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BEFORE THE ARIZONA CORPORATION

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT.

DOCKET NO. W-01303A-09-0343

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

**STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony of Gerald Becker, Dorothy Hains and Garry McMurry of the Utilities' Division.

RESPECTFULLY SUBMITTED this 15th day of April 2010.

Maureen A. Scott, Senior Staff Counsel
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Legal Division
Arizona Corporation Commission
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Original and thirteen (13) copies of the foregoing filed this 15th day of April 2010 with:

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Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

APR 15 2010

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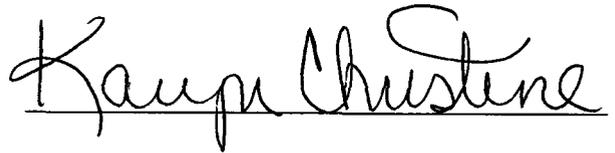
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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-09-0343
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS ANTHEM)
WATER DISTRICT AND ITS SUN CITY)
WATER DISTRICT.)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. SW-01303A-09-0343
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PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS ANTHEM/)
AGUA FRIA WASTEWATER DISTRICT,)
ITS SUN CITY WASTEWATER DISTRICT, AND)
ITS SUN CITY WEST WASTEWATER DISTRICT)

SURREBUTTAL
TESTIMONY
OF
GERALD BECKER
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

APRIL 15, 2010

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EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
DOCKET NOS. W-01303A-09-0343 AND SW-01303A-09-0343

The Surrebuttal Testimony of Staff witness Gerald W. Becker addresses the following issues:

Revenue Requirement – For Anthem Water, Staff recommends a revenue requirement of \$5,930,306, a 79.15 percent increase over test year revenues of \$7,492,744. For Sun City Water, Staff recommends a revenue requirement of \$1,908,222, a 20.56 percent increase over test year revenues of \$9,283,101.

Rate Base – For Anthem Water, Staff recommends a rate base of \$57,270,159, a \$159,865 reduction from the Company's proposed rate base. For Sun City Water, Staff recommends a rate base of \$27,828,924, a \$357,138 reduction from the Company's proposed rate base.

Test Year Operating Income – For Anthem Water, Staff's adjusted test year operating income is \$546,171, a \$31,722 increase over that proposed by the Company. For Sun City Water, Staff's adjusted test year operating income is \$840,282, a \$20,802 decrease from that proposed by the Company.

Response to the Rebuttal Testimony of Mr. Paul G. Townsley

1. Non Account Water Cost Reduction for Sun City Water (only) – Staff disagrees with the Company's rebuttal position not to impute expense reductions for water losses greater than 10 percent.

Staff Response to the Rebuttal Testimony of Ms. Linda J. Gutowski –

2. Cash Working Capital - Subsequent to filing its application, the Company has changed its lead/lag days for Management expenses from a 14.77 day lag to an 11.25 day lead. Staff had agreed with the original lag days but disagrees with the Company's restated lead days.
3. Bad Debt Expense – Staff and the Company continue to disagree on the method for determining a normalized amount of bad debt expense for all of its districts. Staff has revised its method to include normalization of uncollectibles related to miscellaneous invoices. The Company's rebuttal position is erroneous because its normalization method ignores that the actual test year recorded amount includes not only write-offs but also an accrual provision. The Company's rebuttal amount also includes mathematical errors due use of incorrect signs of netted amounts.

Anthem Water: Staff accepts the following rebuttal positions.

4. Customer Annualization - The Company agrees with RUCO's correction to customer annualization. Staff agrees with this adjustment.
5. Depreciation Annualization - The Company agrees with RUCO's correction to depreciation annualization. Staff agrees with this adjustment.
6. Annual Incentive Pay (AIP) - The Company agrees with RUCO's adjustment to AIP. Staff agrees with this adjustment.
7. Stock Compensation - The Company agrees with RUCO's adjustment to Stock Compensation. Staff agrees with this adjustment.
8. Management Fees (AIP) - The Company agrees with RUCO's adjustment to Management Fees for an AIP adjustment. Staff agrees with this adjustment.
9. Other Expense - The Company agrees with RUCO's adjustment to Management Fees for Other Expenses. Staff agrees with this adjustment.
10. Business Development Expenses - The Company agrees with RUCO's adjustment to Management Fees for business development expenses. Staff agrees with this adjustment.
11. Dues and Donations - The Company agrees with RUCO's adjustment to Management Fees for dues and donations. Staff agrees with this adjustment.
12. Pension Expense Annualization - The Company agrees with RUCO's adjustment to pension expense. Staff agrees with this adjustment.

Sun City Water: Staff accepts the following rebuttal positions.

13. Annual Incentive Pay (AIP) - The Company agrees with RUCO's adjustment to AIP. Staff agrees with this adjustment.
14. Stock Compensation - The Company agrees with RUCO's adjustment to Stock Compensation. Staff agrees with this adjustment.
15. Management Fees (AIP) - The Company agrees with RUCO's adjustment to Management Fees for an AIP adjustment. Staff agrees with this adjustment.
16. Other Expense - The Company agrees with RUCO's adjustment to Management Fees for Other Expenses. Staff agrees with this adjustment.
17. Business Development Expenses - The Company agrees with RUCO's adjustment to Management Fees for business development expenses. Staff agrees with this adjustment.
18. Dues and Donations - The Company agrees with RUCO's adjustment to Management Fees for dues and donations. Staff agrees with this adjustment.
19. Pension Expense Annualization - The Company agrees with RUCO's adjustment to pension expense. Staff agrees with this adjustment.

1 **INTRODUCTION**

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

3 A. My name is Gerald Becker. I am a Public Utilities Analyst V employed by the Arizona
4 Corporation Commission (“Commission”) in the Utilities Division (“Staff”). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Gerald Becker who previously submitted Direct Testimony in this**
8 **case?**

9 A. Yes, I am.

10
11 **PURPOSE OF SURREBUTTAL TESTIMONY**

12 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

13 A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of
14 Staff to the Rebuttal Testimonies of Mr. Paul G. Townsley and Ms. Linda J. Gutowski
15 who represent Arizona-American Water Company Inc. - (“Arizona American” or
16 “Company”) for the Anthem and Sun City water districts.

17
18 **Q. Do you attempt to address every issue raised by the Company in its Rebuttal**
19 **Testimony?**

20 A. No. I limit my discussion to certain issues as outlined below. My silence on any
21 particular issue raised in the Company’s Rebuttal Testimony does not indicate that Staff
22 agrees with the Company’s stated Rebuttal position on the issue. I rely on my Direct
23 Testimony unless modified by this Surrebuttal Testimony.

24

1 **Q. What issues will you address?**

2 A. I address the issues listed below that are discussed in the Rebuttal Testimonies of
3 Company witnesses Mr. Paul G. Townsley and Ms. Linda J. Gutowski. In addition, I am
4 also sponsoring the attached surrebuttal schedules for the Anthem Water and Sun City
5 Water districts.

6
7 Paul G. Townsley:

8
9 1. Non-Account Water Cost Reduction for Sun City Water district

10

11 Linda J. Gutowski:

12

13 Both Anthem Water and Sun City Water districts:

14

1. Cash Working Capital – Lead Lag days for Management Expenses

15

16

2. Bad Debt Expense

17

18

Anthem Water: Staff accepts the Company's rebuttal positions on the following:

19

3. Customer Annualization

20

4. Depreciation Annualization

21

5. Annual Incentive Pay (AIP)

22

6. Stock Compensation

23

7. Management Fees (AIP)

24

8. Other Expense

25

9. Business Development Expenses

26

10. Dues and Donations

27

11. Pension Expense Annualization

28

29

Sun City Water: Staff accepts the Company's rebuttal positions on the following:

30

12. Annual Incentive Pay (AIP)

31

13. Stock Compensation

32

14. Management Fees (AIP)

33

15. Other Expense

34

16. Business Development Expenses

35

17. Dues and Donations

36

18. Pension Expense Annualization

1 **SUMMARY OF RECOMMENDATIONS**

2 **Q. Please provide a summary of Staff surrebuttal recommendations.**

3 A. For Anthem Water, Staff recommends a revenue requirement of \$5,930,106, a 79.15
4 percent increase over test year revenues of \$7,492,744. For Sun City Water, Staff
5 recommends a revenue requirement of \$1,908,222, a 20.56 percent increase over test year
6 revenues of \$9,283,101. For Anthem Water, Staff recommends a rate base of
7 \$57,270,159, a \$159,865 reduction from the Company's proposed rate base. For Sun City
8 Water, Staff recommends a rate base of \$27,828,924, a \$357,138 reduction from the
9 Company's proposed rate base. For Anthem Water, Staff's adjusted test year operating
10 income is \$546,171, a \$31,722 increase over that proposed by the Company. For Sun City
11 Water, Staff's adjusted test year operating income is \$840,282, a \$20,802 decrease from
12 that proposed by the Company.

13
14 **RESPONSE TO REBUTTAL TESTIMONY OF PAUL G. TOWNSLEY**

15 **Expense Adjustments for Non-Account Water in Excess of Ten Percent for the Sun City**
16 **Water District.**

17 **Q. Please describe the treatment proposed by the Company in this filing.**

18 A. The Company rejects Staff's recommendation of a pro rata adjustment to power and
19 chemicals expense for non-account water in excess of ten percent.

20
21 **Q. Did Staff recommend this treatment in its Direct Testimony?**

22 A. Yes.

23
24 **Q. Is Staff now in agreement with the Company's position?**

25 A. No.

1 **Q. Please explain.**

2 A. To the extent that a district has non-account water in excess of the allowed threshold of
3 ten percent, the Company's expenses are increased proportionately and represent an unfair
4 burden to the ratepayers, since it is the Company's obligation to maintain non-account
5 water within acceptable standards.

6

7 **Q. What does Staff recommend?**

8 A. Staff continues to recommend adjustments to power and chemical expense for excessive
9 non-account water, as shown in surrebuttal Schedule GWB-13.

10

11 **RESPONSE TO REBUTTAL TESTIMONY OF LINDA J. GUTOWSKI**

12 **Anthem Water and Sun City Water Districts:**

13 *Cash Working Capital Calculation: Lead Days for Management Expenses*

14 **Q. When Staff filed its Direct Testimony, did Staff make any adjustment to the**
15 **Company's lag days for Management Expenses in its calculation of cash working**
16 **capital?**

17 A. No.

18

19 **Q. Please explain.**

20 A. In its filing, the Company used 14.77 lag days for Management Expenses. Based on the
21 expenses intended to be covered by Management Expenses, Staff recommended that 14.77
22 lag days would be a reasonable number of lag days for this item.

23

24 **Q. Did the Company change its position in its Rebuttal Testimony?**

25 A. Yes. The Company now claims a *lead* of 11.25 days for Management Expenses.

1 **Q. What are the reasons that the Company changed its number of lead/lag days for**
2 **Management Expenses?**

3 A. The Company uses a shared services model for certain items, and based on the agreement
4 between the Company and its affiliate, the Company pays for certain expenses one month
5 in advance.

