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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

APR 12 2010

COMMISSIONERS

8
9 KRISTIN K. MAYES, CHAIRMAN
10 GARY PIERCE
11 PAUL NEWMAN
12 SANDRA D. KENNEDY
13 BOB STUMP

DOCKETED BY

W 02062A-09-0515

14 APPLICATION OF SOUTHLAND
15 UTILITIES COMPANY, INC. FOR AN
16 INCREASE IN ITS WATER RATES

Docket No. W-02062A-09-0515

SECOND AMENDED
RATE APPLICATION

17
18
19 The Southland Utilities Company, Inc. ("Company" or "Applicant"), hereby files
20 is Second Amended Rate Application for an increase in its water rates. For the
21 convenience of all parties and the court, the Company has
22

23 SUPPORTING DOCUMENTATION

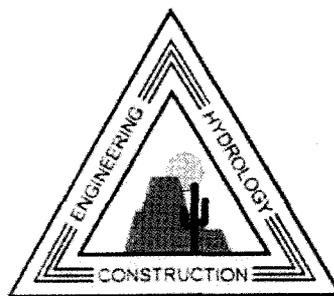
24 Pursuant to A.A.R. Rule 14-2-103, the Company submits the following
25 documentation in support of the proposed increase in rates and charges:
26

- 27 • Opinion of Probable Costs (see Exhibit 1);
- 28 • Direct Testimony of Sonn S. Rowell (see Exhibit 2);

EXHIBIT 1

April 7, 2010

Ms. Bonnie O'Connor
Southwestern Utility Management
PO Box 85160
Tucson, AZ 85754
(520) 623-5172, fax (520) 792-0377



GREG CARLSON ENGINEERING, L.L.C.
1521 E. Broadway Boulevard, Tucson, AZ 85719
(520) 624-0070 fax (520) 624-4197
e-mail: gceeng@gceeng.biz

Re: Southland Utility Water System GCE # 10-012

Dear Bonnie:

We have completed our initial modeling of the Southland Utilities Water Distribution System. As you are aware, the objective for creating the system model was to analyze the system for deficiencies and recommend system upgrades that would be appropriate to list on Southwestern Utility Management's "Opinion of Probable Cost (OPC)".

This letter summarizes the initial results of the system analysis. In the future, this model can be used to create a Master Plan Report for submittal along with any Approval to Construct applications with ADEQ.

We recommend that any system components replaced be upgraded as necessary at the time of replacement to provide customers with fire protection. The analysis presented below addresses the upgrades that would be needed to provide fire flow.

The Southland system is divided into two pressure zones that are currently defined by a closed gate valve south of Bevers St. Since Well 1 serves the zone south of the valve and Well 2 serves the area north, we will refer to the zones as Zone 1 and Zone 2 respectively.

Some portions of the existing system lie within the City of Sierra Vista city limits. The balance of the system lies within Cochise County. However, we determined that all of the existing structures currently served by the system reside in the County portion, which is under the jurisdiction of the Fry Fire District. The Fry Fire district has adopted the 2006 International Building Code. Therefore, the residential fire flow requirement is 1,000 gpm for 2 hours and the commercial fire flow is 1,500 gpm for the existing commercial buildings based on square-footage, building type and whether sprinklers are installed. Any future development in the City limits will also be subject to the 2006 IFC as the City has also adopted that code.

It was apparent after field-testing the system that it cannot provide sufficient fire flow in either of the zones. The boosters at Well 1 have a combined capacity of 380 gpm. The boosters at Well 2 have a combined capacity of 1,017 gpm, which is not enough to provide the domestic demand concurrently with fire flow.

The system does not currently have adequate storage for an average day of peak month demand as required by ARS R18-5-503. The PMD for this system for one day is approximately 251,770 gal. Tank 1 is a 62,000-gallon tank with a usable volume of 58,286 gallons (from full to discharge pipe elevation). Tank 2 is a 165,000-gallon tank with a usable volume of 127,777 gallons. The existing system therefore has a maximum usable storage volume of 186,063 gallons and is not sufficient.

The required 1,500 gpm / 2 hour fire flow equates to a storage requirement of 180,000 gallons. The domestic demand for the 2-hour fire period equates to 17,460. Therefore, the total storage available must exceed 197,460 gallons. The system storage is insufficient for this storage requirement as well.

After an initial review of the system model, it was also clearly demonstrated that the system pipes are not capable of providing fire flow even with upgraded boosters. The following discusses our pipe evaluation.

Scenario 1- Existing System

First, we modeled the existing system and calibrated the model using the field test data that we collected on the 17th of February. We analyzed the system for fire flow capacity. The red dots in Figure 1 indicate model nodes that failed to satisfy the requirements of the 2006 IFC. A more detailed map with pipe color-coding and street names is also attached for your reference.

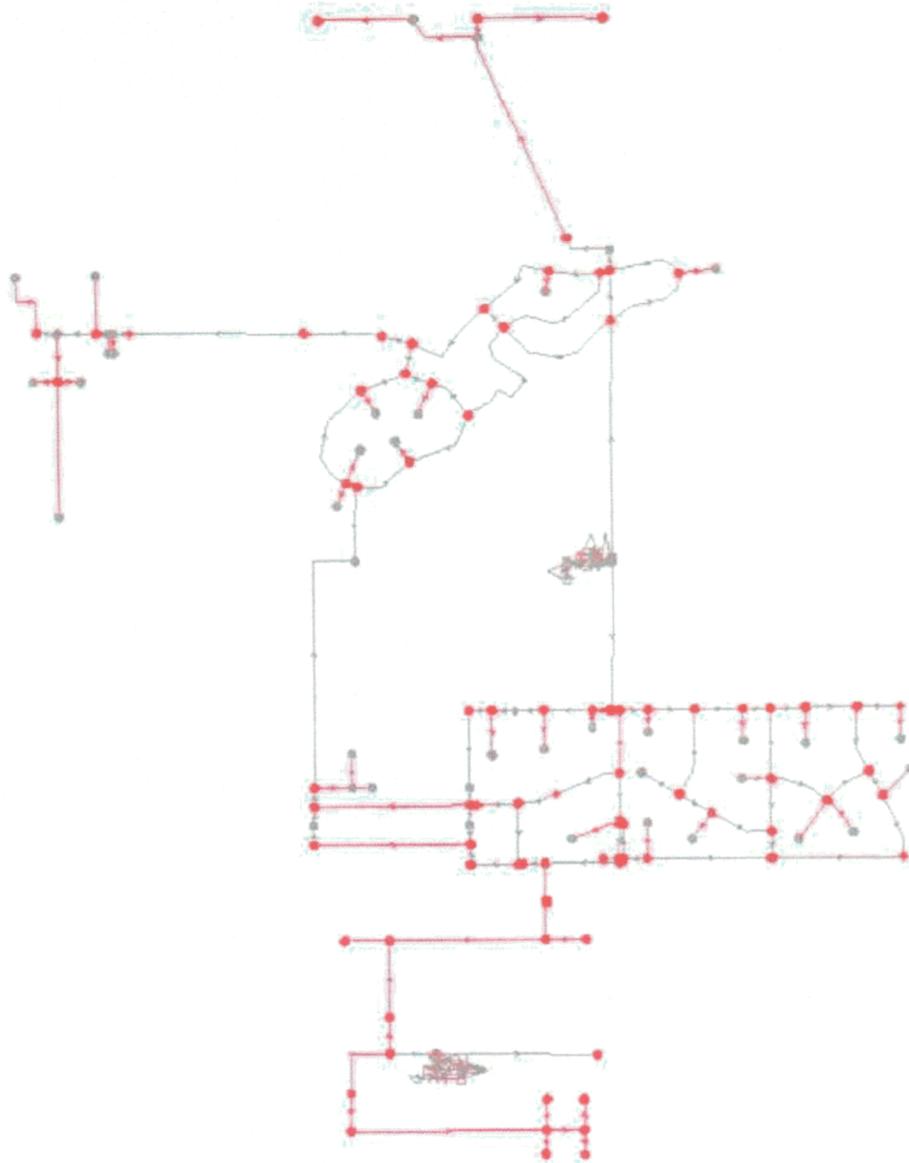


Figure 1: Fire flow analysis results for existing system. All locations fail.

Scenario 2- Increase Storage/Booster Capacity

Then we modeled a scenario in which the booster capacity was increased by bringing Tank 3 online and adding a booster at that location. The green dots in Figure 2 show the locations that would satisfy the 2006 IFC without any other improvements. These locations are limited.

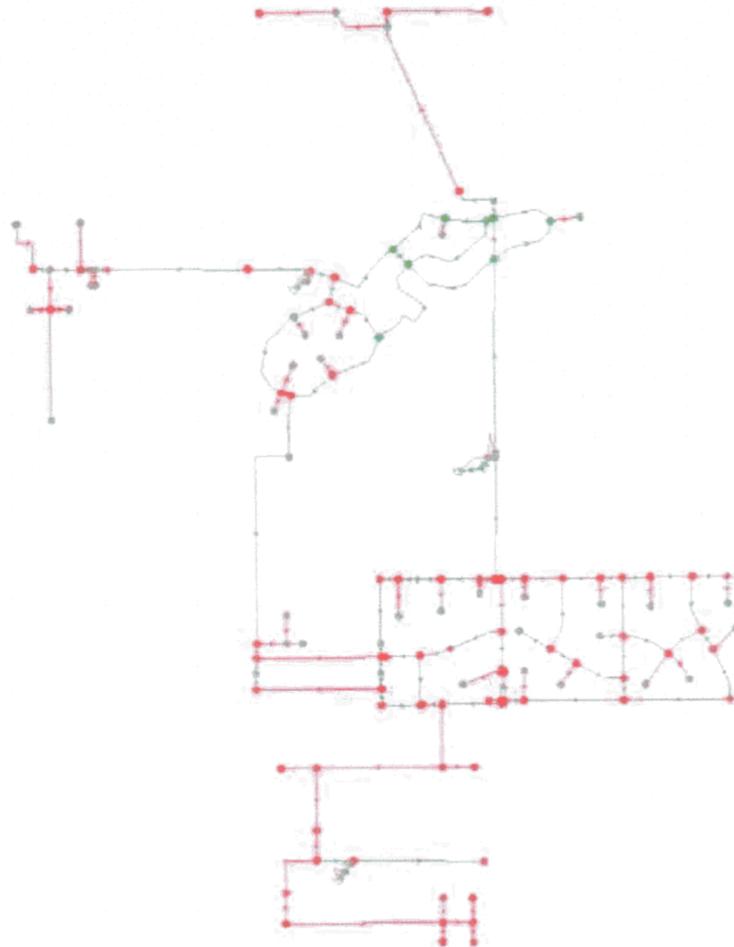


Figure 2: Tank 3 brought online with 350 gpm booster. Notice that some locations will pass fire flow analysis (green nodes) without any other upgrades.

Scenario 3- Combine Zones

Next, we created a scenario with the two zones combined. The purpose for combining the 2 zones is to provide Zone 1 access to the storage in Zone 2. Without the interconnect between zones, Zone 1 will not have adequate fire storage. While the pressure in Zone 1 will have to be reduced 23 psi to facilitate the connection, the pressures will still meet the minimum requirements. Zone 2 pressures will be increased 7 psi once the zones are combined. Some small areas will have normal operating pressures that exceed 80 psi. Homes in those areas will need to install individual PRVs on the private service lines. The green dots in Figure 3 indicate a significant fire flow benefit from combining the

zones. But the system piping would still be too small in certain areas to convey the required flow.

