Sewers Gravity	\$ 18,642,786			2.00%	\$ (372,856)
39							
40		Total Depreciation Expense					\$ 1,494,302
41							
42		Depreciation Expense - Company					\$ 1,550,237
43							
44		Staff's Adjustment to Depreciation Expense					\$ (55,935)

References:

Column [A]: Schedule JMM-WW4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT No. 7 - Property Tax Expense

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 6,356,374	\$ 6,356,374
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	12,712,748	\$ 12,712,748
4	Staff Recommended Revenue, Per Schedule JMM-WW1	6,356,374	\$ 9,463,774
5	Subtotal (Line 4 + Line 5)	19,069,122	22,176,522
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	6,356,374	\$ 7,392,174
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	12,712,748	\$ 14,784,348
10	Plus: 10% of CWIP -	39,301	39,301
11	Less: Net Book Value of Licensed Vehicles	15,573	\$ 15,573
12	Full Cash Value (Line 9 + Line 10 - Line 11)	12,736,476	\$ 14,808,076
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	2,674,660	\$ 3,109,696
15	Composite Property Tax Rate (Per Company Schedule C-2)	4.1459%	4.1459%
16			
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 110,889	
18	Company Proposed Property Tax	336,629	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	\$ (225,740)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 128,925
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 110,889
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 18,036
24			
25	Increase to Property Tax Expense		\$ 18,036
26	Increase in Revenue Requirement		3,107,400
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		0.580426%

OPERATING INCOME ADJUSTMENT NO. 8 - TEST YEAR INCOME TAXES

LINE
NO.

DESCRIPTION

	Test Year
<i>Calculation of Income Tax:</i>	
1 Revenue (Schedule CSB-11)	\$ 6,356,374
2 Operating Expenses Excluding Income Taxes	\$ 5,706,219
3 Synchronized Interest (L17)	\$ 305,207
4 Arizona Taxable Income (L1 - L2 - L3)	\$ 344,947
5 Arizona State Income Tax Rate	6.9680%
6 Arizona Income Tax (L4 x L5)	\$ 24,036
7 Federal Taxable Income (L4 - L6)	\$ 320,911
8 Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500
9 Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250
10 Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500
11 Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 86,155
12 Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -
13 Total Federal Income Tax	\$ 108,405
14 Combined Federal and State Income Tax (L44 + L51)	\$ 132,441
15	
16	
17 <i>Calculation of Interest Synchronization:</i>	
18 Rate Base (Schedule JMM-WW4)	\$ 27,746,122
19 Weighted Average Cost of Debt	1.10%
20 Synchronized Interest (L16 x L17)	\$ 305,207
21	
22	
23	
24	
25	
	Income Tax - Per Staff \$ 132,441
	Income Tax - Per Company \$ (99,906)
	Staff Adjustment \$ 232,347

Litchfield Park Service Company - Wastewater Division
Docket No. WS-01428A-09-0103
Test Year Ended September 30, 2008

Final Schedule JMM-WW22

OPERATING INCOME ADJUSTMENT NO. 9 - TRANSPORTATION EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Transportation	\$ 69,551	\$ (16,201)	\$ 53,350

Company stated during the hearing that it would remove expenses related to the Airlink Billing based on the Company's numbers \$24,302 should be removed from the water division and \$16,201 should be removed from the wastewater division.

References:

- Column (A), Company Schedule C-1
- Column (B): Direct and Surrebuttal Testimony JMM
- Column (C): Column (A) + Column (B)