6
7 **Q. Does the Company offer other reasons to support its lead days for Management**
8 **Expenses?**

9 A. Yes. The Company states that the calculation “is the same kind of lead days used in the
10 2008 Working Capital calculation that was approved as part of Decision 71410.”¹

11
12 **Q. Does Staff agree with these reasons?**

13 A. No.

14
15 **Q. Please explain.**

16 A. Staff does not believe that lead/lag days should be based on internal agreements made
17 between the Company and its parent or other affiliate. Instead, lead/lag days should be
18 calculated on the best assessment of an entity’s actual experience regarding the transfer of
19 cash. Further, the use of an internal agreement to calculate lead/lag days may result in a
20 situation where an unregulated affiliate may expect payments even sooner than one month
21 in advance, and expect the ratepayers to support this internal circumstance in its cash
22 working capital calculation.

¹ Rebuttal Testimony of Linda J. Gutowski, page 11 of 21, lines 6-7.

1 **Q. Does Staff have any comment regarding the use of the lead/lag days approved in**
2 **Decision No. 71410? Please explain.**

3 A. Staff reviewed Decision No. 71410 and notes that this decision does not approve a lead of
4 11.25 days for Management Expenses. Instead, this decision approves a lead of 3.88 days
5 for Management Expenses.

6
7 **Q. What does Staff recommend?**

8 A. Staff recommends that the effect(s) of Management Expenses be removed from the
9 computation of cash working capital. Staff disagrees with the lead of 3.88 days approved
10 in Decision No. 71410 because it was not based upon a lead/lag study of the affiliate and
11 reflects the prepayment of the following month's expenses. In the absence of a lead/lag
12 study to determine the payment pattern by the affiliated service provider, Staff has revised
13 its computation of cash working capital to exclude the effects of the 14.77 lag days for
14 Management Expenses as originally requested by the Company, as shown in Anthem
15 Water Surrebuttal Schedule GWB-7 and Sun City Water Surrebuttal Schedule GWB-8

16
17 *Bad Debt Expense- Anthem Water and Sun City Water*

18 **Q. Please describe the similarities and differences between the Company's rebuttal**
19 **position and Staff's position in this testimony.**

20 A. Although both the Company and Staff agree that Bad Debt Expense should be normalized
21 based on the Company's three-year experience, the Company and Staff are unable to agree
22 on the actual amount of Bad Debt Expense that was included in the Company's original
23 application. This difference, in turn, results in different adjustments to Bad Debt Expense
24 for both systems.

1 **Q. Please explain the reasons that there is disagreement of the amount of Bad Debt**
2 **Expense included in the Company's application?**

3 A. First, the Company's application incorporates Bad Debt Expense into the Company's total
4 Customer Accounting Expense, so the Bad Debt Expense itself is not readily discernible
5 from the schedules filed with the application. One must review the supporting
6 documentation to determine the amount of Bad Debt Expense included in the Customer
7 Accounting Expense. Secondly, the Company's application as filed reflects the use of a
8 four-factor allocation applied to both the actual write-offs and an accrued provision,
9 instead of using each district's respective loss history.

10

11 **Q. What is reflected in the Company's rebuttal testimony for this amount?**

12 A. The Company calculates the Bad Debt Expense included in the Customer Accounting
13 Expense based on net write-off's without giving consideration to the accrued provision.

14

15 **Q. Does Staff agree with the Company's position?**

16 A. No.

17

18 **Q. Please explain.**

19 A. The Company's use of the write-off amount only does not yield the amount of expenses
20 included in the Company's test year results because the test year results also include an
21 accrued provision for on-going bad debts. In order to determine the correct adjustment,
22 Staff compared the amount of bad debt expense reflected in the Company proposed test
23 year to the normalized expense based on the Company's three-year history of write-offs.

1 **Q. Please provide Staff's calculation of the amount of Bad Debt Expense included in test**
2 **year expenses.**

3 A. Yes, please see Attachment One. This schedule illustrates the composition of the
4 Company's Customer Accounting Expense by line item including Bad Debt Expenses
5 ("Uncollectibles" and Uncollectibles-MI (Miscellaenous Invoices)). As indicated,
6 Customer Accounting Expenses are mostly comprised of allocations from a shared
7 services center, plus a minor amount recorded locally at each system. Staff recalculated
8 the allocated expense for each line item and then added the amounts recorded directly by
9 each system. The resulting figures reconcile to the Customer Accounting Expense for
10 each system as reported in Schedule C-1 of the Company's application. Therefore, Staff
11 concludes that the calculated amounts for Bad Debt Expense and the corresponding
12 adjustments, as shown in Surrebuttal Schedule GWB-13 for Anthem Water and
13 Surrebuttal Schedule GWB-14 for Sun City Water district, properly reflect the normalized
14 test year expenses for the respective districts.

15
16 **Q. Has Staff's amount changed since Staff filed its Direct Testimony?**

17 A. Yes.

18
19 **Q. Please explain.**

20 A. Staff's calculation changed for two reasons. First, Staff made some minor corrections to
21 the allocation percentages used to recalculate Bad Debt Expense. Second, Staff applied
22 the restated percentages to Uncollectible Accounts only and did not include the
23 Uncollectible Accounts-MI (Miscellaneous Invoices) as was done as part of Staff's Direct
24 Testimony. The second change, exclusion of Uncollectible Accounts-MI (Miscellaneous
25 Invoices), is to reflect the fact that the Uncollectible Accounts-MI (Miscellaneous
26 Invoices) does not contain activity related to the uncollectible portion of the Company's

1 retail sales. Rather, Uncollectible Accounts-MI (Miscellaneous Invoices) is used as a
2 billing and collection clearing account for miscellaneous activity such as damage to
3 company property, and it should not be considered in the calculation of uncollectible
4 amounts associated with ordinary retail sales.

5
6 **Q. Does the Uncollectible Accounts-MI (Miscellaneous Invoices) warrant further
7 adjustment? Please explain.**

8 A. Yes. The large credit balance in the Uncollectible Accounts-MI (Miscellaneous Invoices)
9 represents collections of amounts billed in previous periods, and the large fluctuations in
10 the account warrant normalization. A review of the Company workpapers indicates the
11 following activity for this account:

12		
13	2006	\$341,820
14	2007	\$16,584
15	2008	<u>\$(361,154)</u>
16	3 year total	<u>\$(2,750)</u>
17	3 year average	\$(917)
18		

19 The three-year average as shown above is allocated to each district as shown in
20 Surrebuttal Schedules GWB-13 and GWB-14 for Anthem Water and Sun City Water,
21 respectively, and these amounts offset the adjustment for Bad Debt Expense on ordinary
22 activity.

23
24 **Q. Does Staff have other comments?**

25 A. Yes. The Company's methodology is a departure from the two established methodologies
26 for treating uncollectible accounts. The first method is the Direct Charge-Off method

1 where uncollectibles and any associated, subsequent recoveries are recorded directly, or
2 “charged-off,” to Bad Debt Expense. The second method is the Allowance method where
3 a company systematically records expense to Bad Debt Expense with an offset to an
4 Allowance for Doubtful Accounts. Unlike the first method, under this method, the
5 charge-off is then made to the Allowance for Doubtful Accounts rather than to Bad Debt
6 Expense. In the instant case, the Company has adopted a kind of hybrid method whereby
7 its charge-offs, as well as its systematic provision for bad debts, are both reflected in the
8 Bad Debt Expense of Customer Accounting Expense. This practice has created confusion
9 regarding the reasons for and the amounts of Bad Debt Expense.

10
11 **Q. What does Staff recommend?**

12 A. Staff recommends the adjustments to Customer Accounting Expense as shown in Anthem
13 Water Surrebuttal Schedule GWB-13 and Sun City Water Surrebuttal Schedule GWB-14.

14
15 *Other Adjustments*

16 **Q. Is Staff adopting other adjustments reflected in the Company’s Rebuttal Testimony?**

17 A. Yes. On Surrebuttal schedules GWB-11, Anthem adjustments 7 through 14 and Sun City
18 Water adjustments 8 through 14, Staff is reflecting its adoption of adjustments discussed
19 in the Company’s Rebuttal Testimony. Since these items are explained in detail in the
20 Company’s Rebuttal Testimony, Staff is not providing duplicative or further explanation
21 here.

22
23 **Q. Does this conclude your Surrebuttal Testimony?**

24 A. Yes, it does.

ARIZONA-AMERICAN WATER COMPANY - ANTHEM WATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

SURREBUTTAL TESTIMONY OF GERALD BECKER

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GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
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GWB- 16	OPERATING INCOME ADJUSTMENT #5 - RATE CASE EXPENSE
GWB- 17	OPERATING INCOME PROPERTY TAX EXPENSE GRCF COMPONENT

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 57,430,024	\$ 57,430,024	\$ 57,270,159	\$ 57,270,159
2	Adjusted Operating Income (Loss)	\$ 514,449	\$ 514,449	\$ 546,171	\$ 546,171
3	Current Rate of Return (L2 / L1)	0.90%	0.90%	0.95%	0.95%
4	Required Rate of Return	8.53%	8.53%	7.20%	7.20%
5	Required Operating Income (L4 * L1)	\$ 4,898,781	\$ 4,898,781	\$ 4,123,451	\$ 4,123,451
6	Operating Income Deficiency (L5 - L2)	\$ 4,384,332	\$ 4,384,332	\$ 3,577,281	\$ 3,577,281
7	Gross Revenue Conversion Factor	1.6578	1.6578	1.6578	1.6578
8	Required Revenue Increase (L7 * L6)	\$ 7,268,172	\$ 7,268,172	\$ 5,930,306	\$ 5,930,306
9	Adjusted Test Year Revenue	\$ 7,492,744	\$ 7,492,744	\$ 7,492,744	\$ 7,492,744
10	Proposed Annual Revenue (L8 + L9)	\$ 14,760,916	\$ 14,760,916	\$ 13,423,050	\$ 13,423,050
11	Required Increase in Revenue (%)	97.00%	97.00%	79.15%	79.15%
12	Rate of Return on Common Equity (%)	12.25%	12.25%	10.20%	10.20%

References:

Column (A): Company Schedule A-1 (revised)
Column (B): Company Schedule A-1 (revised)
Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)																																												
<u>Calculation of Gross Revenue Conversion Factor:</u>																																																
1	Revenue	100.0000%																																														
2	Uncollectible Factor (Line 11)	0.2763%																																														
3	Revenues (L1 - L2)	99.7237%																																														
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.4017%																																														
5	Subtotal (L3 - L4)	60.3220%																																														
6	Revenue Conversion Factor (L1 / L5)	1.657769																																														
<u>Calculation of Uncollectible Factor:</u>																																																
7	Unity	100.0000%																																														
8	Combined Federal and State Tax Rate (Line 17)	38.5989%																																														
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%																																														
10	Uncollectible Rate	0.4500%																																														
11	Uncollectible Factor (L9 * L10)		0.2763%																																													
<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 44)	34.0000%																																														
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%																																														
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%																																													
<u>Calculation of Effective Property Tax Factor</u>																																																
18	Unity	100.0000%																																														
19	Combined Federal and State Income Tax Rate (L17)	38.5989%																																														
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%																																														
21	Property Tax Factor (GWB-17, L24)	1.3075%																																														
22	Effective Property Tax Factor (L20*L21)		0.8028%																																													
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.4017%																																												
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 4,123,451																																														
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 42)	\$ 546,171																																														
26	Required Increase in Operating Income (L24 - L25)		\$ 3,577,281																																													
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 1,512,085																																														
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (736,719)																																														
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 2,248,804																																													
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 13,423,050																																														
31	Uncollectible Rate (Line 10)	0.4500%																																														
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	\$ 60,404																																														
33	Adjusted Test Year Uncollectible Expense	\$ 33,717																																														
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ 26,686																																													
35	Property Tax with Recommended Revenue (GWB-17, Line 19)	\$ 370,860																																														
36	Property Tax on Test Year Revenue (GWB-17, Col A, L16)	\$ 293,324																																														
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 77,536																																													
38	Total Required Increase in Revenue (L26 + L29 + L34+ L37)		\$ 5,930,307																																													
<table border="1" style="width:100%; margin-top: 10px;"> <thead> <tr> <th></th> <th>(A)</th> <th>(B)</th> <th>(C)</th> </tr> </thead> <tbody> <tr> <td>Test Year Anthem Water</td> <td style="text-align: center;">\$ 7,492,744</td> <td></td> <td style="text-align: center;">\$ 13,423,050</td> </tr> <tr> <td>Operating Expenses Excluding Income Taxes</td> <td style="text-align: center;">\$ 7,683,292</td> <td></td> <td style="text-align: center;">\$ 7,787,514</td> </tr> <tr> <td>Synchronized Interest (L52)</td> <td style="text-align: center;">\$ 1,718,105</td> <td></td> <td style="text-align: center;">\$ 1,718,105</td> </tr> <tr> <td>Arizona Taxable Income (L39 - L40 - L41)</td> <td style="text-align: center;">\$ (1,908,653)</td> <td></td> <td style="text-align: center;">\$ 3,917,432</td> </tr> <tr> <td>Arizona State Income Tax Rate</td> <td style="text-align: center;">6.9680%</td> <td></td> <td style="text-align: center;">6.9680%</td> </tr> <tr> <td>Arizona Income Tax (L42 x L43)</td> <td style="text-align: center;">\$ (132,995)</td> <td></td> <td style="text-align: center;">\$ 272,967</td> </tr> <tr> <td>Federal Taxable Income (L42 - L44)</td> <td style="text-align: center;">\$ (1,775,658)</td> <td></td> <td style="text-align: center;">\$ 3,644,466</td> </tr> <tr> <td>Federal Tax @ 34%</td> <td style="text-align: center;">\$ (603,724)</td> <td></td> <td style="text-align: center;">\$ 1,239,118</td> </tr> <tr> <td>Total Federal Income Tax</td> <td style="text-align: center;">\$ (603,724)</td> <td></td> <td style="text-align: center;">\$ 1,239,118</td> </tr> <tr> <td>Combined Federal and State Income Tax (L43 + L47)</td> <td style="text-align: center;">\$ (736,719)</td> <td></td> <td style="text-align: center;">\$ 1,512,085</td> </tr> </tbody> </table>						(A)	(B)	(C)	Test Year Anthem Water	\$ 7,492,744		\$ 13,423,050	Operating Expenses Excluding Income Taxes	\$ 7,683,292		\$ 7,787,514	Synchronized Interest (L52)	\$ 1,718,105		\$ 1,718,105	Arizona Taxable Income (L39 - L40 - L41)	\$ (1,908,653)		\$ 3,917,432	Arizona State Income Tax Rate	6.9680%		6.9680%	Arizona Income Tax (L42 x L43)	\$ (132,995)		\$ 272,967	Federal Taxable Income (L42 - L44)	\$ (1,775,658)		\$ 3,644,466	Federal Tax @ 34%	\$ (603,724)		\$ 1,239,118	Total Federal Income Tax	\$ (603,724)		\$ 1,239,118	Combined Federal and State Income Tax (L43 + L47)	\$ (736,719)		\$ 1,512,085
	(A)	(B)	(C)																																													
Test Year Anthem Water	\$ 7,492,744		\$ 13,423,050																																													
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Combined Federal and State Income Tax (L43 + L47)	\$ (736,719)		\$ 1,512,085																																													
49	Effective Tax Rate			34.0000%																																												
<u>Calculation of Interest Synchronization:</u>																																																
50	Rate Base (Schedule GWB-3, Col. (C), Line 18)			\$ 57,270,159																																												
51	Weighted Average Cost of Debt			3.0000%																																												
52	Synchronized Interest (L50 X L51)			\$ 1,718,105																																												

ARIZONA-AMERICAN WATER COMPANY - ANTHEM WATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

Schedule GWB-3

SURREBUTTAL

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 90,684,602	\$ 90,684,602
2	Less: Accumulated Depreciation	12,905,766	12,905,766
3	Net Plant in Service	<u>\$ 77,778,836</u>	<u>\$ 77,778,836</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 2,511,217	\$ 2,541,488
5	Less: Accumulated Amortization	117,946	117,946
6	Net CIAC	<u>2,393,271</u>	<u>2,423,542</u>
7	Advances in Aid of Construction (AIAC)	18,557,742	18,557,742
8	Imputed Reg AIAC	-	-
9	Imputed Reg CIAC	326,764	326,764
10	Customer Meter Deposits	1,920	1,920
<u>ADD:</u>			
11	Deferred Income Tax Credits (Debits)	720,067	701,487
12	Cash Working Capital	73,130	(37,883)
13	Prepayments	30,693	30,693
14	Supplies Inventory	55,281	55,281
15	Projected Capital Expenditures	-	-
16	Deferred Debits	51,714	51,714
17	Purchase Wastewater Treatment Charges	-	-
18	Original Cost Rate Base	<u>\$ 57,430,024</u>	<u>\$ 57,270,159</u>

References:

Column (A), Company Schedule B-2

Column (B): Schedule GWB-4

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 GWB-5	[C] ADJ #2 GWB-6	[D] ADJ #3 GWB-7	[E] ADJ #4 GWB-8	[F] STAFF ADJUSTED
PLANT IN SERVICE:								
1	301000	Organization	-					\$ -
2	302000	Franchises	\$ 4,719,239					\$ 4,719,239
3	303200	Land & Land Rights SS	6,014,990					6,014,990
4	303300	Land & Land Rights P	20,000					20,000
5	303400	Land & Land Rights	-					-
	303500	Land & Land Rights TD	-					-
6	303600	Land & Land Rights AG	-					-
7	304100	Struct & Imp SS	4,724,837					4,724,837
8	304200	Struct & Imp P	2,827,247					2,827,247
9	304300	Struct & Imp WT	1,058,498	(22,289)				1,036,209
10	304400	Struct & Imp TD	112,667					112,667
	304600	Struct & Imp Offices	110,668					110,668
11	304800	Struct & Imp Misc	-					-
12	305000	Collect & Impounding	305,278					305,278
	306000	Lake, River & Other Intakes	405,221					405,221
	307000	Wells & Springs	92,902					92,902
13	308000	Infiltration Galleries & Tunne	245,768					245,768
14	310100	Power Generation Equip Other	-					-
15	311200	Pump Equip Electric	11,714,674					11,714,674
16	311300	Pump Equip Diesel	-					-
17	311500	Pump Equip Other	10,327					10,327
18	320100	WT Equip Non-Media	10,952,910	22,289				10,975,199
19	320200	WT Equip Filter Media	824,366					824,366
20	330000	Dist Reservoirs & Standpipe	4,290,367					4,290,367
21	331001	TD Mains Not Classified by Size	3,298,808					3,298,808
22	331100	TD Mains 4in & Less	15,496,418					15,496,418
23	331200	TD Mains 6in to 8in	7,782,150					7,782,150
24	331300	TD Mains 10in to 16in	4,502,911					4,502,911
25	333000	Services	2,018,339					2,018,339
26	334100	Meters	839,713					839,713
27	334200	Meter Installations	353,074					353,074
28	334300	Meter Vaults	14,599					14,599
29	335000	Hydrants	2,003,910					2,003,910
30	339100	Other P/E Intangible	-					-
31	339500	Other P/E TD	-					-
32	340100	Office Furniture & Equip	160,631					160,631
33	340200	Comp & Periph Equip	24,847					24,847
34	341100	Trans Equip Lt Duty Trks	125,754					125,754
35	341200	Trans Equip Hvy Duty Trks	60,218					60,218
36	341300	Transportation Equipment - Other	-					-
37	341400	Trans Equip Other	17,286					17,286
38	342000	Stores Equipment	-					-
39	343000	Tools,Shop,Garage Equip	30,146					30,146
40	344000	Laboratory Equipment	118,788					118,788
41	345000	Power Operated Equipment	4,719					4,719
42	346100	Comm Equip Non-Telephone	137,719					137,719
43	346190	Remote Control & Instrumentati	9,960					9,960
44	346200	Comm Equip Telephone	22,846					22,846
45	346300	Comm Equip Other	12,107					12,107
46	347000	Miscellaneous Equipment	4					4
47			-					-
48			-					-
49		Allocated from Corporate						
50	303600	Land & Land Rights AG	-					-
51	304510	Struct & Imp AG Cap Lease	-					-
52	304600	Struct & Imp Offices	-					-
53	304800	Struct & Imp Misc	-					-
54	304620	Struct & Imp Leasehold	10,933					10,933
55	331001	Mains	-					-
56	339600	Other P/E CPS	2,855					2,855
57	340100	Office Furniture & Equip	63,745					63,745
58	340200	Comp & Periph Equip	27,688					27,688
59	340300	Computer Software	100,535					100,535
60	340330	Comp Software Other	2,585					2,585
61	340500	Other Office Equipment	-					-
62	341100	Trans Equip Lt Duty Trks	-					-
63	343000	Tools,Shop,Garage Equip	-					-
64	344000	Laboratory Equipment	-					-
65	345000	Power Operated Equipment	-					-
66	346100	Comm Equip Non-Telephone	10,287					10,287
67	346200	Comm Equip Telephone	793					793
68	346300	Comm Equip Other	271					271
69	347000	Misc Equipment	-					-
70		Phoenix Interconnect	5,000,000					5,000,000
71		Total Plant in Service	<u>90,684,602</u>					<u>90,684,602</u>
72		Amortization of Phoenix Interconnect	116,667					116,667
73		Accumulated Depreciation	12,789,099					12,789,099
74		Net Plant in Service (L58 - L 59)	<u>\$ 77,778,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,778,836</u>
75								
76		LESS:						
77		Contributions in Aid of Construction (CIAC)	2,511,217		\$ -	\$ -	\$ 30,271	2,541,488
78		Less: Accumulated Amortization	117,946					117,946
79		Net CIAC (L63 - L64)	2,393,271				30,271	2,423,542
80		Advances in Aid of Construction (AIAC)	18,557,742					18,557,742
81		Imputed Reg Advances	-					-
82		Imputed Reg CIAC	326,764					326,764
83		Accumulated Deferred Income Tax Credits	-					-
84		Customer Meter Deposits	1,920					1,920
85		ADD:						
86		Accumulated Deferred Income Tax (Debits)	720,067			(18,580)		701,487
87		Working Capital Allowance	73,130		(111,013)			(37,883)
88		Pumping Power	-					-
89		Purchase Wastewater Treatment Charges	-					-
90		Material and Supplies Inventory	55,281					55,281
91		Prepayments	30,693					30,693
92		Projected Capital Expenditures	-					-
93		Deferred Debits	51,714					51,714
94		Original Cost Rate Base	<u>\$ 57,430,024</u>	<u>\$ -</u>	<u>\$ (111,013)</u>	<u>\$ (18,580)</u>	<u>\$ (30,271)</u>	<u>\$ 57,270,159</u>