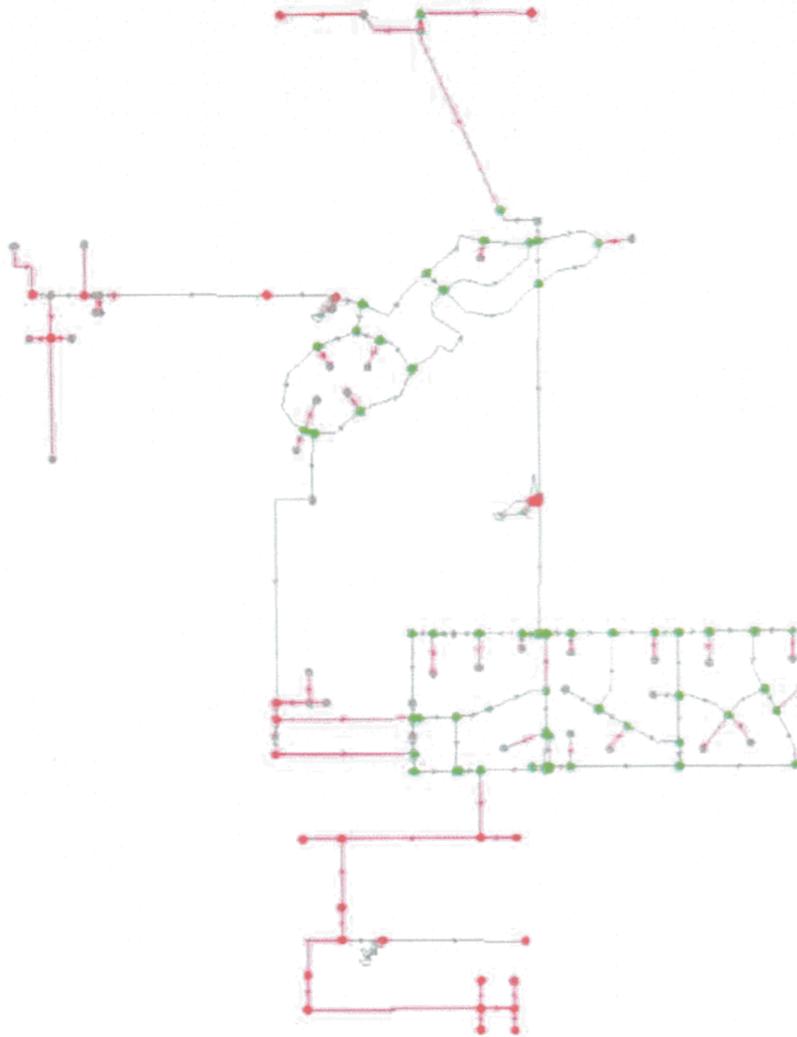


Figure 3: Tank 3 online with 350 gpm booster, and zones combined. Notice the significant benefit for fire flow analysis. Pipe upgrades will now allow for other areas to receive sufficient fire flow.

Scenario 4- Add Pipe Upgrades

We then systematically determined where pipe upgrades are necessary to provide sufficient fire flow. Figure 4 shows that the pipe upgrades will provide for sufficient fire flow throughout the system. More specific pipe sizes and locations are included in the example OPC list attached. You may notice that some additional pipes have been added to the system in areas around Kevin St and San Molino Street. These new pipes are a result of a conversation we had with Mike McKearney, the Fire Marshal for the Fry Fire District. He concluded that his department would not be able to access any fire hydrants

located in the alleys where the existing pipes are located. Therefore, new lines will need to be placed in the streets where his trucks can access them.

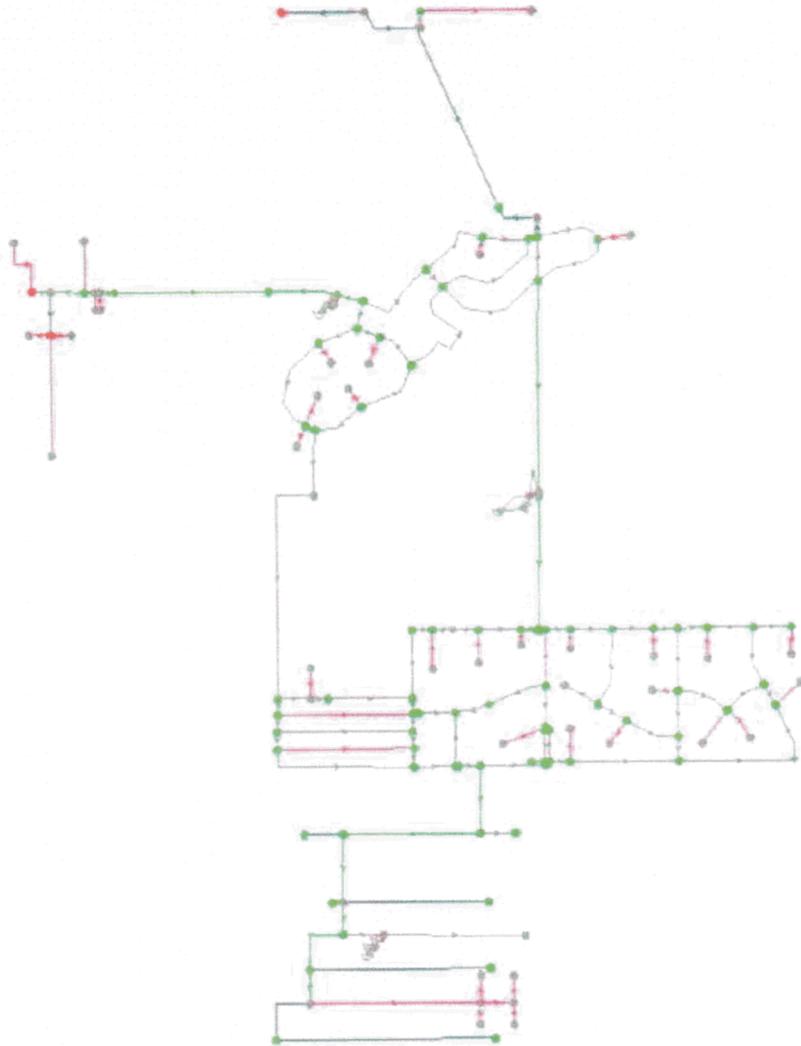


Figure 4: Now with pipe upgraded, notice that all areas pass fire flow analysis. The two red nodes failed because they have a commercial fire flow requirement (1,500 gpm). The Fry Fire District Fire Marshal has agreed that a reduction for these areas will be approved.

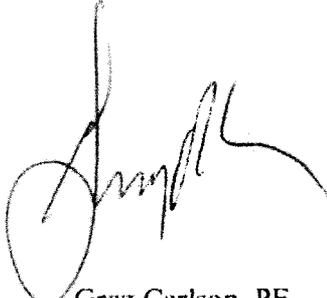
Prior to any design or construction, we recommend additional field-testing for the following reasons. First, testing should be done to locate and correct the problem that is restricting flow to the Golden Vistas subdivision east of Campobello Road. The flow tests performed on the two east-most hydrants in that subdivision revealed that there is some obstruction. It is likely that there are closed valves. The model indicates that the flow from these hydrants should have been in the range of 850 gpm. When the hydrants were opened, the flow was less than 180 gpm. Second, additional testing should be performed

to verify that the zones can be combined as modeled. Since no hydrants are currently in place in Zone 1, no field tests were performed in the area that could verify the layout or state of the existing pipes. The model was created based on the performance observed at the Well 1 site and the system layout given us by your office.

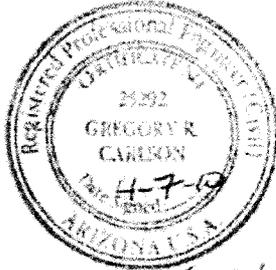
A detailed and prioritized list of system upgrades with quantities in a format similar to your preliminary OPC is attached. The costs listed are those provided by your office. Please note we have included items in addition to those discussed above. These items are on the list based on conversations we have had. We also prepared an explanation for each item to be submitted with the OPC as requested by the ACC. Since the costs on the OPC were provided by your office, the explanations of costs were also given to us by your staff.

If you have any questions with regard to this letter or its attachments, please feel free to contact our office at (520) 624-0070.

Sincerely,
GREG CARLSON ENGINEERING, LLC



Greg Carlson, PE



EX 632-V

Attachments:

- OPC list*
- Explanation of OPC*
- OPC system upgrade map*
- Existing System Model Map*
- Southland Service Area and City Limits Map*

**SOUTHLAND UTILITIES
OPINION OF PROBABLE COST**

PRIORITY	ITEM NO.	ITEM DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	EXTENDED PRICE
1	Back-up Generator					
	1	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00
2	System Pipe Upgrades/Repairs					
		<i>Replace Distribution Mains</i>				
	2	12-inch pipe along Campobello Ave alignment between Goldfinch Cr and Wakefield St	Approx 3,350'	LF	\$60.00	\$201,000.00
	3	6-inch pipe Kensington St	Approx 1,350'	LF	\$28.00	\$37,800.00
	4	6-inch pipe Kevin St	Approx 1,350'	LF	\$28.00	\$37,800.00
	5	6-inch pipe Bevers San Pedro	Approx 1,525'	LF	\$28.00	\$42,700.00
	6	12-inch pipe along Golden Acres Drive	Approx 3,500'	LF	\$60.00	\$210,000.00
	7	8-inch pipe to replace 2" pipe running south from Golden Acres Drive near Self Storage area.	Approx 420'	LF	\$45.00	\$18,900.00
	8	8-inch pipe from Finch Cr to Buffalo Soldier	Approx 2,509'	LF	\$45.00	\$112,905.00
	9	8-inch pipe to replace some of 2" & 4" east-west pipes near Buffalo Soldier	Approx 1,200'	LF	\$45.00	\$54,000.00
	10	12-inch pipe from Bevers to Penny Lane	Approx 650'	LF	\$60.00	\$39,000.00
	11	6-inch pipe Penny Lane	Approx 350'	LF	\$28.00	\$9,800.00
	12	8-inch pipe Penny Lane	Approx 380'	LF	\$45.00	\$17,100.00
	13	12-inch pipe Penny Lane	Approx 1,325'	LF	\$60.00	\$79,500.00
	14	8-inch pipe Penny to San Mateo	Approx 650'	LF	\$45.00	\$29,250.00
	15	8-inch San Mateo to alley south of San Mateo	Approx 350'	LF	\$45.00	\$15,750.00
	16	8-inch pipe Alley south of San Mateo to San Molino	Approx 700'	LF	\$45.00	\$31,500.00
	17	8-inch pipe San Molino	Approx 1,650'	LF	\$45.00	\$74,250.00
		<i>Bring Tank 3 into Operation</i>				
	18	New 6" Tank 3 fill line	Approx 250'	LF	\$28.00	\$7,000.00
19	8" discharge pipe from tank to Golden Acres Drive	Approx 250'	LF	\$55.00	\$13,750.00	
	<i>New Boosters at Tank 3</i>					
20	Booster Pumps End Suction	2 @ 350gpm	LS	\$877.00	\$1,754.00	

**SOUTHLAND UTILITIES
OPINION OF PROBABLE COST**

21	Fittings, valves, check valve and manifold setup	---	LS	\$15,000.00	\$15,000.00
22	Electrical for Tank 3 location	1	LS	\$45,000.00	\$45,000.00
	<i>Install Fire Hydrants</i>				
23	Hydrants (Kensington between San Pedro and Louise)	3	EA	\$1,640.00	\$4,920.00
24	Hydrants (Kevin between San Pedro and Louise)	3	EA	\$1,640.00	\$4,920.00
25	Hydrants (Beverly between San Pedro and Louise)	3	EA	\$1,640.00	\$4,920.00
26	Hydrant (San Pedro north of Kensington)	1	EA	\$1,640.00	\$1,640.00
27	Hydrants (500' intervals in Golden Meadows No. 2)	10	EA	\$1,640.00	\$16,400.00
28	Hydrants (Near in development near bus barn off of Buffalo Soldier)	3	EA	\$1,640.00	\$4,920.00
29	Hydrants (Penny Lane)	5	EA	\$1,640.00	\$8,200.00
30	Hydrants (San Mateo)	5	EA	\$1,640.00	\$8,200.00
31	Hydrants (San Molino)	5	EA	\$1,640.00	\$8,200.00
	<i>Combine Zones</i>				
32	Individual Private PRVs	Approx 10	EA	\$81.50	\$815.00
SUBTOTAL					\$1,221,394.00
	Soft costs				
	Administration and legal fees	2% of Construction Cost	---	---	\$24,427.88
	Engineering Fees	5% of Construction Cost	---	---	\$61,069.70
	Survey, Geotech, etc	1% of Construction Cost	---	---	\$12,213.94
	Project inspection fees	1% of Construction Cost	---	---	\$12,213.94
TOTAL					\$1,331,319.46

Southland Utilities
Explanation of Opinion of Probable Cost

Item 1 Onsite Back-up Generator

Explanation of Need

The Southland system is prone to power outages. The outages are long lasting. Since both System 1 and System 2 rely on boosters for pressure and have no gravity storage tanks, back-up power is essential for ensuring continuous service to customers. Outages have been occurring as much as 6 times per year and tend to last for 3 to 5 hours. Once the two pressure zones are combined, the generator will be able to supply the entire Southland Water system with water from the Well 2 site.

The generator should be portable so that it can be moved from site to site if the outage lasts long enough to drain one of the Tanks.

Priority

Installing a back-up generator should be 1st priority to ensure continuous service to customers.

Explanation of cost

The opinion of probable cost is based on past projects and bids.

Items 2-17 System Distribution Main Replacement

Explanation of Need

A pipe replacement program is proposed due to the age, condition, and composition of the existing pipe distribution system. The existing distribution system is 1960s era asbestos cement pipes. The isolation valves are old and many of them are now inoperable. Presently, as these pipes are being replaced due to leaks and ruptures, the maintenance crew is replacing the broken portions with PVC pipe and having to use costly AC-to-PVC transition couplers for the repairs.

The existing distribution mains are not adequately sized to provide fire flow to the residential population. Since the waterlines and most of the valves will be replaced, it makes sense to upgrade the lines to provide fire flow. The upgrade locations and pipe sizes listed are based on the results of a hydraulic analysis of the system. Once these upgrades are installed, the distribution system will be capable of delivering the minimum required fire flow to the residences, and commercial areas near the west end of Golden Acres Drive and near Buffalo Soldier Trail. The target fire flow is 1,000 gpm for residential, and 1,500 gpm for the commercial areas as required by the 2006 International Fire Code based on the existing building types and sizes.

In addition, some of these mains are in alleys with limited access and should be relocated to the street fronts. Further, the Fry Fire District has indicated that

Southland Utilities
Explanation of Opinion of Probable Cost

they cannot access the alleys where some existing pipes are located. These areas include the alleys in the Kensington St/Kevin St area and the San Mateo/San Molino Area.

Priority

Pipe replacement is 2nd priority and should be the focus after securing back-up power supply.

Explanation of cost

The opinion of probable cost is based on past projects and bids. Cost includes installation and fittings.

Items 18-19 Bring Tank 3 into Operation

Explanation of Need

The system does not currently have adequate storage for an average day of peak month demand as required by AAC R18-5-503. The PMD for this system for one day is approximately 251,770 gal. Tank 1 is a 62,000-gallon tank with a usable volume of 58,286 gallons (from full to discharge pipe elevation). Tank 2 is a 165,000-gallon tank with a usable volume of 127,777 gallons. The existing system therefore has a maximum usable storage volume of 186,063 gallons and is not sufficient. Bringing online Tank 3, which is an identical tank to Tank 2 and is already installed, would increase the system storage to 313,840 gallons.

The additional storage will also help alleviate water shortages if and when water supply wells become inoperable due to mechanical failure or aquifer production issues, which can occur during peak Summer demands.

Priority

Bring Tank 3 online is also 2nd priority.

Explanation of cost

The opinion of probable cost is based on past projects and bids. Cost includes installation.

Items 20-22 New Boosters at Tank 3

Explanation of Need

With Tank 3 brought online, boosters will be needed at that site. An added benefit is that these boosters will increase the capacity of the system such that it can provide fire flow.

Priority

Boosters are also 2nd priority and must occur to bring Tank 3 online.

Explanation of cost

Southland Utilities
Explanation of Opinion of Probable Cost

The opinion of probable cost is based on past projects and bids. Cost includes installation.

Items 23-31 Hydrant Installation

Explanation of Need

Once the distribution mains have been replaced and upgraded where required, and the boosters at Tank 3 are installed, it will make sense to install hydrants where structures are located.

Priority

Hydrants are also 2nd priority and must occur to make sense of upgrading the replaced distribution mains for fire flow.

Explanation of cost

The opinion of probable cost is based on past projects and bids. Cost includes installation.

Items 32 Combine Zones

Explanation of Need

Combining the two existing zones by adjusting booster pressures and opening the closed zone valve is the best option for providing fire flow capacity to Zone 1. The connection will allow for Zone 1 fire flow to utilize the fire storage provided by Tanks 2 and 3.

A handful of residences east of Campobello on Finch Circle and Goldfinch Circle may need to install individual private PRVs but would remain a part of the main pressure zone. Any private service with pressure 80 psi or above should have PRVs installed.

With the new zone configuration, the company will be able to provide water to all customers from Well 2 with the backup generator if there is a power outage. All locations in the entire system will also have access to all of the storage in the system.

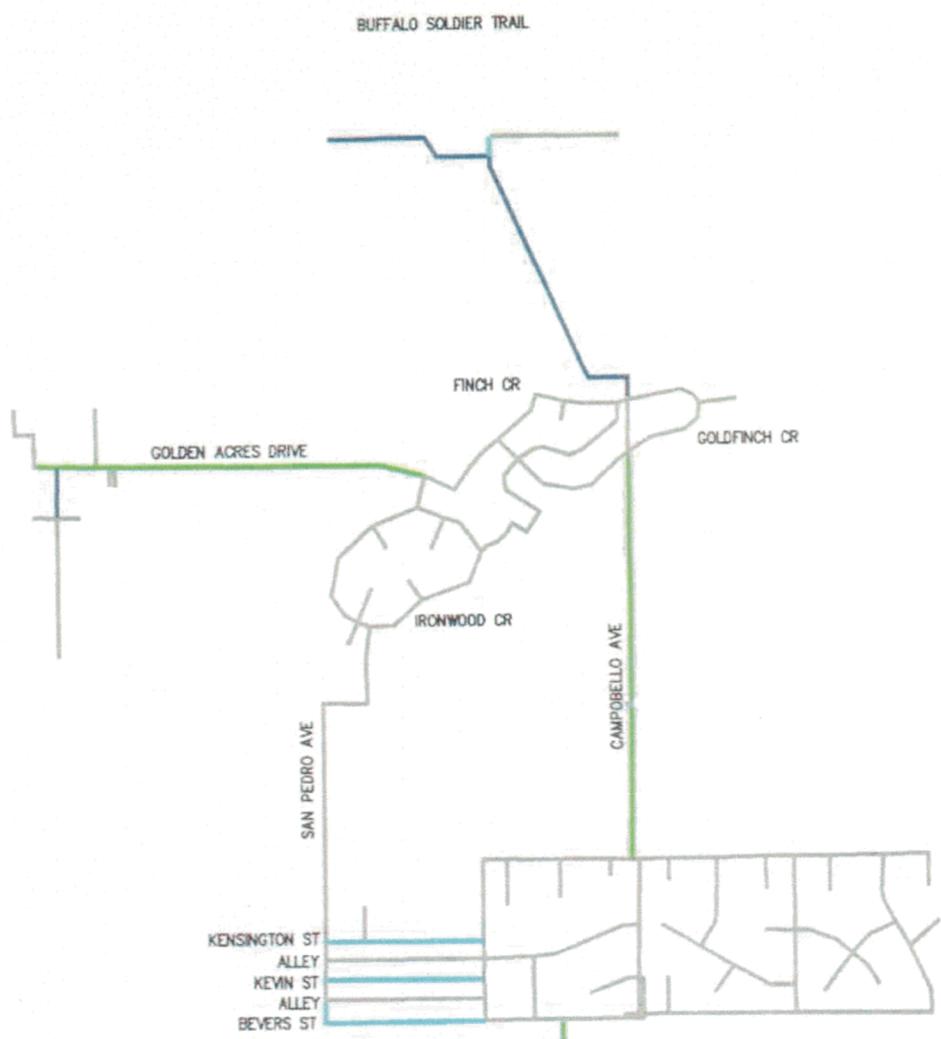
Priority

This item is dependant on the other upgrades occurring.

Explanation of cost

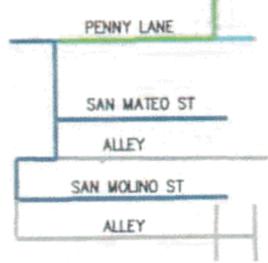
The opinion of probable cost is based on past projects and bids. Cost includes installation

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LEGEND

-  12" MAIN UPGRADE
-  8" MAIN UPGRADE
-  6" MAIN UPGRADE
-  EXISTING DISTRIBUTION MAIN



PREPARED BY:



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 e-mail: greg@gregeng.biz

DESIGNED BY: JRM DRAFTED BY: JRM

SYSTEM UPGRADE MAP
 FOR
 SOUTHLAND UTILITY COMPANY

LOCATED WITHIN PORTIONS OF SECTIONS 19,
 20, 29 & 30, T22S, R21E G&SRM,
 COCHISE COUNTY, AZ

HORIZ: NTS REF: -
 SCALES: VERT: N/A JOB NO. 10-012

CHECKED BY: CRC

DATE: APRIL 2010



EXHIBIT 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 **COMMISSIONERS**

4 KRISTIN K. MAYES, CHAIRMAN

5 GARY PIERCE

6 PAUL NEWMAN

7 SANDRA D. KENNEDY

8 BOB STUMP

9 APPLICATION OF SOUTHLAND
10 UTILITIES COMPANY, INC. FOR AN
11 INCREASE IN ITS WATER RATES

12
13
14 **DIRECT TESTIMONY OF
15 SONN S. ROWELL IN SUPPORT OF
16 SECOND AMENDED RATE
17 APPLICATION**

18 **Q-1 Please state your name and current employment position:**

19 **A-1** My name is Sonn S. Rowell, and I am a Certified Public Accountant and
20 managing member of Desert Mountain Analytical Services, PLLC.

21 **Q-2 Describe your educational and professional background:**

22 **A-2** I have a Bachelor of Science Degree in Accounting from Arizona State University,
23 as well as my CPA certification from the Arizona State Board of Accountancy. I
24 have worked for many years in the practice of public accounting, and have held
25 part-time teaching positions at Mesa Community College. After employment with
26 the Utilities Division of the Arizona Corporation Commission for four years, I
27 started DMAS and now specialize in regulatory accounting and consulting.
28

1 **Q-3 By whom are you employed and in what capacity?**

2 **A-3** I have been retained Southwestern Utility Management, Inc. to perform a financial
3 analysis of the books and records of Southland Utilities Company, Inc.
4 (“Southland or Company”) in order to prepare rate and finance applications for
5 submittal to the Arizona Corporation Commission.
6

7 **Q-4 What is the purpose of your testimony?**

8 **A-4** The purpose of my testimony is to present my analysis and recommendations
9 concerning the development of the Company’s gross revenue requirement, taking
10 into account adjusted rate base, adjusted operating income, working capital
11 requirements, the current rate of return for the historic twelve month period,
12 required operating income, the proposed rate of return, and other relevant factors. I
13 will also sponsor certain exhibits in support of the amended rate and finance
14 applications.
15
16
17

18 **Q-5 Are these schedules for the rate and financing applications amended from the**
19 **filing made by Southland in October of 2009?**

20 **A-5** Yes. Substantially all of the schedules required at least minor changes due to plant
21 elements changing in the finance application. This change flows to the other
22 schedules and impacts the financing amount, rate base, depreciation expense,
23 income taxes, the revenue requirement, and finally rate design, along with all the
24 other subsidiary schedules between. As a result, these amended applications
25 supersede the rate and finance applications filed in October 2009 in their entirety.
26
27
28

1 **Q-6 Are there any new schedules contained within the amended applications?**

2
3 **A-6** Yes. The rate case application contains two new schedules that did not appear in
4 the original application. Amended Schedule C-2a and C-2b contain details of the
5 income tax expense calculations for the adjusted test year and the proposed year,
6 respectively.
7

8 **Q-7 Can you explain the reasons for the amended rate and finance applications?**

9 **A-7** The initiation of the amended applications was driven by the revised Opinion of
10 Probable Costs for the plant improvements to be financed by the WIFA loan. The
11 amount of the financing requested has been decreased to \$1,825,941, which is the
12 \$1,331,319 reflected on the revised OPC and the refinancing of the \$494,622 short
13 term loan used to purchase the storage tanks, and put one of them into service.
14
15

16 **Q-8 What about the other storage tank?**

17 **A-8** The second storage tank was not in service at the end of the test year. As a result,
18 I reclassified 50% of the total cost of the tank projects thus far ($\$605,851 / 2 =$
19 $\$302,925$) from account 330.1 – Storage Tanks, to Plant Held for Future Use.
20

21 **Q-9 Does the Company plan to put the second tank into service?**

22 **A-9** Yes. The Proforma adjustments to plant for the WIFA loan include the
23 \$1,331,319 from the revised OPC as well as the \$302,925 from Plant Held for
24 Future Use (\$1,634,244). My understanding is that the Company proposes
25 bringing the second tank into service to help supplement water supplies, and in
26
27
28

1 combination with the replacement of water lines, this second storage tank will also
2 provide the necessary fire flow capacity.