ARIZONA-AMERICAN WATER COMPANY - ANTHEM WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-5
SURREBUTTAL

RATE BASE ADJUSTMENT #1 - PLANT IN SERVICE

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	304300	Dist Reservoirs & Standpipe Plant	1,058,498	(22,289)	1,036,209
	320100	WT Equip Non-Media	10,952,910	22,289	10,975,199

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Engineering Report

Column (C): Column [A] plus Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL PER COMPANY

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] COMPANY ADJUSTMENTS	[C] COMPANY AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	729,935	-	729,935	12.00	8,759,223
2	Purchased Water	625,435	-	625,435	50.92	31,844,918
3	Fuel & Power	1,259,637		1,259,637	22.70	28,588,352
4	Chemicals	103,351		103,351	8.73	901,789
5	Waste Disposal	1,933		1,933	4.55	8,803
6	Management Fees	1,107,843		1,107,843	14.77	16,364,503
7	Group Insurance	209,326		209,326	(13.70)	(2,868,562)
8	Pensions	119,955		119,955	(2.37)	(284,101)
9	Insurance Other Than Group	71,553		71,553	(83.68)	(5,987,870)
10	Customer Accounting	183,101		183,101	10.09	1,847,360
11	Rents	33,826		33,826	-	-
12	General Office Expense				-	-
13	Miscellaneous	229,300		229,300	8.89	2,039,440
14	Maintenance Expense	140,803		140,803	33.61	4,732,543
15	Other Corporate Pro Forma	124,533		124,533	30.00	3,735,990
16	General Taxes-Property	292,953		292,953	191.29	56,040,163
17	General Taxes-Other	34,882		34,882	13.35	465,547
18	Income Taxes	1,996,468		1,996,468	30.13	60,153,581
19	Interest		1,722,901	1,722,901	106.25	183,058,231
20	Total Operating Expenses	<u>7,264,836</u>	<u>1,722,901</u>	<u>8,987,737</u>		<u>389,399,910</u>
21		8,987,737				
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	43.33			
24	Revenue Lag	Company Workpapers	46.105			
25	Net Lag	Line 24 - 23	2.78			
26	Company Adjusted Expenses	Line 20, Col [C]	<u>8,987,737</u>			
27	Cash Working Capital	Line 25 * Line 26/365 day	88,440			
28	Company As Filed	Co Schedule B-5	<u>73,130</u>			
29	Difference					
30						
31	References:					
32	Column [A]:	Company Schedule C--1, plus revisions docketed August 21, 2009				
33	Column [B]:	Staff adjustments to expenses, See Testimony GWB				
34	Column [C]:	Column [A] + Column [B]				
35	Column [D]:	Expense Lags Per the Company's Lead Lag Study in this proceeding				
36	Column [E]:	Column [C] * Column [D]				

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL PER STAFF

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 754,087	\$ (24,152)	\$ 729,935	12.00	\$ 8,759,223
2	Purchased Water	625,435	-	625,435	50.92	31,844,918
3	Fuel & Power	1,259,637	83,883	1,343,521	22.70	30,492,144
4	Chemicals	103,351	(103,351)	-	8.73	-
5	Waste Disposal	1,933	-	1,933	4.55	8,803
6	Management Fees	1,158,078	(1,158,078)	-	-	-
7	Group Insurance	209,326	-	209,326	(13.70)	(2,868,562)
8	Pensions	105,808	-	119,955	(2.37)	(284,101)
9	Insurance Other Than Group	71,553	-	71,553	(83.68)	(5,987,870)
10	Customer Accounting	183,101	(40,260)	142,841	20.31	2,900,783
11	Rents	33,826	-	33,826	-	-
12	General Office Expense	-	-	-	-	-
13	Miscellaneous	229,300	-	229,300	8.89	2,039,440
14	Maintenance Expense	140,803	-	140,803	33.61	4,732,543
15	Other Corporate Pro Forma	124,533	-	124,533	30.00	3,735,990
16	General Taxes-Property	292,953	-	288,011	191.29	55,094,788
17	General Taxes-Other	34,882	-	34,882	13.35	465,547
18	Income Taxes	1,996,468	-	1,996,468	30.13	60,153,581
19	Interest	1,722,901	59	1,722,960	106.25	183,064,500
20	Total Operating Expenses	9,047,977	(1,241,899)	7,815,283		374,151,727
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	47.87			
24	Revenue Lag	Company Workpapers	46.105			
25	Net Lag	Line 24 - 23	(1.77)			
26	Staff Adjusted Expenses	Line 20, Col [C]	7,815,283			
27	Cash Working Capital	Line 25 * Line 26/365 da	(37,883)			
28	Company As Filed	Co Schedule B-5	73,130			
29	Staff Adjustment (L28-L27)	To GWB-4	(111,013)			
30						
31	References:					
32	Column [A]: Per Company, See Schedule GWB-5, Col [C]					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB, or to Working Cap. Calculation					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Per the Company's Lead Lag Study in this proceeding					
36	Column [E]: Column [C] * Column [D]					

RATE BASE ADJUSTMENT #3 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Beginning Balance Per Decision No. 67093	\$ 13,025,093	\$ (336,093)	\$ 12,689,000
2	Allocation Factor	5.53%	5.53%	5.53%
3	Allocation to Anthem	720,068	(18,580)	701,488

REFERENCES:

- Columns [A], Line 1: Amounts used by Co as basis for allocation
- Column [A], [B] & [C], Line 2: Allocation rate to this system
- Column [C], Line 1: Allocable amount per audited financial statements times allocation rate
- Column [A], [B] & [C], Line 3: Calculation of allocated amounts

ARIZONA-AMERICAN WATER COMPANY - ANTHEM WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - CIAC ASSOCIATED WITH CWIP

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2008	<u>2,511,217</u>	<u>30,271</u>	<u>2,541,488</u>

REFERENCES:

Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) STAFF TEST YEAR ADJUSTMENTS	(C) STAFF TEST YEAR AS ADJUSTED	(D) STAFF RECOMMENDED CHANGES	(E) STAFF RECOMMENDED
1						
2	Wastewater Revenues	\$ 7,210,624	\$ 9,470	\$ 7,220,094	\$ 5,930,306	\$ 13,150,400
3	Other Wastewater Revenues	272,650	-	272,650	-	272,650
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 7,483,274	\$ 9,470	\$ 7,492,744	\$ 5,930,306	\$ 13,423,050
6	Labor	\$ 754,087	\$ (24,152)	729,935	\$ -	729,935
7	Purchased Water	625,435	-	625,435	-	625,435
8	Fuel & Power	1,259,637	83,883	1,343,521	-	1,343,521
9	Chemicals	103,351	-	103,351	-	103,351
10	Waste Disposal	1,933	-	1,933	-	1,933
11	Management Fees	1,158,078	(50,235)	1,107,843	-	1,107,843
12	Group Insurance	209,326	-	209,326	-	209,326
13	Pensions	105,808	14,147	119,955	-	119,955
14	Regulatory Expense	64,489	(5,891)	58,598	-	58,598
15	Insurance Other Than Group	71,553	-	71,553	-	71,553
16	Customer Accounting	183,101	(40,260)	142,841	26,686	169,528
17	Rents	33,826	-	33,826	-	33,826
18	General Office Expense	60,044	-	60,044	-	60,044
19	Miscellaneous	229,300	-	229,300	-	229,300
20	Maintenance Expense	140,803	-	140,803	-	140,803
21	Depreciation & Amortization	2,399,893	(23,071)	2,376,821	-	2,376,821
22	General Taxes-Property	292,953	371	293,324	77,536	370,860
23	General Taxes-Other	34,882	-	34,882	-	34,882
24	Income Taxes	(759,675)	22,956	(736,719)	2,248,804	1,512,085
25	Total Operating Expenses	6,968,825	(22,252)	6,946,573	2,353,026	9,299,599
26	Operating Income (Loss)	\$ 514,449	\$ 31,722	\$ 546,171	\$ 3,577,281	\$ 4,123,451

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule GWB 11
- Column (C): Column (A) + Column (B)
- Column (D): Schedules GWB 2, Lines 29, 34 and 37
- Column (E): Column (C) + Column (D)

ARIZONA-AMERICAN WATER COMPANY - ANTHEM WATER
Docket No. WS-1303A-09-0343
Test Year Ended December 31, 2008

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Purchased Power ADJ #1 GWB-12	(C) Bad Debts ADJ #2 GWB-13	(D) Depreciation Exp. ADJ #3 GWB-14	(E) Income Taxes ADJ #4 GWB-15	(F) Rate Case Exp ADJ #5 GWB-16	(G) Property Taxes ADJ #6 GWB-17	(H) Co Rebuttal Annualization ADJ #7 GWB-18	(I) Co Rebuttal AIP ADJ #8 GWB-19	(J) Co Rebuttal Stock Comp ADJ #9 GWB-20	(K) Co Rebuttal Mgt Fees ADJ #10 GWB-21	(L) Co Rebuttal Other Exp ADJ #11 GWB-22	(M) Co Rebuttal Bus. Dev. ADJ #12 GWB-23	(N) Co Rebuttal Dues & Donatio ADJ #13 GWB-24	(O) Co Rebuttal AAW Correction Pension Exp ADJ #14 GWB-25	(P) STAFF ADJUSTED	
1	Wastewater Revenues	\$ 7,210,624																\$ 7,220,094
2	Other Wastewater Revenues	272,650																272,650
3	Other																	
4	Total	\$ 7,483,274																\$ 7,492,744
5	Total Operating Revenues																	
6	Labor	\$ 754,087																\$ 729,835
7	Purchased Water	625,435																625,435
8	Fuel & Power	1,259,637	83,883															1,343,521
9	Chemicals	103,351																103,351
10	Waste Disposal	1,933																1,933
11	Management Fees	1,158,078																1,107,843
12	Group Insurance	209,326																209,326
13	Group Insurance	105,808																119,855
14	Pensions	64,489																71,553
15	Regulatory Expense	71,553																142,841
16	Insurance Other Than Group	183,101		(40,260)														33,826
17	Customer Accounting	33,826																60,044
18	Rents	60,044																228,300
19	General Office Expense	228,300																140,803
20	Miscellaneous	140,803																2,376,821
21	Maintenance Expense	2,376,821																283,324
22	Depreciation & Amortization	292,953			(23,071)													34,882
23	General Taxes-Property	34,882						371										7,220,094
24	General Taxes-Other	(759,675)				22,956												(736,719)
25	Income Taxes	\$ 6,868,825	\$ 83,883	\$ (40,260)	\$ (23,071)	\$ 22,956	\$ (5,881)	\$ 371	\$ -	\$ (14,417)	\$ (16,249)	\$ (15,078)	\$ (15,954)	\$ (9,438)	\$ (3,251)	\$ (14,147)	\$ -	\$ 6,946,573
26	Total Operating Expenses	\$ 5,144,449	\$ (63,883)	\$ (40,260)	\$ 23,071	\$ (22,956)	\$ 5,881	\$ (371)	\$ 9,470	\$ 14,417	\$ 16,249	\$ 15,078	\$ 15,954	\$ 9,438	\$ 3,251	\$ (14,147)	\$ -	\$ 5,144,449
27	Operating Income (Loss)																	