3 **Q-10 Please summarize the Company's proposal.**

4 **A-10** The Company is seeking an increase in gross revenue of \$358,072, or a rate
5 increase of 255.02%, to pay for needed system upgrades and improvements as set
6 forth in Exhibit 1 of the rate application.
7

8 **Q-11 What is the basis for your recommendation?**

9
10 **A-11** I analyzed the Company's records to determine its adjusted revenues and expenses
11 during the test year ending December 31, 2008, as well as plant in service as of
12 December 31, 2008. Next, I calculated the proposed revenue requirement in order
13 to ensure the Company can earn sufficient revenue to pay the debt service on the
14 proposed WIFA loan, and pay operating expenses that will enable the Company to
15 provide adequate and reliable water service. Based upon my analysis, I have
16 prepared the schedules in accordance with A.A.C. Rule 14-2-103 that are set forth
17 in Application Exhibit 3, which I adopt as part of my testimony.
18
19

20 **Q-12 Regarding Application Schedule B-2, please explain proforma plant**
21 **adjustment 1 for \$1,634,244.**

22
23 **A-12** The Company has simultaneously submitted a financing application to borrow
24 money from WIFA to make substantial improvements to the system, and bring a
25 second storage tank into service. Further details of this amount are contained
26 within the amended financing application.
27
28

1 **Q-13 Regarding Application Income Statement C-1, why was the adjustment (A) to**
2 **other water revenue for (\$255) made?**

3 **A-13** This adjustment removes a non-recurring credit balance in bad debt expense that
4 was written off during the test year.
5

6 **Q-14 Please explain adjustment (B) to Outside Services for \$48,561.**

7 **A-14** The actual amount of expense for outside services during the test year was
8 \$60,194. The majority of this amount can be attributed to monthly accounting
9 fees (\$23,155) incurred prior to, and during the transition to a management
10 agreement with Southwestern Utility Management, Inc. ("SUM"), as well as
11 \$4,260 for a certified operator prior to management by SUM. Additionally, test
12 year outside services included \$27,224 for management fees paid to SUM for
13 partial year representation. Once the two non-recurring expenses (\$23,155 and
14 \$4,260) are removed from the test year as well as the \$27,224 for partial year
15 management fees, outside services is reduced to \$5,555. To that amount I added
16 an entire year's worth of management fees related to the contract with SUM in the
17 amount of \$103,200, which is the average amount per month of \$8,600 for 12
18 months, which results in the test year adjusted amount of \$108,755.
19
20
21
22

23 **Q-15 On that same schedule, why did (C) increase rate case expense by \$8,333?**

24 **A-15** Expenses related to this rate case and the associated financing application are
25 estimated to be at least \$25,000 to \$30,000. The adjustment is based upon
26 \$25,000 amortized over three years.
27

28 **Q-16 What are factors in the \$58,046 adjustment (D) to depreciation expense?**

1 **A-16** The adjustment is comprised of two factors. Revised proposed depreciation rates
2 based upon Staff's standard recommended rates, and proforma depreciation
3 expense for the plant improvements proposed to be constructed with the proceeds
4 of the WIFA loan.
5

6 **Q-17 Why did you reduce income taxes by \$81,583 in adjustment (E)?**

7 **A-17** Schedule C-2a details the calculation for income taxes for the adjusted test year.
8

9 **Q-18 Why did you make adjustments (F), (G), and (H) to other income and**
10 **expenses below test year operating income?**

11 **A-18** They reflect adjustments for non-recurring items that happened during the test
12 year, and as such is only appropriate to remove them from the income statement.
13 Adjustment (F) removes interest income (\$2,285) that is non-recurring due to the
14 current lack of funds to invest. The \$12,685 reduction to non-utility income
15 reflected in (G) is due largely to insurance reimbursements for a fire at a trailer
16 previously used as an office prior to the management agreement with SUM.
17 Adjustment (H) removes an expense (\$30,677) related to the write off of an
18 amount due from Sanitation, a previous tenant of the utility.
19
20

21 **Q-19 Adjustment I increases interest expense by \$89,993, please explain.**

22 **A-19** The proposed WIFA loan of \$1,825,941 is amortized over a 20 year term at a 5%
23 interest rate. As the final terms of the loan have yet to be determined, these
24 amounts are estimates; however, \$90,058 is calculated to be the interest expense
25 for the first year (not including debt reserve and WIFA fees). This projected
26
27
28

1 WIFA interest amount is offset by a \$65 adjustment to remove non-recurring
2 interest expense.

3 **Q-20 How did you calculate the amount of \$358,072 for adjustment (J)?**

4 **A-20** The proposed increase amount to metered water revenue is calculated on
5 Amended Schedule A-1, and appears on line 13. As reflected on that schedule, I
6 based it on operating margin.
7

8 **Q-21 Why did you base the revenue requirement on the operating margin?**

9 **A-21** The return on rate base method results in operating income of \$110,264 and an
10 operating margin of 28% ($\$110,264 / (\$140,411 + \$253,434)$), does not generate
11 sufficient revenue to produce a debt service coverage ratio ("DSCR") of 1.25.
12

13 **Q-22 What is the DSCR under the return on rate base method?**

14 **A-22** The DSCR is .763, which is well below the WIFA preferred DSCR of 1.25,
15 calculated as follows:
16

17

18 Required operating income per Schedule A-1, Line 4 (numerator)	\$110,264
19 Projected annual debt service amount (denominator)	<u>\$144,605</u>
20 Numerator/denominator = DSCR	.763

21
22

23 **Q-23 Does this mean you adjusted the operating margin percentage, thereby**
24 **increasing the revenue requirement, so the DSCR calculated to at least 1.25?**
25 **If so, why?**
26
27
28

1 **A-23** That is correct. I did not feel an increase to the revenue requirement that resulted
2 in a projected DSCR of .763, produced by the return on rate base method, was
3 sufficient to cover operating expenses and service the WIFA debt, therefore
4 putting the utility's solvency at risk. As detailed on Schedule A-1, (lines 9
5 through 16) the operating margin for Southland must be at least 36.26% in order
6 for the DSCR to calculate to 1.25 under the Company proposed scenario in the
7 applications.
8
9

10 **Q-24** Please provide the calculations behind the adjustment (K) to income taxes for
11 **\$116,836.**

12 **A-24** My calculations for the income tax adjustment at proposed revenue are detailed on
13 Schedule C-2b.
14

15 **Q-25** Does this conclude your testimony?

16 **A-25** Yes.
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT 3

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule A-1
Title: Computation of Increase in Gross Revenue Requirements.

Explanation:
 Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	Original Cost		RCND
1. Adjusted Rate Base	\$ 2,029,253	(a)	(a)
2. Adjusted Operating Income	\$ (60,477)	(b)	(b)
3. Current Rate of Return	0.00%		
4. Required Operating Income	\$ 110,264		
5. Required Rate of Return	5.43%		
6. Operating Income Deficiency (4 - 2)	\$ 170,741		
7. Gross Revenue Conversion Factor	1.4843	(c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	\$ 253,434		

9. Proposed Revenue	\$ 498,483
10. Required Operating Margin	36.26%
11. Required Operating Income (9 x 10)	\$ 180,760
12. Operating Income Deficiency (11 - 2)	\$ 241,237
13. Gross Revenue Conversion Factor	1.4843
13. Increase in Gross Revenue Requirements (12 x 13)	\$ 358,072
<i>WIFA DSCR check calculation</i>	
14. Proposed Operating Income	\$ 180,760
15. Annual Proposed Debt Service Amount	144,605
16. Debt Service Coverage Ratio (14 / 15)	1.25

Customer Classification	Adjusted Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase	
Residential	\$ 125,605	\$ 450,954	\$ 325,349	259.03%	(d)
Commercial	10,108	42,831	32,723	323.72%	
Industrial	-	-	-		
Other	4,698	4,698	-	0.00%	
Total	\$ 140,411	\$ 498,483	\$ 358,072	255.02%	

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule A-2
Title: Summary Results of Operations

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

Explanation:
 Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-06	31-Dec-07	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 143,769	\$ 143,460	\$ 140,666	\$ 140,411	\$ 140,411	\$ 498,483
2. Revenue Deductions & Operating Expenses	(127,504)	(149,397)	(167,530)	(200,888)	(200,888)	(317,723)
3. Operating Income	\$ 16,265	\$ (5,937)	\$ (26,864)	\$ (60,477)	\$ (60,477)	\$ 180,760
4. Other Income and Deductions	3,206	3,332	(15,707)	-	-	-
5. Interest Expense	(67)	(165)	(65)	(90,058)	(90,058)	(90,058)
6. Net Income	\$ 19,404	\$ (2,770)	\$ (42,636)	\$ (150,535)	\$ (150,535)	\$ 90,702
7. Earned Per Average Common Share*	\$ 48.51	\$ (6.93)	\$ (106.59)	\$ (376.34)		
8. Dividends Per Common Share*	-	-	-	-		
9. Payout Ratio*	0.00%	0.00%	0.00%	0.00%		
10. Return on Average Invested Capital	9.08%	-1.24%	-9.67%	-34.15%	-10.19%	6.14%
11. Return on Year End Capital	10.78%	-1.03%	-8.45%	-22.53%	-7.53%	4.54%
12. Return on Average Common Equity	11.33%	-1.99%	-28.24%	-99.70%	-132.55%	79.87%
13. Return on Year End Common Equity	20.43%	-1.51%	-24.58%	-86.79%	-86.79%	52.29%
14. Times Bond Interest Earned - Before Inc Tax	24007.46%	-1141.21%	-58789.91%	-94.93%	-94.93%	244.70%
15. Times Total Interest and Preferred Dividends Earned - After Income Taxes	-28861.19%	1778.79%	65694.53%	267.15%	267.15%	-0.71%

Supporting Schedules:

*Optional for projected year

- (a) E-2
- (b) C-1
- (c) F-1

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule A-4
Title: Construction Expenditures and
Gross Utility Plant in Service

Explanation:
 Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2006	\$ 29,768	\$ 13,967	\$ 489,724
2. Prior Year 2 - 2007	89,689	(1,609)	488,115
3. Test Year - 2008	487,802	291,976	780,091
4. Projected Year 1	1,331,319	1,634,244	2,414,335
5. Projected *			
6. Projected *			

* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
 (a) F-3
 (b) E-5

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Amended Schedule B-1
Title: Summary of Original Cost
and RCND

Explanation:
 Schedule showing elements of adjusted original cost
 and RCND rate bases.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

	<u>Original Cost</u> Rate Base*		<u>RCND</u> Rate Base*
1. Gross Utility Plant in Service	\$ 2,414,335		
2. Less: Accumulated Depreciation	(398,206)		
3. Net Utility Plant in Service	<u>\$ 2,016,129</u>	(a)	(b)
Less:			
4. Advances in Aid of Construction	3,182	(c)	(c)
5. Contributions in Aid of Construction	6,196	(c)	(c)
Add:			
6. Allowance for Working Capital	<u>22,501</u>	(d)	(d)
7. Total Rate Base	<u>\$ 2,029,253</u>	(e)	(e)

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2 (d) B-5
- (b) B-3
- (c) E-1

Recap Schedules:

- (e) A-1

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule B-2
 Title: Original Cost Rate Base
 Proforma Adjustments

Explanation:
 Schedule showing pro forma adjustments to gross plant
 in service and accumulated depreciation for the original
 cost rate base.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

	Actual at End Of Test Year (a)	Pro forma Adjustment		Adjusted at End Of Test Year (b)
1. Gross Utility Plant in Service	\$ 780,091	\$ 1,634,244	1	\$ 2,414,335
2. Less: Accumulated Depreciation	(398,206)			(398,206)
3. Net Utility Plant in Service	\$ 381,885	\$ 1,634,244		\$ 2,016,129

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

1 Adjustment to include plant improvements constructed with proceeds of WIFA loan, and
 Property Held for Future Use brought into service.

WIFA Construction per OPC	\$ 1,331,319
Property Held placed in service	302,925
Total Proforma Adjustment	\$ 1,634,244

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
 (a) E-1

Recap Schedules:
 (b) B-1

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule B-5
Title: Computation of Working Capital

Explanation:
 Schedule showing computation of working capital allowance.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

	<u>Amount</u>
1. Cash working capital	
1/24th Purchased Power	\$ 1,204
1/24th Purchased Water	-
1/8th Operation & Maintenance Expense	21,048
2. Materials and Supplies Inventories	- (a)
3. Prepayments	249 (a)
4. Total Working Capital Allowance	<u>\$ 22,501 (b)</u>

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
 (a) E-1

Recap Schedules:
 (b) B-1

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule C-1
 Title: Adjusted Test Year Income
 Statement

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Explanation:
 Schedule showing statement of income for the test year,
 including pro forma adjustments.

Description	Actual for Test		Proforma		Test Year		Proposed	Adjusted Test
	Year Ended (a)	Ref	Adjustments	(b)	Results After	Pro Forma		
	31-Dec-08				Adjustments	Ref	Rate	Year With
							Increase	Rate Increase
Operating Revenues:								
461 Metered Water Revenue	\$ 135,713				\$ 135,713	J	\$ 358,072	\$ 493,785
474 Other Water Revenue	4,953	A	(255)		4,698			4,698
Total Operating Revenue	\$ 140,666		\$ (255)		\$ 140,411		\$ 358,072	\$ 498,483
Operating Expenses:								
601 Salaries & Wages	\$ -				\$ -			\$ -
610 Purchased Water	-				-			-
615 Purchased Power	28,895				28,895			28,895
618 Chemicals	-				-			-
620 Repairs & Maintenance	25,903				25,903			25,903
621 Office Supplies and Expense	13,079				13,079			13,079
630 Outside Services	60,194	B	48,561		108,755			108,755
635 Water Testing	6,087				6,087			6,087
641 Rental Expense	-				-			-
650 Transportation Expense	2,308				2,308			2,308
657 Insurance - General Liability	1,204				1,204			1,204
659 Insurance - Health and Life	-				-			-
666 Rate Case Expense	-	C	8,333		8,333			8,333
675 Miscellaneous Expense	2,717				2,717			2,717
403 Depreciation & Amortization	15,153	D	58,046		73,199			73,199
408 Property Taxes	7,632				7,632			7,632
408.11 Taxes Other Than Income	-				-			-
409 Income Taxes	\$ 4,358	E	(81,583)		(77,225)	K	116,836	39,611
Total Operating Expenses	\$ 167,530		\$ 33,357		\$ 200,888		\$ 116,836	\$ 317,723
OPERATING INCOME/(LOSS)	\$ (26,864)		\$ (33,612)		\$ (60,477)	(c)	\$ 241,237	\$ 180,760
Other Income/(Expense):								
419 Interest Income	\$ 2,285	F	(2,285)		\$ -			\$ -
421 Non-Utility Income	12,685	G	(12,685)		-			-
426 Miscellaneous Non-Utility Expenses	(30,677)	H	30,677		-			-
427 Interest Expense	(65)	I	(89,993)		(90,058)			(90,058)
Total Other Income/(Expense)	\$ (15,772)		\$ (74,286)		\$ (90,058)		\$ -	\$ (90,058)
NET INCOME/(LOSS)	\$ (42,636)		\$ (107,898)		\$ (150,535)		\$ 241,237	\$ 90,702

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
 (a) E-2 (b) C-2

Recap Schedules:
 (c) A-1

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule C-2
Title: Income Statement Proforma
Adjustments

Required for: All Utilities	X
Class A	
Class B	
Class C	
Class D	
Spec Reqmt	

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Spec Reqmt

Explanation:
 Schedule itemizing pro forma adjustments to the test year income statement.

Description	A	B	C	D	E	F	G	H	I	J	K	Total (a) Adjustments
Revenues:												
Metered Water Revenue										\$ 358,072		\$ 358,072
Other Water Revenue	\$ (255)											(255)
Expenses:												
Outside Services		\$ 48,561										\$ 48,561
Rate Case Expense			\$ 8,333									8,333
Depreciation & Amortization				\$ 58,046								58,046
Income Taxes					\$ (81,583)						\$ 116,836	35,253
Other Income/(Expense):												
Interest Income						\$ (2,285)						\$ (2,285)
Non-Utility Income							\$ (12,685)					(12,685)
Miscellaneous Non-Utility Expenses								\$ 30,677				30,677
Interest Expense									\$ (89,993)			(89,993)
											Total Adjustments	\$ 582,806

Adjustment Descriptions:

- A - Decrease Other Water Revenue to remove non-recurring credit balance in Bad Debt Expense.
- B - Increase Outside Services to remove expenses prior to management agreement, and include full year of management fees for Southwestern Utility Management, Inc.
- C - Increase Rate Case Expense to include \$25,000 in estimated depreciation rates, as well as plant improvements to be constructed with proceeds of WIFA loan as per Financing application.
- D - Increase depreciation expense to reflect proposed depreciation rates, as well as plant improvements to be constructed with proceeds of WIFA loan as per Financing application.
- E - Decrease Test Year income taxes based on Schedule C-2a calculations.
- F - Remove non-recurring interest income.
- G - Remove non-recurring Non-Utility Income related to fire at storage trailer, which was the office prior to the management agreement.
- H - Write off Note Receivable from Sanitation, uncollectable, non-recurring expense.
- I - Increase interest expense to remove \$65 in non-recurring interest expense, and include proforma adjustment for interest on proposed WIFA loan (\$90,058) based on estimated terms.
- J - Increase Revenue per calculations on Schedule A-1
- K - Increase proposed year income taxes based on Schedule C-2b calculations.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:
 Recap Schedules:
 (a) C-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Amended Schedule C-2a
Title: Income Statement Proforma
Adjustments

**CALCULATION OF OPERATING INCOME ADJUSTMENT E
TO TEST YEAR INCOME TAX EXPENSE**

STATE INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	\$	(137,702)	
Less:			
Estimated Interest Expense		(90,058)	
Arizona Taxable Income	\$	<u>(227,760)</u>	
Arizona Income Tax Rate		<u>6.9680%</u>	
Arizona Income Tax Expense	\$		(15,870)

FEDERAL INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	\$	(137,702)	
Less:			
Arizona Income Tax	\$	(15,870)	
Estimated Interest Expense		(90,058)	
Federal Taxable Income	\$	<u>(243,630)</u>	
Federal Income Tax Rate		<u>25.1836%</u>	
Federal Income Tax Expense	\$		(61,355)

Adjusted Test Year Income Tax Expense	\$	<u>(77,225)</u>
Test Year Income Tax Expense		<u>4,358</u>
Total Adjustment E to Income Taxes	\$	<u>(81,583)</u>

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule C-2b
 Title: Income Statement Proforma
 Adjustments

**CALCULATION OF OPERATING INCOME ADJUSTMENT K
 TO PROPOSED INCOME TAX EXPENSE**

Revenue	\$ 498,483	
Operating Expenses Excluding Income Tax	278,113	
Estimated Interest Expense	90,058	
Arizona Taxable Income	<u>130,312</u>	\$ 130,312
Arizona Income Tax Rate		<u>6.9680%</u>
Arizona Income Tax Expense		\$ 9,080
Federal Taxable Income		\$ 121,232
Federal Tax on 1st Income Range (\$1 - \$50,000) @ 15%		\$ 7,500
Federal Tax on 2nd Income Range (\$50,001 - \$75,000) @ 25%		6,250
Federal Tax on 3rd Income Range (\$75,001 - \$100,000) @ 34%		8,500
Federal Tax on 4th Income Range (\$100,001 - \$335,000) @ 39%		8,281
Federal Tax on 5th Income Range (\$335,001 - \$10M) @ 34%		-
Total Federal Income Tax Expense		<u>30,531</u>
Combined Federal and State Income Tax Expense		\$ 39,611
Adjusted Test Year Income Tax Expense		(77,225)
Adjustment to Proposed Income Tax Expense		<u><u>\$ 116,836</u></u>
Applicable Federal Income Tax Rate		25.18%
Required Operating Income	\$ 180,760	
Adjusted Test Year Operating Income/(Loss)	<u>(60,477)</u>	
Proposed Increase In Operating Income		\$ 241,237
Income Taxes On Proposed Revenue	\$ 39,611	
Income Taxes On Test Year Revenue	<u>(77,225)</u>	
Proposed Revenue Increase For Income Taxes		\$ 116,836
Total Proposed Increase In Revenue		<u><u>\$ 358,072</u></u>

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
 Schedule showing incremental taxes on gross revenues and
 the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Description	Calculation
Revenue	1.0000
Combined Federal And State Tax Rate	(0.3215)
Rounding adjustment	(0.0048)
Subtotal	0.6737
Gross Revenue Conversion Factor = 1/Operating Income %	1.4843

CALCULATION OF COMBINED FEDERAL AND STATE TAX RATE:

Operating Income Before Taxes (Arizona Taxable Income)	100.0000%
Arizona State Income Tax Rate	6.9680%
Federal Taxable Income	93.0320%
Federal Income Tax Rate	25.1836%
Effective Federal Income Tax Rate	23.4288%
Combined Federal And State Income Tax Rates	32.1516%

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule D-1
Title: Summary Cost of Capital

Explanation:
 Schedule showing elements of capital structure
 and the related cost.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specif Reqmt	<input type="checkbox"/>

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)	\$ -				\$ 1,825,941	91.33%	5.00%	4.57%
Short-Term Debt (a)	494,622	74.04%	2.19%	1.62%	-			
Common Equity (c)	173,443	25.96%	10.00%	2.60%	173,443	8.67%	10.00%	0.87%
Total	\$ 668,065	100.00%		4.22%	\$ 1,999,384	100.00%		5.43%

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule E-1
Title: Comparative Balance Sheet

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec Reqmt	<input type="checkbox"/>

Explanation:
 Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

	Test Year At 31-Dec-08	Prior Year 31-Dec-07	Prior Year 31-Dec-06
ASSETS			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 780,091	\$ 488,115	\$ 489,724
103 Property Held for Future Use	302,925	-	-
105 Construction Work in Process	-	107,099	15,801
108 Accumulated Depreciation	(398,206)	(406,619)	(400,227)
Total Property Plant & Equipment	\$ 684,810	\$ 188,595	\$ 105,298
Current Assts:			
131 Cash	\$ 18,205	\$ 15,824	\$ 15,148
135 Temporary Cash Investments	198	6,116	7,054
141 Customer Accounts Receivable	10,854	10,780	11,374
146 Notes/Receivables from Associated Companies	-	82,922	78,212
151 Plant Material and Supplies	-	2,961	4,087
162 Prepayments	249	74	92
174 Miscellaneous Current and Accrued Assets	12,757	13,567	11,883
Total Current Assets	\$ 42,263	\$ 132,244	\$ 127,850
TOTAL ASSETS	\$ 727,073	\$ 320,839	\$ 233,148
LIABILITIES and CAPITAL			
Capitalization: (b)			
201 Common Stock Issued	\$ 6,000	\$ 6,000	\$ 6,000
211 Paid in Capital in Excess of Par Value	190,153	135,692	135,692
215 Retained Earnings	(22,710)	41,230	(46,727)
Total Capital	\$ 173,443	\$ 182,922	\$ 94,965
Current Liabilities:			
231 Accounts Payable	\$ 9,070	\$ 3,484	\$ 3,329
232 Notes Payable (Current Portion)	494,622	85,000	85,000
235 Customer Deposits	18,051	1,475	1,313
236 Accrued Taxes	4,508	5,910	5,438
241 Miscellaneous Current and Accrued Liabilities	514	18,853	19,427
Total Current Liabilities	\$ 526,765	\$ 114,722	\$ 114,507
224 Long-Term Debt (Over 12 Months)	\$ -	\$ -	\$ -
Deferred Credits:			
252 Advances In Aid Of Construction	\$ 3,182	\$ 3,182	\$ 3,249
271 Contributions In Aid Of Construction	105,798	105,798	105,798
272 Less: Amortization of Contributions	(99,602)	(99,000)	(98,398)
281 Accumulated Deferred Income Tax	17,487	13,215	13,027
Total Deferred Credits	\$ 26,865	\$ 23,195	\$ 23,676
Total Liabilities	\$ 553,630	\$ 137,917	\$ 138,183
TOTAL LIABILITIES and CAPITAL	\$ 727,073	\$ 320,839	\$ 233,148
Supporting Schedules: (a) E-5	Recap Schedules: (b) A-3		