Reference:
Column (A), Company Schedule C-1

OPERATING INCOME ADJUSTMENT #1 - POWER EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
	Total Adjusted Test Year Fuel & Power Expense	\$1,259,637	\$83,883	\$1,343,521

Column (A): Co. Application Page C-2, Page 9
Column (B): Testimony GWB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT #2 - BAD DEBT EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Uncollectible Accounts (Ordinary Activity)	\$ 107,894	\$(73,991)	\$ 33,904
2	Uncollectible Accounts-MI (Misc. Invoices)	\$ (33,816)	\$ 33,730	\$ (86)
3	Total Uncollectibles	<u>\$ 74,078</u>	<u>\$(40,260)</u>	<u>\$ 33,818</u>
4				
5	Uncollectible Accounts (Ordinary Activity)	\$ 1,152,299		
6	Allocation Percentage-	9.36%		
7	Company Proposed Amount, See Attachment 1, Col C	<u>\$ 107,894</u>		
8				
9	Staff Test Year Revenues, Schedule GWB-11			\$ 7,492,744
10	3 year average Bad Debt Exp. Rate, Per Co.			0.45%
11	Staff Recommended Bad Debt Exp			<u>\$ 33,904</u>
12				
13	Adjustment for Bad Debt Expense, Ordinary Activity		<u>\$(73,991)</u>	
14				
15				
16	Normalization of Uncollectible Accounts- Miscellaneous Invoices			
17				
18	2006			\$ 341,820
19	2007			\$ 16,584
20	2008			<u>\$ (361,154)</u>
21	3 year total			<u>\$ (2,750)</u>
22	3 year average			<u>\$ (917)</u>
23	2008 Test Year Total, Attachment 1, Col A	\$ (361,154)		
24	Allocation Percentage-	9.36%		9.36%
25	Company Proposed Amount, See Attachment 1, Col C	<u>\$ (33,816)</u>		<u>\$ (86)</u>
26	Adjustment for Uncollectibles-MI		<u>\$ 33,730</u>	
27	Net Adjustment Uncollectibles, Ordinary Activity & MI		<u>\$(40,260)</u>	
28				

References:

- Column [A], Company Workpapers
- Column [B], line 13: Col. [C], line 11, less Col [A], line 7
- Column [B], line 26: Col. [C], line 25, less Col [A], line 25
- Column [B], line 27: Col. [B], line 13, plus Col [B], line 26
- Column (C): Line 10, Per Company's Workpapers
- Column (C): Lines 18-20, & 24 Per Company's Workpapers

OPERATING ADJUSTMENT #3- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	-	0.00%	-
3	302000	Franchises	4,719,239	0.00%	-
4	303200	Land & Land Rights SS	6,014,990	0.00%	-
5	303300	Land & Land Rights P	20,000	0.00%	-
6	303400	Land & Land Rights	-	0.00%	-
7	303500	Land & Land Rights TD	-	0.00%	-
8	303600	Land & Land Rights AG	-	0.00%	-
9	304100	Struct & Imp SS	4,724,837	2.50%	118,121
10	304200	Struct & Imp P	2,827,247	1.67%	47,215
11	304300	Struct & Imp WT	1,036,209	1.67%	17,305
12	304400	Struct & Imp TD	112,667	1.67%	1,882
13	304600	Struct & Imp Offices	110,668	1.67%	1,848
14	304800	Struct & Imp Misc	-	0.00%	-
15	305000	Collect & Impounding	305,278	2.50%	7,632
16	306000	Lake, River & Other Intakes	405,221	2.50%	10,131
17	307000	Wells & Springs	92,902	2.52%	2,341
18	308000	Infiltration Galleries & Tunne	245,768	2.00%	4,915
19	310100	Power Generation Equip Other	-	4.42%	-
20	311200	Pump Equip Electric	11,714,674	4.42%	517,789
21	311300	Pump Equip Diesel	-	4.42%	-
22	311500	Pump Equip Other	10,327	4.42%	456
23	320100	WT Equip Non-Media	10,975,199	7.06%	774,849
24	320200	WT Equip Filter Media	824,366	5.00%	41,218
25	330000	Dist Reservoirs & Standpipe	4,290,367	1.67%	71,649
26	331001	TD Mains Not Classified by Size	3,298,808	1.53%	50,472
27	331100	TD Mains 4in & Less	15,496,418	1.53%	237,095
28	331200	TD Mains 6in to 8in	7,782,150	1.53%	119,067
29	331300	TD Mains 10in to 16in	4,502,911	1.53%	68,895
30	333000	Services	2,018,339	2.48%	50,055
31	334100	Meters	839,713	6.67%	56,009
32	334200	Meter Installations	353,074	2.51%	8,862
33	334300	Meter Vaults	14,599	2.51%	366
34	335000	Hydrants	2,003,910	2.00%	40,078
35	339100	Other P/E Intangible	-	-	-
36	339500	Other P/E TD	-	-	-
37	340100	Office Furniture & Equip	160,631	4.55%	7,309
38	340200	Comp & Periph Equip	24,847	10.00%	2,485
39	341100	Trans Equip Lt Duty Trks	125,754	20.00%	25,151
40	341200	Trans Equip Hvy Duty Trks	60,218	15.00%	9,033
41	341300	Transportation Equipment - Other	-	20.00%	-
42	341400	Trans Equip Other	17,286	16.67%	2,882
43	342000	Stores Equipment	-	0.00%	-
44	343000	Tools, Shop, Garage Equip	30,146	4.14%	1,248
45	344000	Laboratory Equipment	118,788	3.71%	4,407
46	345000	Power Operated Equipment	4,719	5.14%	243
47	346100	Comm Equip Non-Telephone	137,719	10.28%	14,158
48	346190	Remote Control & Instrumentati	9,960	9.76%	972
49	346200	Comm Equip Telephone	22,846	9.76%	2,230
50	346300	Comm Equip Other	12,107	4.93%	597
51	347000	Miscellaneous Equipment	4	6.19%	0
52			-		-
53		Allocated from Corporate	-		-
54	303600	Land & Land Rights AG	-	0.00%	-
55	304510	Struct & Imp AG Cap Lease	-		-

56	304600	Struct & Imp Offices	-		-
57	304800	Struct & Imp Misc	-		-
58	304620	Struct & Imp Leasehold	10,933	14.28%	1,561
59	331001	Mains	-		-
60	339600	Other P/E CPS	2,855	3.30%	94
61	340100	Office Furniture & Equip	63,745	4.04%	2,575
62	340200	Comp & Periph Equip	27,688	10.00%	2,769
63	340300	Computer Software	100,535	37.71%	37,912
64	340330	Comp Software Other	2,585	37.71%	975
65	340500	Other Office Equipment	-		-
66	341100	Trans Equip Lt Duty Trks	-		-
67	343000	Tools,Shop,Garage Equip	-		-
68	344000	Laboratory Equipment	-		-
69	345000	Power Operated Equipment	-		-
70	346100	Comm Equip Non-Telephone	10,287	9.76%	1,004
71	346200	Comm Equip Telephone	793	9.76%	77
72	346300	Comm Equip Other	271	7.91%	21
73	347000	Misc Equipment	-		-
74					-
75		Phoenix Interconnect	5,000,000	4.00%	200,000
76		Total Plant in Service	90,684,602		2,565,951
77		Less Non Depreciable Plant			
78	301000	Organization	-	0.00%	-
79	302000	Franchises	4,719,239	0.00%	-
80	303200	Land & Land Rights SS	6,014,990	0.00%	-
81	303300	Land & Land Rights P	20,000	0.00%	-
82		Net Depreciable Plant and Depreciation Amounts	\$ 79,930,373		\$ 2,565,951
83		Composite Depreciation Rate		3.21%	
84		Less			
85		Amortization of Regulatory CIAC at Settlement Rate			107,543
86		Amortization of CIAC at Composite Rate	\$ 2,541,488		\$ 81,588
87		Staff Recommended Depreciation Expense			\$ 2,376,821
88		Company Proposed Depreciation Expense			<u>2,399,893</u>
89		Staff Adjustment			\$ <u>(23,071)</u>

References:

Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

ARIZONA-AMERICAN WATER COMPANY - ANTHEM WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-15
SURREBUTTAL

OPERATING INCOME ADJUSTMENT #4 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ (759,675)</u>	<u>\$ 22,956</u>	<u>\$ (736,719)</u>

References:

Column (A), Company Schedule C-2
Column (B): Testimony GWB
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-16
SURREBUTTAL

OPERATING INCOME ADJUSTMENT #5 - RATE CASE EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	RATE CASE EXPENSE	<u>\$ 64,489</u>	<u>\$ (12,500)</u>	<u>\$ 51,989</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GWB

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

OPERATING INCOME PROPERTY TAX EXPENSE GRCF COMPONENT

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 7,492,744	\$ 7,492,744
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	14,985,488	14,985,488
4	Staff Recommended Revenue	7,492,744	13,423,050
5	Subtotal (Line 4 + Line 5)	22,478,232	28,408,538
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	7,492,744	9,469,513
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	14,985,488	18,939,026
10	Plus: 10% of CWIP - 2005	4,586	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	14,990,074	18,952,480
13	Assessment Ratio	22.0%	22.0%
14	Assessment Value (Line 12 * Line 13)	3,297,816	4,169,546
15	Composite Property Tax Rate	8.89%	8.89%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 293,324	
17	Company Proposed Property Tax	\$ 292,953	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 371	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 370,860
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 293,324
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 77,536
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 77,536
23	Increase in Revenue Requirement		\$ 5,930,306
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.30745%

REFERENCES:

- Line 15: Composite Tax Rate, per Company
- Line 17: Company Schedule C-1, Line 24
- Line 21: Line 19 - Line 20
- Line 23: Schedule GWB-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

SURREBUTTAL TESTIMONY OF GERALD BECKER

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GWB- 2	GROSS REVENUE CONVERSION FACTOR
GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1 PLANT AND ACCUMULATED DEPRECIATION
GWB- 6	RATE BASE ADJUSTMENT #2 - ACCUMULATED DEFERRED INCOME TAXES
GWB- 7	RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER COMPANY
GWB- 8	RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER STAFF
GWB- 9	RATE BASE ADJUSTMENT #4 - CIAC ASSOCIATED WITH CWIP
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GWB- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GWB- 12	OPERATING INCOME ADJUSTMENT #1 - POWER EXPENSE
GWB- 13	OPERATING INCOME ADJUSTMENT #2 - EXCESS WATER LOSS
GWB- 14	OPERATING INCOME ADJUSTMENT #3 - BAD DEBT EXPENSE
GWB- 15	OPERATING INCOME ADJUSTMENT #4 - WATER TESTING EXPENSE
GWB- 16	OPERATING INCOME ADJUSTMENT #5- DEPRECIATION EXPENSE
GWB- 17	OPERATING INCOME ADJUSTMENT #6 - INCOME TAXES
GWB- 18	OPERATING INCOME ADJUSTMENT #7 - RATE CASE EXPENSE
GWB- 19	OPERATING INCOME PROPERTY TAX EXPENSE GRCF COMPONENT

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 28,186,062	\$ 28,186,062	\$ 27,828,924	\$ 27,828,924
2	Adjusted Operating Income (Loss)	\$ 861,084	\$ 861,084	\$ 840,282	\$ 840,282
3	Current Rate of Return (L2 / L1)	3.06%	3.06%	3.02%	3.02%
4	Required Rate of Return	8.53%	8.53%	7.20%	7.20%
5	Required Operating Income (L4 * L1)	\$ 2,404,271	\$ 2,404,271	\$ 2,003,683	\$ 2,003,683
6	Operating Income Deficiency (L5 - L2)	\$ 1,543,187	\$ 1,543,187	\$ 1,163,400	\$ 1,163,400
7	Gross Revenue Conversion Factor	1.6402	1.6402	1.6402	1.6402
8	Required Revenue Increase (L7 * L6)	\$ 2,531,130	\$ 2,531,130	\$ 1,908,222	\$ 1,908,222
9	Adjusted Test Year Revenue	\$ 9,283,101	\$ 9,283,101	\$ 9,283,101	\$ 9,283,101
10	Proposed Annual Revenue (L8 + L9)	\$ 11,814,231	\$ 11,814,231	\$ 11,191,323	\$ 11,191,323
11	Required Increase in Revenue (%)	27.27%	27.27%	20.56%	20.56%
12	Rate of Return on Common Equity (%)	12.25%	12.25%	10.20%	10.20%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0921%		
3	Revenues (L1 - L2)	99.9079%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.9401%		
5	Subtotal (L3 - L4)	60.9678%		
6	Revenue Conversion Factor (L1 / L5)	1.640211		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	38.5989%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%		
10	Uncollectible Rate	0.1500%		
11	Uncollectible Factor (L9 * L10)		0.0921%	
<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 44)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%		
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%	
<u>Calculation of Effective Property Tax Factor</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	38.5989%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%		
21	Property Tax Factor (GWB-17, L24)	0.5558%		
22	Effective Property Tax Factor (L20*L21)		0.3413%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			38.9401%
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 2,003,683		
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 42)	\$ 840,282		
26	Required Increase in Operating Income (L24 - L25)		\$ 1,163,400	
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 734,758		
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 3,404		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 731,354	
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 11,191,323		
31	Uncollectible Rate (Line 10)	0.1500%		
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	\$ 16,787		
33	Adjusted Test Year Uncollectible Expense	\$ 13,925		
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ 2,862	
35	Property Tax with Recommended Revenue (GWB-17, Line 20)	\$ 166,679		
36	Property Tax on Test Year Revenue (GWB-17, Col A, L17)	\$ 156,074		
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 10,605	
38	Total Required Increase in Revenue (L26 + L29 + L34+ L37)		\$ 1,908,222	

	(A)	(B)	(C)
	Test Year Sun City Water		Staff Recommended Sun City Water
39	Revenue (Sch GWB-9, Col.(C) L5, GWB-1, Col. (D), L9)	\$ 9,283,101	\$ 11,191,323
40	Operating Expenses Excluding Income Taxes	\$ 8,439,415	\$ 8,452,883
41	Synchronized Interest (L52)	\$ 834,868	\$ 834,868
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 8,818	\$ 1,903,572
43	Arizona State Income Tax Rate	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	\$ 614	\$ 132,641
45	Federal Taxable Income (L42 - L44)	\$ 8,204	\$ 1,770,932
46	Federal Tax @ 34%	\$ 2,789	\$ 602,117
47	Total Federal Income Tax	\$ 2,789	\$ 602,117
48	Combined Federal and State Income Tax (L43 + L47)	\$ 3,404	\$ 734,758

50 Effective Tax Rate

Calculation of Interest Synchronization:

51	Rate Base (Schedule GWB-3, Col. (C), Line 18)	N/A
52	Weighted Average Cost of Debt	\$ 27,828,924
53	Synchronized Interest (L50 X L51)	3.0000%
		\$ 834,868

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

Schedule GWB-3
SURREBUTTAL

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	\$ 63,616,417	\$ (149,497)	\$ 63,466,920
2	18,973,897	(22,008)	18,951,889
3	<u>\$ 44,642,520</u>	<u>\$ (127,489)</u>	<u>\$ 44,515,031</u>
<u>LESS:</u>			
4	\$ 13,194,724	\$ 38,991	\$ 13,233,715
5	15,011	-	15,011
6	<u>13,179,713</u>	<u>38,991</u>	<u>13,218,704</u>
7	5,860,651	-	5,860,651
8	-	-	-
9	342,458	-	342,458
10	-	-	-
	Customer Meter Deposits		2,450
	2,450		2,450
<u>ADD:</u>			
11	1,904,817	(49,151)	1,855,666
12	416,111	(141,507)	274,604
13	118,894	-	118,894
14	51,086	-	51,086
15	-	-	-
16	437,906	-	437,906
17	-	-	-
18	<u>\$ 28,186,062</u>	<u>\$ (357,138)</u>	<u>\$ 27,828,924</u>

References:

Column (A), Company Schedule B-2

Column (B): Schedule GWB-4

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 GWB-5	(C) ADJ #2 GWB-6	(D) ADJ #3 GWB-7&8	(E) ADJ #4 GWB-9	(F) STAFF ADJUSTED
PLANT IN SERVICE:								
1	301000	Organization	\$ 471					\$ 471
2	302000	Franchises	-					-
3	303200	Land & Land Rights SS	180,023					180,023
4	303300	Land & Land Rights P	8,456					8,456
5	303500	Land & Land Rights TD	10,493					10,493
6	303600	Land & Land Rights AG	2,125					2,125
7	304100	Struct & Imp SS	3,880,262					3,880,262
8	304200	Struct & Imp P	456,858					456,858
9	304300	Struct & Imp WT	126,815					126,815
10	304400	Struct & Imp TD	34,162					34,162
11	304500	Struct & Imp AG	272,321					272,321
12	304800	Struct & Imp Offices	37,340					37,340
13	304900	Struct & Imp Misc	1,386,986					1,386,986
14	305000	Collect & Impounding	314					314
15	307000	Wells & Springs	5,660,450					5,660,450
16	308000	Supply Mains	(70)					(70)
17	310000	Power Generation Equip	148,309					148,309
18	310100	Power Generation Equip Other	-					-
19	311200	Pump Equip Electric	10,186,725					10,186,725
20	311300	Pump Equip Diesel	213,446					213,446
21	311400	Pump Equip Hydraulic	16,218					16,218
22	311500	Pump Equip Other	142,073					142,073
23	320100	WT Equip Non-Media	407,001					407,001
24	330000	Dist Reservoirs & Standpipe	1,477,247					1,477,247
25	331001	TD Mains Not Classified by Size	6,604,111					6,604,111
26	331100	TD Mains 4in & Less	12,507,918					12,507,918
27	331200	TD Mains 6in to 8in	2,266,442					2,266,442
28	331300	TD Mains 10in to 16in	99,361					99,361
29	331400	TD Mains 18in & Grtr	13,489					13,489
30	333000	Services	5,876,584					5,876,584
31	334100	Meters	3,378,717					3,378,717
32	334200	Meter Installations	592,322					592,322
33	335000	Hydrants	2,270,400					2,270,400
34	339500	Other P/E TD	523					523
35	340100	Office Furniture & Equip	801,216					801,216
36	340200	Comp & Periph Equip	305,121					305,121
37	340300	Computer Software	25,335					25,335
38	340310	Computer Software	9,105					9,105
39	340325	Computer Software Custom	7,377					7,377
40	340500	Other Office Equipment	3,854					3,854
41	341100	Trans Equip Lt Duty Trks	1,095,694					1,095,694
42	341200	Trans Equip Hvy Duty Trks	23,777					23,777
43	341400	Trans Equip Other	8,233					8,233
44	342000	Stores Equipment	20,038					20,038
45	343000	Tools, Shop, Garage Equip	269,034					269,034
46	344000	Laboratory Equipment	9,560					9,560
47	345000	Power Operated Equipment	151,899					151,899
48	346100	Comm Equip Non-Telephone	221,454					221,454
49	346190	Remote Control & Instrument	17,756					17,756
50	346200	Comm Equip Telephone	7,308					7,308
51	346300	Comm Equip Other	174,797					174,797
52		District Subtotal	61,409,451					61,409,451
53								
54		Allocated from Corporate	-					-
55	303600	Land & Land Rights AG	-					-
56	304510	Struct & Imp AS Cap Lease	-					-
57	304600	Struct & Imp Offices	-					-
58	304800	Struct & Imp Misc	-					-
59	304820	Struct & Imp Leasehold	28,920					28,920
60	331001	Mains	-					-
61	339600	Other P/E CPS	7,553					7,553
62	340100	Office Furniture & Equip	168,625					168,625
63	340200	Comp & Periph Equip	73,243					73,243
64	340300	Computer Software	265,949					265,949
65	340330	Comp Software Other	8,839					8,839
66	340500	Other Office Equipment	-					-
67	341100	Trans Equip Lt Duty Trks	-					-
68	343000	Tools, Shop, Garage Equip	-					-
69	344000	Laboratory Equipment	-					-
70	345000	Power Operated Equipment	-					-
71	346100	Comm Equip Non-Telephone	27,213					27,213
72	346200	Comm Equip Telephone	2,098					2,098
73	346300	Comm Equip Other	717					717
74	347000	Misc Equipment	-					-
75	380400	WW TD Equip Aux EM Trmt	-					-
76	393000	WW Tool Shop & Garage Equip	-					-
77		Corp Allocations Subtotal	581,157					581,157
78								
79		Post Test Year Plant						
80		Well 5.1:						
81	304100	Struct & Imp Supply	52,719					52,719
82	307000	Wells & Springs	580,171					580,171
83	308000	Supply Main	46,550					46,550
84	311200	Pumping Equipment	423,724					423,724
85	320100	WT Equip Non-Media	14,214					14,214
86	347000	Misc Equipment	5,807					5,807
87			1,123,185					1,123,185
88								
89		Well 6.4 Rehabilitation						
90	304100	Struct & Imp Supply	1,630					1,630
91	307000	Wells & Springs	182,268					182,268
92	308000	Supply Main	1,220					1,220
93	311200	Pumping Equipment	294,867					294,867
94	320100	WT Equip Non-Media	12,681					12,681
95	334100	TD Mains 18in & Grtr	8,758					8,758
96			502,625					502,625
97		Less:						
98		Youngtown Plant		(149,497)				(149,497)
99								
100		Total Plant In Service	63,616,417	(149,497)				63,466,920
101								
102		Accumulated Depreciation	18,973,897	(22,008)				18,951,889
103		Net Plant in Service	<u>\$ 44,642,520</u>	<u>\$ (127,489)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,515,031</u>
104								
105		LESS:						
106		Contributions in Aid of Construction (CIAC)	\$ 13,194,724			\$ -	38,991	13,233,715
107		Less: Accumulated Amortization	15,011					15,011
108		Net CIAC (LC3 - LB4)	13,179,713				38,991	13,218,704
109		Advances in Aid of Construction (AIAC)	5,860,651					5,860,651
110		Imputed Reg Advances	-					-
111		Imputed Reg CIAC	342,458					342,458
112		Accumulated Deferred Income Tax Credits	-					-
113		Customer Meter Deposits	2,450					2,450
114		ADD:						
115		Accumulated Deferred Income Tax Debits	1,904,817		(49,151)			1,855,666
116		Working Capital Allowance	416,111			(141,507)		274,604
117		Purchasing Power	-					-
118		Purchase Wastewater Treatment Charges	-					-
119		Material and Supplies Inventory	51,086					51,086
120		Prepayments	118,894					118,894
121		Projected Capital Expenditures	-					-
122		Deferred Debits	437,906					437,906
123		Original Cost Rate Base	\$ 28,186,062	\$ (127,489)	\$ (49,151)	\$ (141,507)	\$ (38,991)	\$ 27,829,924