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Amended Schedule E-2
Title: Comparative Income
Statements

Explanation:
 Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec Reqmt	<input type="checkbox"/>

	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Revenues: (a)			
461 Metered Water Revenue	\$ 135,713	\$ 137,790	\$ 138,042
474 Other Water Revenue	4,953	5,670	5,727
Total Revenues	<u>\$ 140,666</u>	<u>\$ 143,460</u>	<u>\$ 143,769</u>
Operating Expenses (a)			
601 Salaries & Wages	\$ -	\$ -	\$ -
610 Purchased Water	-	-	-
615 Purchased Power	28,895	29,467	26,715
618 Chemicals	-	-	-
620 Repairs and Maintenance	25,903	32,026	25,511
621 Office Supplies and Expense	13,079	14,962	6,617
630 Outside Services	60,194	48,250	40,910
635 Water Testing	6,087	3,092	5,339
641 Rents	-	-	-
650 Transportation Expense	2,308	-	-
657 Insurance - General liability	1,204	432	507
659 Insurance - Health and Life	-	-	-
666 Regulatory Commission Expense - Rate Case	-	-	-
675 Miscellaneous Expense	2,717	2,741	5,159
403 Depreciation Expense	15,153	8,184	12,525
408 Taxes Other Than Income	-	65	-
408 Property Taxes	7,632	9,456	7,607
409 Income Tax	4,358	722	(3,386)
Total Operating Expenses	<u>\$ 167,530</u>	<u>\$ 149,397</u>	<u>\$ 127,504</u>
OPERATING INCOME/(LOSS)	\$ (26,864)	\$ (5,937)	\$ 16,265
Other Income/(Expense)			
419 Interest and Dividend Income	\$ 2,285	\$ 3,332	\$ 3,206
421 Non-Utility Income	12,685	-	-
426 Miscellaneous Non-Utility Expense	(30,677)	-	-
427 Interest Expense	(65)	(165)	(67)
Total Other Income/(Expense)	<u>\$ (15,772)</u>	<u>\$ 3,167</u>	<u>\$ 3,139</u>
NET INCOME/(LOSS)	\$ (42,636)	\$ (2,770)	\$ 19,404

Supporting Schedules:
 (a) E-6

Recap Schedules:
 A-2

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule E-5
Title: Detail of Utility Plant

Explanation:
 Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Account Number	Description	End of Prior Year at 31-Dec-07	Net Additions	End of Test Year at 31-Dec-08
302	Franchises	\$ -	\$ -	\$ -
303	Land & Land Rights	1,070	-	1,070
304	Structures & Improvements	21,549	(19,824)	1,725
307	Wells & Springs	30,144	-	30,144
311	Pumping Equipment	70,567	5,107	75,674
320	Water Treatment Equipment	-	-	-
320.1	Water Treatment Plants	-	-	-
320.2	Solution Chemical Feeders	-	4,732	4,732
330	Distribution Reservoirs & Standpipes	48,806	-	48,806
330.1	Storage Tanks	-	302,926	302,926
330.2	Pressure Tanks.	-	-	-
331	Transmission & Distribution Mains	209,091	-	209,091
333	Services	41,070	-	41,070
334	Meters & Meter Installations	61,474	3,379	64,853
335	Hydrants	-	-	-
339	Other Plant and Misc Equipment	-	-	-
340	Office Furniture & Equipment	2,494	(2,494)	-
340.1	Computers and Software	-	-	-
341	Transportation Equipment	1,850	(1,850)	-
343	Tools, Shop, and Garage Equipment	-	-	-
345	Power Operated Equipment	-	-	-
348	Other Tangible Plant	-	-	-
	Total Plant In Service	\$ 488,115	\$ 291,976	\$ 780,091
108	Accumulated Depreciation	406,619	(2,042)	398,206
	Net Plant In Service	\$ 81,496	\$ 294,017	\$ 381,885
103	Property Held for Future Use	\$ -	\$ 302,925	\$ 302,925
105	Construction Work in Process	107,099	(107,099)	-
	Total Net Plant	\$ 188,595	\$ 489,843	\$ 684,810

Supporting Schedules:

Recap Schedules:
 E-1 A-4

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule E-7
Title: Operating Statistics

Explanation:
 Schedule showing key operating statistics in comparative format,
 for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Water Statistics:	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Gallons Sold - By Class of Service:			
Residential	42,765,500	45,823,919	46,376,510
Commercial	2,972,500	3,185,081	3,223,490
Average Number of Customers - By Class of Service:			
Residential	584	566	562
Commercial	41	39	39
Average Annual Gallons Per Residential Customer	73,229	80,961	82,520
Average Annual Revenue Per Residential Customer	\$ 217.39	\$ 227.68	\$ 229.75
Pumping Cost Per 1,000 Gallons	\$ 0.6318	\$ 0.6013	\$ 0.5386

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule E-8
Title: Taxes Charged to
Operations

Explanation: Required for: All Utilities
 Schedule showing all significant taxes charged to operations for Class A
 the test year and the 2 fiscal years ended prior to the test year. Class B
 Class C
 Class D
 Specl Reqmt

Description	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Federal Taxes:			
Income	\$ 4,308	\$ 672	\$ (3,436)
Payroll	-	-	-
Total Federal Taxes	\$ 4,308	\$ 672	\$ (3,436)
State Taxes:			
Income	\$ 50	\$ 50	\$ 50
Payroll	-	-	-
Total State Taxes	\$ 50	\$ 50	\$ 50
Local Taxes:			
Property	\$ 7,632	\$ 9,456	\$ 7,607
Total Taxes	\$ 11,990	\$ 10,178	\$ 4,221

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Amended Schedule E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

Disclosures should include, but not be limited to the following:

- 1 Accounting Method.
The books of Southland are kept as accrual based, and also follow NARUC rules, including the USoA.
- 2 Depreciation lives and methods employed by major classification of utility property.
For years up to and including the test year 2008, depreciation rates as authorized in Decision 61335 were 5% for all plant asset categories. Proposed depreciation rates are depicted on the plant schedule as part of the financing application. These rates were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation dated April 21, 2000, and revised March 1, 2001.
- 3 Income tax treatment - normalization or flow through.
Depreciation is normalized for ratemaking purposes, but not income tax purposes.
- 4 Interest rate used to charge interest during construction, if applicable.
Not Applicable.

Supporting Schedules:

Recap Schedules:

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Amended Schedule F-1
Title: Projected Income Statements -
Present and Proposed Rates

Explanation:

Schedule showing an income statement for the projected year, compared with actual test year results, at present and proposed rates.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Specl Reqmt	<input type="checkbox"/>

	Actual Test Year Ended (a) 31-Dec-08	Projected Year	
		At Present Rates Year Ended (b) 31-Dec-09	At Proposed Rates Year Ended (b) 31-Dec-09
Operating Revenues:			
461 Metered Water Revenue	\$ 135,713	\$ 135,713	\$ 493,785
474 Other Water Revenue	4,953	4,698	4,698
Total Operating Revenue	\$ 140,666	\$ 140,411	\$ 498,483
Operating Expenses:			
601 Salaries & Wages	\$ -	\$ -	\$ -
610 Purchased Water	-	-	-
615 Purchased Power	28,895	28,895	28,895
618 Chemicals	-	-	-
620 Repairs & Maintenance	25,903	25,903	25,903
621 Office Supplies and Expense	13,079	13,079	13,079
630 Outside Services	60,194	108,755	108,755
635 Water Testing	6,087	6,087	6,087
641 Rental Expense	-	-	-
650 Transportation Expense	2,308	2,308	2,308
657 Insurance - General Liability	1,204	1,204	1,204
659 Insurance - Health and Life	-	-	-
666 Rate Case Expense	-	8,333	8,333
675 Miscellaneous Expense	2,717	2,717	2,717
403 Depreciation & Amortization	15,153	73,199	73,199
408 Property Taxes	7,632	7,632	7,632
408.1 Taxes Other Than Income	-	-	-
409 Income Taxes	4,358	(77,225)	39,611
Total Operating Expenses	\$ 167,530	\$ 200,888	\$ 317,723
OPERATING INCOME/(LOSS)	\$ (26,864)	\$ (60,477)	\$ 180,760
Other Income/(Expense):			
419 Interest Income	\$ 2,285	\$ -	\$ -
421 Non-Utility Income	12,685	-	-
426 Miscellaneous Non-Utility Expenses	(30,677)	-	-
427 Interest Expense	(65)	(90,058)	(90,058)
Total Other Income/(Expense)	\$ (15,772)	\$ (90,058)	\$ (90,058)
NET INCOME/(LOSS)	\$ (42,636)	\$ (150,535)	\$ 90,702
Earnings per share of average Common Stock Outstanding	\$ (106.59)	\$ (376.34)	\$ 226.75
% Return on Common Equity	-0.061%	-0.217%	0.131%

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule F-3
Title: Projected Construction
Requirements

Explanation:
 Schedule showing projected annual construction requirements,
 by property classification, for 1 to 3 years subsequent to the
 test year compared with the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Property Classification	Actual Test Year Ended 12/31/2008	End of Projected Year 1
Production Plant	\$ 110,550	\$ 181,743
Transmission Plant	560,823	2,123,874
Other Plant	108,718	108,718
Total Plant	\$ 780,091	\$ 2,414,335

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:
 (a) F-2 & A-4

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Amended Schedule F-4
Title: Assumptions Used in
Developing Projection

Explanation:
Documentation of important assumptions used in preparing
forecasts and projections

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

The company has experienced modest growth in the past few years, but does anticipate that will change.

2 Growth in consumption and customer demand

Customer demand and consumption has actually been decreasing.

3 Changes in expenses

The company believes the test year 2008, with the limited proforma adjustments included in this application, accurately depict expense levels going forward.

4 Construction requirements including production reserves and changes in plant capacity

Proceeds of the WIFA loan will be used to install a 350 KW generator, replace substantially all the system distribution mains, install new boosters at tank 3, bring tank 3 on-line, and installation of fire hydrants throughout the system.

5 Capital structure changes

As a result of the installation of Tank 2 and preparations for installation of Tank 3, short term debt and equity increased. Long-term debt will increase if the WIFA loan is approved.

6 Financing costs, interest rates

Currently, the Company has a short term loan in the amount of \$494,622 with Tucson/Sierra Properties, LLC at a 2.19% interest rate that was used to install in the storage tank during the Test Year. Southland is seeking to borrow this amount, plus an additional \$1,331,319 from WIFA, for the construction described above in item 4.

Supporting Schedules:

Recap Schedules:

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule H-1
Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates

Explanation:
 Schedule comparing revenues by customer classification for
 the Test Year, at present and proposed rates.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential	\$ 125,605	\$ 450,954	\$ 325,349	259.03%
Commercial	10,108	42,831	32,723	323.72%
Other	4,698	4,698	-	0.00%
Total Revenues	\$ 140,411	\$ 498,483	\$ 358,072	255.02%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
 (a) H-2

Recap Schedules:
 (b) A-1

Explanation:
 Schedule comparing present rate schedules with proposed
 rate schedule.

(Rates apply to both residential and commercial usage)

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE			
5/8" x 3/4" Meter	\$ 10.00	\$ 42.00	320%
3/4" Meter	11.00	45.00	309%
1" Meter	15.00	80.00	433%
1-1/2" Meter	20.00	125.00	525%
2" Meter	23.00	175.00	661%
3" Meter	49.00	375.00	665%
4" Meter	70.00	475.00	579%
6" Meter	100.00	775.00	675%
Gallons included in minimum	-	-	0.00%

Commodity Charge (per 1,000 gallons in excess of monthly minimum)

Description	Present Rate	Proposed Rate
All gallons for all meter sizes	\$ 1.33	
<u>5/8 x 3/4 - inch meter</u>		
1 - 3,000 Gallons		\$ 2.900
3,001 to 12,000 Gallons		3.950
Over 12,000 Gallons		5.301
<u>3/4 - inch meter</u>		
1 - 3,000 Gallons	\$	2.900
3,001 to 12,000 Gallons		3.950
Over 12,000 Gallons		5.301
<u>One - inch meter</u>		
1 to 30,000 Gallons	\$	3.950
Over 30,000 Gallons		5.301
<u>One and one half - inch meter</u>		
1 to 60,000 Gallons	\$	3.950
Over 60,000 Gallons		5.301
<u>Two - inch meter</u>		
1 to 90,000 Gallons	\$	3.950
Over 90,000 Gallons		5.301
<u>Three - inch meter</u>		
1 to 125,000 Gallons	\$	3.950
Over 125,000 Gallons		5.301
<u>Four - inch meter</u>		
1 to 200,000 Gallons	\$	3.950
Over 200,000 Gallons		5.301
<u>Six - inch meter</u>		
1 to 400,000 Gallons	\$	3.950
Over 400,000 Gallons		5.301

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	\$ 25.00	\$ 30.00	20.00%
Establishment (After Hours)	30.00	40.00	33.33%
Reconnection (Delinquent)	25.00	40.00	60.00%
Reconnection (Delinquent-after hou	-	50.00	100.00%
Meter Test (If Correct)	30.00	35.00	16.67%
Deposit	Note a	*	
Deposit Interest	Note a	*	
Reestablishment (Within 12 Month:	Note b	**	
NSF Check	\$ 15.00	\$ 25.00	67%
Deferred Payment	Note c	1.50%	
Meter Reread (If Correct)	\$ 15.00	\$ 20.00	33%
Late Payment Penalty	Note d	1.50%	
Main Extension	N/A	Cost	

MONTHLY SERVICE CHARGE

FOR FIRE SPRINKLER: N/A ***

SERVICE LINE AND METER INSTALLATION CHARGES

Refundable Pursuant to AAC R14-2-405

Description	Present Rate	Proposed Rates			% change
		Service Line	Meter Charge	Total Charge	
5/8" x 3/4" Meter	\$ 225.00	\$ 445.00	\$ 155.00	\$ 600.00	167%
3/4" Meter	300.00	445.00	255.00	700.00	133%
1" Meter	350.00	495.00	315.00	810.00	131%
1-1/2" Meter	500.00	550.00	525.00	1,075.00	115%
2" Meter - Turbine	625.00	830.00	1,045.00	1,875.00	200%
2" Meter - Compound	N/A	830.00	1,890.00	2,720.00	100%
3" Meter - Turbine	900.00	1,045.00	1,670.00	2,715.00	202%
3" Meter - Compound	N/A	1,165.00	2,545.00	3,710.00	100%
4" Meter - Turbine	1,450.00	1,490.00	2,670.00	4,160.00	187%
4" Meter - Compound	N/A	1,670.00	3,645.00	5,315.00	100%
6" Meter - Turbine	3,000.00	2,210.00	5,025.00	7,235.00	141%
6" Meter - Compound	N/A	2,330.00	6,920.00	9,250.00	100%

Note a - Deposits Per Commission Rules R14-2-403(B)(7)(a), (b) and (c); Interest Per Commission Rules R14-2-403(B)(3).

Note b - Service Establishments re-establishments or reconnection charges per Commission Rule R14-2-403(D).

Note c - Deferred Payments Per Commission Rules R14-2-409(G), with finance charge of 1.5 percent per month on the unpaid balance, Per R14-2-409(G)(6).

Note d - Late payment Penalty of 1.5 percent of the unpaid balance.

* Per Commission Rules R14-2-403.B.

** Month off the system times the monthly minimum per R14-2-403.D.

*** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules:

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 5/8" x 3/4" meter - residential and commercial	Required for: All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Specl Reqmt	

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	10.00	\$ 42.00	320.00%
1,000	11.33	44.90	296.29%
2,000	12.66	47.80	277.57%
3,000	13.99	50.70	262.40%
4,000	15.32	54.65	256.72%
5,000	16.65	58.60	251.95%
6,000	17.98	62.55	247.89%
7,000	19.31	66.50	244.38%
8,000	20.64	70.45	241.33%
9,000	21.97	74.40	238.64%
10,000	23.30	78.35	236.27%
15,000	29.95	102.15	241.08%
20,000	36.60	128.66	251.52%
25,000	43.25	155.16	258.76%
50,000	76.50	287.69	276.06%
75,000	109.75	420.21	282.88%
100,000	143.00	552.74	286.53%
125,000	176.25	685.26	288.80%
150,000	209.50	817.79	290.35%
175,000	242.75	950.31	291.48%
200,000	276.00	1,082.84	292.33%

Supporting Schedules:

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule H-4
 Title: Typical Bill
 Analysis
 Page 2 of 4

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 2 inch meter - commercial	Required for: All Utilities Class A Class B Class C Class D Specl Reqmt	<table border="1"> <tr><td>X</td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>	X					
X								

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 23.00	\$ 175.00	660.87%
1,000	24.33	178.95	635.51%
2,000	25.66	182.90	612.78%
3,000	26.99	186.85	592.29%
4,000	28.32	190.80	573.73%
5,000	29.65	194.75	556.83%
6,000	30.98	198.70	541.38%
7,000	32.31	202.65	527.21%
8,000	33.64	206.60	514.15%
9,000	34.97	210.55	502.09%
10,000	36.30	214.50	490.91%
15,000	42.95	234.25	445.40%
20,000	49.60	254.00	412.10%
25,000	56.25	273.75	386.67%
50,000	89.50	372.50	316.20%
75,000	122.75	471.25	283.91%
100,000	156.00	583.51	274.04%
125,000	189.25	716.04	278.35%
150,000	222.50	848.56	281.38%
175,000	255.75	981.09	283.61%
200,000	289.00	1,113.61	285.33%

Supporting Schedules:

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 3 inch meter - residential	Required for: All Utilities Class A Class B Class C Class D Specl Reqmt	<table border="1" style="border-collapse: collapse; width: 40px;"> <tr><td style="text-align: center;">X</td></tr> <tr><td style="text-align: center;"> </td></tr> </table>	X					
X								

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	49.00	\$ 375.00	665.31%
1,000	50.33	378.95	652.93%
2,000	51.66	382.90	641.19%
3,000	52.99	386.85	630.04%
4,000	54.32	390.80	619.44%
5,000	55.65	394.75	609.34%
6,000	56.98	398.70	599.72%
7,000	58.31	402.65	590.53%
8,000	59.64	406.60	581.76%
9,000	60.97	410.55	573.36%
10,000	62.30	414.50	565.33%
15,000	68.95	434.25	529.80%
20,000	75.60	454.00	500.53%
25,000	82.25	473.75	475.99%
50,000	115.50	572.50	395.67%
75,000	148.75	671.25	351.26%
100,000	182.00	770.00	323.08%
125,000	215.25	868.75	303.60%
150,000	248.50	1,001.28	302.93%
175,000	281.75	1,133.80	302.41%
200,000	315.00	1,266.33	302.01%

Supporting Schedules:

Southland Utilities Company, Inc.
 Test Year Ended December 31, 2008

Amended Schedule H-4
 Title: Typical Bill
 Analysis
 Page 4 of 4

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 4 inch meter - commercial	Required for: All Utilities Class A Class B Class C Class D Specl Reqmt	<table border="1" style="border-collapse: collapse;"> <tr><td style="text-align: center;">X</td></tr> <tr><td style="text-align: center;"> </td></tr> </table>	X					
X								

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	70.00	\$ 475.00	578.57%
1,000	71.33	478.95	571.46%
2,000	72.66	482.90	564.60%
3,000	73.99	486.85	557.99%
4,000	75.32	490.80	551.62%
5,000	76.65	494.75	545.47%
6,000	77.98	498.70	539.52%
7,000	79.31	502.65	533.78%
8,000	80.64	506.60	528.22%
9,000	81.97	510.55	522.85%
10,000	83.30	514.50	517.65%
15,000	89.95	534.25	493.94%
20,000	96.60	554.00	473.50%
25,000	103.25	573.75	455.69%
50,000	136.50	672.50	392.67%
75,000	169.75	771.25	354.34%
100,000	203.00	870.00	328.57%
125,000	236.25	968.75	310.05%
150,000	269.50	1,067.50	296.10%
175,000	302.75	1,166.25	285.22%
200,000	336.00	1,265.00	276.49%

Supporting Schedules:

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Spec'l Reqmt

Explanation:
 Schedule(s) showing billing activity by block for each rate
 schedule.

5/8 x 3/4 inch meter - residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	131	-	131	1.92%	-	0.00%
1,000	521	521,000	652	9.55%	521,000	1.19%
2,000	819	1,638,000	1,471	21.55%	2,159,000	4.93%
3,000	927	2,781,000	2,398	35.13%	4,940,000	11.29%
4,000	829	3,316,000	3,227	47.28%	8,256,000	18.86%
5,000	727	3,635,000	3,954	57.93%	11,891,000	27.17%
6,000	573	3,438,000	4,527	66.32%	15,329,000	35.02%
7,000	473	3,311,000	5,000	73.25%	18,640,000	42.59%
8,000	332	2,656,000	5,332	78.11%	21,296,000	48.66%
9,000	293	2,637,000	5,625	82.41%	23,933,000	54.68%
10,000	211	2,110,000	5,836	85.50%	26,043,000	59.50%
10,001 to 12,000	292	3,212,000	6,128	89.77%	29,255,000	66.84%
12,001 to 14,000	174	2,262,000	6,302	92.32%	31,517,000	72.01%
14,001 to 16,000	133	1,995,000	6,435	94.27%	33,512,000	76.57%
16,001 to 18,000	93	1,581,000	6,528	95.63%	35,093,000	80.18%
18,001 to 20,000	61	1,159,000	6,589	96.53%	36,252,000	82.83%
20,001 to 25,000	106	2,385,000	6,695	98.08%	38,637,000	88.28%
25,001 to 30,000	50	1,375,000	6,745	98.81%	40,012,000	91.42%
30,001 to 35,000	31	1,007,500	6,776	99.27%	41,019,500	93.72%
35,001 to 40,000	10	375,000	6,786	99.41%	41,394,500	94.58%
40,001 to 50,000	17	765,000	6,803	99.66%	42,159,500	96.32%
50,001 to 60,000	7	385,000	6,810	99.77%	42,544,500	97.20%
60,001 to 70,000	6	390,000	6,816	99.85%	42,934,500	98.09%
70,001 to 80,000	5	375,000	6,821	99.93%	43,309,500	98.95%
80,001 to 90,000	4	340,000	6,825	99.99%	43,649,500	99.73%
90,001 to 100,000	-	-	6,825	99.99%	43,649,500	99.73%
119,100	1	119,100	6,826	100.00%	43,768,600	100.00%
	6,826	43,768,600				

Average Number of Customers 569
 Average Consumption 6,412
 Median Consumption 4,256

Supporting Schedules:

Recap Schedules:

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	9	-	9	2.00%	-	0.00%
1,000	202	202,000	211	46.78%	202,000	7.76%
2,000	61	122,000	272	60.31%	324,000	12.44%
3,000	22	66,000	294	65.19%	390,000	14.98%
4,000	23	92,000	317	70.29%	482,000	18.51%
5,000	10	50,000	327	72.51%	532,000	20.43%
6,000	14	84,000	341	75.61%	616,000	23.66%
7,000	4	28,000	345	76.50%	644,000	24.73%
8,000	8	64,000	353	78.27%	708,000	27.19%
9,000	12	108,000	365	80.93%	816,000	31.34%
10,000	11	110,000	376	83.37%	926,000	35.56%
10,001 to 12,000	19	209,000	395	87.58%	1,135,000	43.59%
12,001 to 14,000	5	65,000	400	88.69%	1,200,000	46.08%
14,001 to 16,000	3	45,000	403	89.36%	1,245,000	47.81%
16,001 to 18,000	5	85,000	408	90.47%	1,330,000	51.08%
18,001 to 20,000	1	19,000	409	90.69%	1,349,000	51.80%
20,001 to 25,000	17	382,500	426	94.46%	1,731,500	66.49%
25,001 to 30,000	10	275,000	436	96.67%	2,006,500	77.05%
30,001 to 35,000	6	195,000	442	98.00%	2,201,500	84.54%
35,001 to 40,000	3	112,500	445	98.67%	2,314,000	88.86%
40,001 to 50,000	5	225,000	450	99.78%	2,539,000	97.50%
50,001 to 60,000	-	-	450	99.78%	2,539,000	97.50%
60,001 to 70,000	1	65,000	451	100.00%	2,604,000	100.00%
70,001 to 80,000	-	-	451	100.00%	2,604,000	100.00%
80,001 to 90,000	-	-	451	100.00%	2,604,000	100.00%
90,001 to 100,000	-	-	451	100.00%	2,604,000	100.00%
Over 100,000	-	-	451	100.00%	2,604,000	100.00%
	451	2,604,000				

Average Number of Customers 38
 Average Consumption 5,774
 Median Consumption 1,238

Supporting Schedules:

Recap Schedules:

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	1	-	1	2.86%	-	0.00%
1,000	3	3,000	4	11.43%	3,000	1.07%
2,000	2	4,000	6	17.14%	7,000	2.50%
3,000	1	3,000	7	20.00%	10,000	3.58%
4,000	1	4,000	8	22.86%	14,000	5.01%
5,000	6	30,000	14	40.00%	44,000	15.74%
6,000	2	12,000	16	45.71%	56,000	20.04%
7,000	3	21,000	19	54.29%	77,000	27.55%
8,000	5	40,000	24	68.57%	117,000	41.86%
9,000	-	-	24	68.57%	117,000	41.86%
10,000	1	10,000	25	71.43%	127,000	45.44%
10,001 to 12,000	5	55,000	30	85.71%	182,000	65.12%
12,001 to 14,000	2	26,000	32	91.43%	208,000	74.42%
14,001 to 16,000	1	15,000	33	94.29%	223,000	79.79%
16,001 to 18,000	-	-	33	94.29%	223,000	79.79%
18,001 to 20,000	1	19,000	34	97.14%	242,000	86.58%
20,001 to 25,000	-	-	34	97.14%	242,000	86.58%
25,001 to 30,000	-	-	34	97.14%	242,000	86.58%
30,001 to 35,000	-	-	34	97.14%	242,000	86.58%
35,001 to 40,000	1	37,500	35	100.00%	279,500	100.00%
40,001 to 50,000	-	-	35	100.00%	279,500	100.00%
50,001 to 60,000	-	-	35	100.00%	279,500	100.00%
60,001 to 70,000	-	-	35	100.00%	279,500	100.00%
70,001 to 80,000	-	-	35	100.00%	279,500	100.00%
80,001 to 90,000	-	-	35	100.00%	279,500	100.00%
90,001 to 100,000	-	-	35	100.00%	279,500	100.00%
Over 100,000	-	-	35	100.00%	279,500	100.00%
	<u>35</u>	<u>279,500</u>				

Average Number of Customers 3
 Average Consumption 7,986
 Median Consumption 6,500

Supporting Schedules:

Recap Schedules:

Required for: All Utilities

X

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

3 inch meter - residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	-	-	-	0.00%	-	0.00%
2,000	-	-	-	0.00%	-	0.00%
3,000	-	-	-	0.00%	-	0.00%
4,000	-	-	-	0.00%	-	0.00%
5,000	-	-	-	0.00%	-	0.00%
6,000	-	-	-	0.00%	-	0.00%
7,000	-	-	-	0.00%	-	0.00%
8,000	-	-	-	0.00%	-	0.00%
9,000	-	-	-	0.00%	-	0.00%
10,000	-	-	-	0.00%	-	0.00%
10,001 to 12,000	-	-	-	0.00%	-	0.00%
12,001 to 14,000	-	-	-	0.00%	-	0.00%
14,001 to 16,000	-	-	-	0.00%	-	0.00%
16,001 to 18,000	-	-	-	0.00%	-	0.00%
18,001 to 20,000	-	-	-	0.00%	-	0.00%
20,001 to 25,000	-	-	-	0.00%	-	0.00%
25,001 to 30,000	-	-	-	0.00%	-	0.00%
30,001 to 35,000	-	-	-	0.00%	-	0.00%
35,001 to 40,000	-	-	-	0.00%	-	0.00%
40,001 to 50,000	-	-	-	0.00%	-	0.00%
50,001 to 60,000	-	-	-	0.00%	-	0.00%
60,001 to 70,000	-	-	-	0.00%	-	0.00%
70,001 to 80,000	1	75,000	1	8.33%	75,000	4.08%
80,001 to 90,000	-	-	1	8.33%	75,000	4.08%
90,001 to 100,000	-	-	1	8.33%	75,000	4.08%
119,200	1	119,200	2	16.67%	194,200	10.56%
131,500	1	131,500	3	25.00%	325,700	17.72%
134,400	1	134,400	4	33.33%	460,100	25.03%
138,200	1	138,200	5	41.67%	598,300	32.54%
141,300	1	141,300	6	50.00%	739,600	40.23%
146,700	1	146,700	7	58.33%	886,300	48.21%
153,900	1	153,900	8	66.67%	1,040,200	56.58%
166,500	1	166,500	9	75.00%	1,206,700	65.64%
192,500	1	192,500	10	83.33%	1,399,200	76.11%
197,800	1	197,800	11	91.67%	1,597,000	86.86%
241,500	1	241,500	12	100.00%	1,838,500	100.00%
	<u>12</u>	<u>1,838,500</u>				

Average Number of Customers 1
 Average Consumption 153,208
 Median Consumption 144,000

Supporting Schedules:

Recap Schedules:

Required for: All Utilities

X

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

4 inch meter - commercial

Class A

Class B

Class C

Class D

Spec'l Reqmt

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	-	-	-	0.00%	-	0.00%
2,000	-	-	-	0.00%	-	0.00%
3,000	-	-	-	0.00%	-	0.00%
4,000	-	-	-	0.00%	-	0.00%
5,000	-	-	-	0.00%	-	0.00%
6,000	-	-	-	0.00%	-	0.00%
7,000	-	-	-	0.00%	-	0.00%
8,000	-	-	-	0.00%	-	0.00%
9,000	1	9,000	1	8.33%	9,000	3.16%
10,000	-	-	1	8.33%	9,000	3.16%
10,001 to 12,000	-	-	1	8.33%	9,000	3.16%
12,001 to 14,000	1	13,000	2	16.67%	22,000	7.72%
14,001 to 16,000	1	15,000	3	25.00%	37,000	12.98%
16,001 to 18,000	-	-	3	25.00%	37,000	12.98%
18,001 to 20,000	2	38,000	5	41.67%	75,000	26.32%
20,001 to 25,000	5	112,500	10	83.33%	187,500	65.79%
25,001 to 30,000	-	-	10	83.33%	187,500	65.79%
30,001 to 35,000	1	32,500	11	91.67%	220,000	77.19%
35,001 to 40,000	-	-	11	91.67%	220,000	77.19%
40,001 to 50,000	-	-	11	91.67%	220,000	77.19%
50,001 to 60,000	-	-	11	91.67%	220,000	77.19%
60,001 to 70,000	1	65,000	12	100.00%	285,000	100.00%
70,001 to 80,000	-	-	12	100.00%	285,000	100.00%
80,001 to 90,000	-	-	12	100.00%	285,000	100.00%
90,001 to 100,000	-	-	12	100.00%	285,000	100.00%
Over 100,000	-	-	12	100.00%	285,000	100.00%
	<u>12</u>	<u>285,000</u>				

Average Number of Customers	1
Average Consumption	23,750
Median Consumption	21,000

Supporting Schedules:

Recap Schedules:

EXHIBIT 4

WATER USE DATA SHEET

NAME OF COMPANY	Southland Utilities Company, Inc.
ADEQ Public Water System Number:	02-029

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January 2008	604	3,303	Unknown due to fire
2. February 2008	604	3,013	Unknown due to fire
3. March 2008	608	3,535	Unknown due to fire
4. April 2008	609	4,343	Unknown due to fire
5. May 2008	611	4,587	Unknown due to fire
6. June 2008	613	5,744	Unknown due to fire
7. July 2008	615	4,080	Unknown due to fire
8. August 2008	615	3,780	Meter pulled for maint
9. September 2008	615	3,329	Meter pulled for maint
10. October 2008	612	3,726	Meter pulled for maint
11. November 2008	617	3,054	3,286
12. December 2008	613	3,244	3,807
TOTAL	7,336	45,738	* 7,093

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES NO

If Yes, please provide the GPCD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

* Gallons pumped cannot equal or be less than the gallons sold.

EXHIBIT 5

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-08
ADEQ PWS 02-029	

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
626149	40	150	600	12	4	1967
626150	50	170	600	14-12-10	6	1971

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS

Horsepower	Quantity
30.0	3
5.0	1
10.0	1

FIRE HYDRANTS

Quantity Standard	Quantity Other
36	N/A

STORAGE TANKS

Capacity	Quantity
165,000	2
62,000	1

PRESSURE TANKS

Capacity	Quantity
5,000	1

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-08
ADEQ PWS 02-029	

MAINS*

Size (in inches)	Material	Length (in feet)
2	Steel	1,000
3		
4	AC	18,122
5		
6	AC	28,260
8		
10		
12		
6	PVC	2,711

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	620
3/4	
1	
1 1/2	
2	3
Comp. 3	
Turbo 3	1
Comp. 4	
Turbo 4	1
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

2 Automatic Chlorinators

STRUCTURES:

N/A

OTHER:

EXHIBIT 6

**Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007**

Drinking Water Compliance Status Report

System Name: SOUTHLAND UTL-GOLDEN ACR	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
System ID: 02029	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
	<input type="checkbox"/> Transient Non-community	

Overall Compliance Status:	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring Reporting Status:	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Comments: An NOV was issued on 7/31/08 for missed monitoring, but all monitoring deficiencies have now been addressed.		

Operational Maintenance Status:	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last inspection: 3-16-09	Inspector: John Eyre, SRO	
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage	
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule	
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> ATC/AOC	
<input type="checkbox"/> certified operator	<input type="checkbox"/> other =	
Comments: None		

Is an APO or administrative change in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Comments: None		

Population Served:	2195
Number of businesses:	627
Number of single-family detached homes:	2
Number of multi-family units:	2
Number of mobile homes:	1994
Is the system a public water system?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Report prepared by:	Donna Calderon, Manager <i>DC</i>
Unit:	Drinking Water Monitoring and Protection Unit
Phone:	602-771-4641
Date:	November 3, 2009
<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

EXHIBIT 7



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE**



Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to wilful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 11278	Invoice Number 65577
To: ROMO, ANDY 2730 E. BROADWAY, SUITE 135 TUCSON AZ 85716	Public Water System ID #: 02029
	Billing for Calendar Year: 2009
	Due Date: November 17, 2008
	Total Amount Due \$ 1,637.80
	Amount Paid \$

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

Annual Sampling Fee Invoice

ADEQ Federal Tax #866004791
Invoice # 65577

ROMO, ANDY 2730 E. BROADWAY, SUITE 135 TUCSON AZ 85716	Owner Id #: 11278 MAP
	Billing for Calendar Year: 2009
02029 - Romo, Andy	Due Date: 11/17/2008

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	\$ 250.00
Fee per Connection in 2009 540 connections X \$ 2.57	\$ 1,387.80
Total Sampling Fee	\$ 1,637.80
Plus Paid Interest Charges and/or Other Adjustments	\$ 0.00
Plus Unpaid Interest Charges as of 10/01/2008	\$ 0.00
Minus Payments Received and/or Other Adjustments	\$ 0.00
Amount Due	\$ 1,637.80
Amount received by ADEQ (Make check payable to State of Arizona)	\$



A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to State of Arizona
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Check Number:	
Received:	
Postmarked:	
Entered:	CS3 10/01/2008 WM300G6