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
 Docket No. WS-01303A-09-0343
 Test Year Ended December 31, 2008

Schedule GWB-5
 SURREBUTTAL

RATE BASE ADJUSTMENT #1 PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	361.20	Youngtown Plant	149,497	(149,497)	-
		Acc Deprec. Youngtown Plant Acc Dep.	22,008	(22,008)	-

References:

Column [A]: Amounts included in plant balances per filing and previous cases
 Column (B): Per Testimony GWB

RATE BASE ADJUSTMENT #2 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Beginning Balance Per Decision No. 67093	\$ 13,025,093	\$ (336,093)	\$ 12,689,000
2	Allocation Factor	14.62%	14.62%	14.62%
3	Allocation to Sun City	1,904,817	(49,151)	1,855,666

REFERENCES:

Columns [A], Line 1: Amounts used by Co as basis for allocation

Column [A], [B] & [C], Line 2: Allocation rate to this system

Column [C], Line 1: Allocable amount per audited financial statements times allocation rate

Column [A], [B] & [C], Line 3: Calculation of allocated amounts

RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER COMPANY

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] COMPANY ADJUSTMENTS	[C] COMPANY AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 1,225,670	\$ -	1,225,670	12.00	\$ 14,708,039
2	Purchased Water	\$ (0)	-	(0)	(59.03)	\$ 15
3	Fuel & Power	\$ 1,722,582	-	1,722,582	22.09	\$ 38,048,563
4	Chemicals	\$ 37,037	-	37,037	15.09	\$ 558,821
5	Waste disposal	\$ -	-	-	-	\$ -
6	Management Fees	\$ 1,509,322	-	1,509,322	14.77	\$ 22,294,950
7	Group Insurance	\$ 354,396	-	354,396	(13.70)	\$ (4,856,572)
8	Pensions	\$ 251,435	-	251,435	(2.37)	\$ (595,499)
9	Insurance Other Than Group	\$ 93,255	-	93,255	(83.68)	\$ (7,803,989)
10	Customer Accounting	\$ 235,348	-	235,348	10.09	\$ 2,374,500
11	Rents	\$ 60,016	-	60,016	32.82	\$ 1,969,891
12	Miscellaneous	\$ 300,084	-	300,084	25.96	\$ 7,789,394
13	Maintenance Expense	\$ 652,601	-	652,601	23.25	\$ 15,172,456
14	Other Operating Expenses ¹	\$ 153,833	-	153,833	30.00	\$ 4,614,978
15		\$ -	-	-	-	\$ -
16	Property Taxes	\$ 156,074	-	156,074	190.63	\$ 29,752,393
17	Taxes Other than Income	\$ 94,912	-	94,912	13.35	\$ 1,266,721
18	Income Tax	\$ 979,846	-	979,846	30.13	\$ 29,522,765
19	Interest	\$ 845,582	-	845,582	106.25	\$ 89,843,074
20	Total Operating Expenses	<u>8,671,993</u>	<u>-</u>	<u>8,671,993</u>		<u>244,660,500</u>
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	28.21			
24	Revenue Lag	Company Workpapers	45.727			
25	Net Lag	Line 24 - 23	17.51			
26	Company Adjusted Expenses	Line 20, Col C	<u>8,671,993</u>			
27	Cash Working Capital	Line 25 * Line 26/365 day	416,111			
28	Company As Filed		<u>416,111</u>			
29	Difference		\$ -			
30						
31	References:					
32	Column [A]: Company Schedule C-1					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Per the Company's Lead Lag Study in this proceeding					
36	Column [E]: Column [C] * Column [D]					

RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER STAFF

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 1,225,670		1,225,670	12.00	\$ 14,708,039
2	Purchased Water	\$ (0)		(0)	(59.03)	\$ 15
3	Fuel & Power	\$ 1,722,582		1,722,582	22.09	\$ 38,048,563
4	Chemicals	\$ 37,037	(37,037)	(0.00)	15.09	\$ (0)
5	Waste disposal	\$ -		-	-	\$ -
6	Management Fees	\$ 1,509,322	(1,509,322)	-	-	\$ -
7	Group Insurance	\$ 354,396		354,396	(13.70)	\$ (4,856,572)
8	Pensions	\$ 251,435		251,435	(2.37)	\$ (595,499)
9	Insurance Other Than Group	\$ 93,255		93,255	(83.68)	\$ (7,803,989)
10	Customer Accounting	\$ 235,348	(54,853)	180,696	20.31	\$ 3,669,530
11	Rents	\$ 60,016		60,016	32.82	\$ 1,969,891
12	Miscellaneous	\$ 300,084		300,084	25.96	\$ 7,789,394
13	Maintenance Expense	\$ 652,601		652,601	23.25	\$ 15,172,456
14	Other Operating Expenses ¹	\$ 153,833		153,833	30.00	\$ 4,614,978
15		\$ -		-		\$ -
16	Property Taxes	\$ 156,074		156,074	190.63	\$ 29,752,393
17	Taxes Other than Income	\$ 94,912		94,912	13.35	\$ 1,266,721
18	Income Tax	\$ 979,846		979,846	30.13	\$ 29,522,765
19	Interest	\$ 845,582		845,582	106.25	\$ 89,843,074.23
20	Total Operating Expenses	8,671,993	(1,601,012)	7,070,981	106	223,101,760
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	31.55			
24	Revenue Lag	Company Workpapers	45.727			
25	Net Lag	Line 24 - 23	14.17			
26	Staff Adjusted Expenses	Line 20, Col C	7,070,981			
27	Cash Working Capital	Line 25 * Line 26/365 day	274,604			
28	Company As Filed	Co Schedule B-5	416,111			
29	Staff Adjustment (L28-L27)	To GWB-4	(141,507)			
30						
31	References:					
32	Column [A]: Per Company, See Schedule GWB-6, Col [C]					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Per the Company's Lead Lag Study in this proceeding					
36	Column [E]: Column [C] * Column [D]					

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - CIAC ASSOCIATED WITH CWIP

LINE		[A]	[B]	[C]
<u>NO.</u>	<u>DESCRIPTION</u>	COMPANY	STAFF	STAFF
		AS	AS	AS
		<u>FILED</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
1	At December 31, 2008	13,194,724	38,991	13,233,715

REFERENCES:

Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1	Water Revenues	\$ 9,125,203	\$ -	\$ 9,125,203	\$ 1,908,222	\$ 11,033,425
2	Other Revenues	157,898	-	157,898	-	157,898
3	Other	-	-	-	-	-
4	Total Operating Revenues	\$ 9,283,101	\$ -	\$ 9,283,101	\$ 1,908,222	\$ 11,191,323
5	Labor	\$ 1,225,670	\$ (31,378)	\$ 1,194,292	\$ -	\$ 1,194,292
6	Purchased Water	-	-	-	-	-
7	Fuel & Power	1,722,582	228,562	1,951,144	-	1,951,144
8	Chemicals	37,037	(367)	36,671	-	36,671
9	Waste Disposal	-	-	-	-	-
10	Management Fees	1,509,322	(65,472)	1,443,850	-	1,443,850
11	Group Insurance	354,396	-	354,396	-	354,396
12	Pensions	251,435	18,438	269,873	-	269,873
13	Regulatory Expense	75,286	(5,891)	69,395	-	69,395
14	Insurance Other Than Group	93,255	-	93,255	-	93,255
15	Customer Accounting	235,348	(54,653)	180,696	2,862	183,558
16	Rents	60,016	-	60,016	-	60,016
17	General Office Expense	78,546	-	78,546	-	78,546
18	Miscellaneous	300,084	(21,688)	278,396	-	278,396
19	Maintenance Expense	652,601	-	652,601	-	652,601
20	Depreciation & Amortization	1,565,706	(40,407)	1,525,299	-	1,525,299
21	General Taxes-Property	156,074	-	156,074	10,605	166,679
22	General Taxes-Other	94,912	-	94,912	-	94,912
23	Income Taxes	9,746	(6,342)	3,404	731,354	734,758
24						
25	Total Operating Expenses	8,422,017	20,802	8,442,819	744,822	9,187,641
26	Operating Income (Loss)	\$ 861,084	\$ (20,802)	\$ 840,282	\$ 1,163,400	\$ 2,003,682

References:

Column (A): Company Schedule C-1
Column (B): Schedule GWB 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29, 34 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Power Expense ADJ #1 GWB-12	(C) Water Loss ADJ #2 GWB-13	(D) Bad Debt Exp ADJ #3 GWB-14	(E) Water Testing ADJ #4 GWB-15	(F) Depreciation Exp ADJ #5 GWB-16	(G) Income Taxes ADJ #6 GWB-17	(H) Rate Case ADJ #7	(I) Co Rebuttal AIP ADJ #8	(J) Co Rebuttal Stock Comp ADJ #9	(K) Co Rebuttal Mgmt Fees ADJ #10	(L) Co Rebuttal Other Exp ADJ #11	(M) Co Rebuttal Bus. Dev. ADJ #12	(N) Co Rebuttal Dues & Donatio ADJ #13	(O) Co Rebuttal Pension Exp ADJ #14	(P) STAFF ADJUSTED	
1	Water Revenues	\$ 9,125,203																\$ 9,125,203
2	Other Revenues	157,898																157,898
3	Other																	
4	Total Operating Revenues	\$ 9,283,101																\$ 9,283,101
5	Labor	\$ 1,225,670								\$ (18,690)								\$ 1,194,292
6	Purchased Water	1,722,582																1,951,144
7	Fuel & Power	37,037	248,073	(19,511)														36,871
8	Chemicals			(367)														
9	Waste Disposal																	
10	Management Fees	1,506,322																1,443,850
11	Group Insurance	354,396																354,396
12	Pensions	251,435																289,873
13	Regulatory Expense	75,286							(5,891)									69,395
14	Insurance Other Than Group	93,255																93,255
15	Customer Accounting	235,348																180,896
16	Rents	60,016			(54,653)													60,016
17	General Office Expense	78,548																78,546
18	Miscellaneous	300,084																278,396
19	Maintenance Expense	652,601				(21,688)												652,601
20	Depreciation & Amortization	1,565,706					(40,407)											1,525,299
21	General Taxes-Property	156,074																156,074
22	General Taxes-Other	94,912																94,912
23	Income Taxes	9,746						(6,342)										3,404
24																		
25	Total Operating Expenses	\$ 8,422,017	\$ 248,073	\$ (19,876)	\$ (54,653)	\$ (21,688)	\$ (40,407)	\$ (6,342)	\$ (5,891)	\$ (18,690)	\$ (21,178)	\$ (19,652)	\$ (20,793)	\$ (12,301)	\$ (4,236)	\$ 18,438		\$ 8,442,819
26	Operating Expenses	\$ 8,422,017	\$ 248,073	\$ (19,876)	\$ (54,653)	\$ (21,688)	\$ (40,407)	\$ (6,342)	\$ (5,891)	\$ (18,690)	\$ (21,178)	\$ (19,652)	\$ (20,793)	\$ (12,301)	\$ (4,236)	\$ 18,438		\$ 8,442,819
27	Operating Income (Loss)	\$ 861,084	\$ (248,073)	\$ 19,878	\$ 54,653	\$ 21,688	\$ 40,407	\$ 6,342	\$ 5,891	\$ 18,690	\$ 21,178	\$ 19,652	\$ 20,793	\$ 12,301	\$ 4,236	\$ (18,438)		\$ 840,282

References:
Column (A): Company Schedule C-1

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-12
SURREBUTTAL

OPERATING INCOME ADJUSTMENT #1 - POWER EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED*</u>
1	Power Expense	<u>\$ 1,722,582</u>	<u>\$ 248,073</u>	<u>\$ 1,970,655</u>

References:

Column (A), Company Schedule C-1

Column (B): Testimony GWB

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

*: Not including Operating Income Adjustment #2 on Schedule GWB-13

OPERATING INCOME ADJUSTMENT #2 - EXCESS WATER LOSS

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Power Expense	\$ 1,722,582		
2	Staff Adjustment #1 (GWB-11)	\$ 248,073		
3	Subtotal Power	\$ 1,970,655	\$ (19,511)	\$ 1,951,144
4				
5	Chemicals Expense	\$ 37,037	\$ (367)	\$ 36,671
6	Disallowance Percent			
7	Adjustment to Chemical Exp.	\$ -		
8	Disallowance Factor:			
9	Acceptable Loss	10.00%		
10	Water Loss, Per Engineering	11.10%		
11	Allowable Percent of Exp.	99.01%	(1+Line 9) / (1+Line 10)	
12	Disallowance Percent	0.99%	1 minus Line 11	

References:

Column (A), Company Schedule C-1

Column (B): Testimony GWB , or Company proposed times disallowance factor Line 12

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

OPERATING INCOME ADJUSTMENT #3 - BAD DEBT EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Uncollectible Accounts (Ordinary Activity)	\$ 140,618	\$ (98,614)	\$ 42,005
2	Uncollectible Accounts-MI (Misc. Invoices)	\$ (44,073)	\$ 43,961	\$ (112)
3	Total Uncollectibles	<u>\$ 96,546</u>	<u>\$ (54,653)</u>	<u>\$ 41,893</u>
4				
5	Uncollectible Accounts (Ordinary Activity)	\$ 1,152,299		
6	Allocation Percentage-	12.20%		
7	Company Proposed Amount, See Attachment 1, Col C	<u>\$ 140,618</u>		
8				
9	Staff Test Year Revenues, Schedule GWB-11			\$ 9,283,101
10	3 year average Bad Debt Exp. Rate, Per Co.			<u>0.45%</u>
11	Staff Recommended Bad Debt Exp			\$ 42,005
12				
13	Adjustment for Bad Debt Expense, Ordinary Activity		<u>\$ (98,614)</u>	
14				
15				
16	Normalization of Uncollectible Accounts- Miscellaneous Invoices			
17				
18	2006			\$ 341,820
19	2007			\$ 16,584
20	2008			<u>\$ (361,154)</u>
21	3 year total			<u>\$ (2,750)</u>
22	3 year average			\$ (917)
23	2008 Test Year Total, Attachment 1, Col A	\$ (361,154)		
24	Allocation Percentage-	12.20%		12.20%
25	Company Proposed Amount, See Attachment 1, Col C	<u>\$ (44,073)</u>		<u>\$ (112)</u>
26	Adjustment for Uncollectibles-MI		\$ 43,961	
27	Net Adjustment Uncollectibles, Ordinary Activity & MI		<u>\$ (54,653)</u>	
28				

References:

- Column [A], Company Workpapers
- Column [B], line 13: Col. [C], line 11, less Col [A], line 7
- Column [B], line 26: Col. [C], line 25, less Col [A], line 25
- Column [B], line 27: Col. [B], line 13, plus Col [B], line 26
- Column (C): Line 10, Per Company's Workpapers
- Column (C): Lines 18-20, & 24 Per Company's Workpapers

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-15
SURREBUTTAL

OPERATING INCOME ADJUSTMENT #4 - WATER TESTING EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Water Testing Expense*	<u>\$ 300,084</u>	<u>\$ (21,688)</u>	<u>\$ 278,396</u>

References:

Column (A), Company Schedule C-1

Column (B): Rebuttal Testimony of Linda Gutowski, page 14 of 21

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

* Included in Miscellaneous Expenses

OPERATING INCOME ADJUSTMENT #5- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	471	0.00%	-
3	302000	Franchises	-	0.00%	-
4	303200	Land & Land Rights SS	180,023	0.00%	-
5	303300	Land & Land Rights P	8,456	0.00%	-
6	303500	Land & Land Rights TD	10,493	0.00%	-
7	303600	Land & Land Rights AG	2,125	0.00%	-
8	304100	Struct & Imp SS	3,880,262	2.50%	97,007
9	304200	Struct & Imp P	456,858	1.67%	7,630
10	304300	Struct & Imp WT	126,815	1.67%	2,118
11	304400	Struct & Imp TD	34,162	2.00%	683
12	304500	Struct & Imp AG	272,321	3.99%	10,866
13	304600	Struct & Imp Offices	37,340	4.63%	1,729
14	304800	Struct & Imp Misc	1,386,988	1.67%	23,163
15	305000	Collect & Impounding	314	2.50%	8
16	307000	Wells & Springs	5,660,450	2.52%	142,643
17	309000	Supply Mains	(70)	2.00%	(1)
18	310000	Power Generation Equip	148,309	4.42%	6,555
19	310100	Power Generation Equip Other	-	4.42%	-
20	311200	Pump Equip Electric	10,186,725	4.42%	450,253
21	311300	Pump Equip Diesel	213,446	5.00%	10,672
22	311400	Pump Equip Hydraulic	16,219	4.42%	717
23	311500	Pump Equip Other	142,073	5.01%	7,118
24	320100.0	WT Equip Non-Media	407,001	7.06%	28,734
25	330000	Dist Reservoirs & Standpipe	1,477,247	1.67%	24,670
26	331001	TD Mains Not Classified by Size	6,604,111	1.53%	101,043
27	331100	TD Mains 4in & Less	12,507,918	1.53%	191,371
28	331200	TD Mains 6in to 8in	2,266,442	1.53%	34,677
29	331300	TD Mains 10in to 16in	99,361	1.53%	1,520
30	331400	TD Mains 18in & Grtr	13,489	2.00%	270
31	333000	Services	5,876,584	2.48%	145,739
32	334100	Meters	3,378,717	6.67%	225,360
33	334200	Meter Installations	592,322	2.51%	14,867
34	335000	Hydrants	2,270,400	2.00%	45,408
35	339500	Other P/E TD	523	0.00%	-
36	340100	Office Furniture & Equip	801,216	4.59%	36,776
37	340200	Comp & Periph Equip	305,121	10.00%	30,512
38	340300	Computer Software	25,335	25.00%	6,334
39	340310	Computer Software	9,105	25.00%	2,276
40	340325	Computer Software Custom	7,377	25.00%	1,844
41	340500	Other Office Equipment	3,854	7.13%	275
42	341100	Trans Equip Lt Duty Trks	1,095,694	20.00%	219,139
43	341200	Trans Equip Hvy Duty Trks	23,777	15.00%	3,567
44	341400	Trans Equip Other	8,233	16.67%	1,372
45	342000	Stores Equipment	20,038	3.91%	783
46	343000	Tools, Shop, Garage Equip	269,034	4.02%	10,815
47	344000	Laboratory Equipment	9,560	3.71%	355
48	345000	Power Operated Equipment	151,899	5.20%	7,899
49	346100	Comm Equip Non-Telephone	221,454	10.30%	22,810
50	346190	Remote Control & Instrument	17,756	10.30%	1,829
51	346200	Comm Equip Telephone	7,308	10.30%	753
52	346300	Comm Equip Other	174,797	4.93%	8,618
53		District Subtotal	61,409,451		
54			-		
55		Allocated from Corporate	-		

56	303600	Land & Land Rights AG	-		-
57	304510	Struct & Imp AG Cap Lease	-		-
58	304600	Struct & Imp Offices	-		-
59	304800	Struct & Imp Misc	-		-
60	304620	Struct & Imp Leasehold	28,920	14.28%	4,130
61	331001	Mains	-		-
62	339600	Other P/E CPS	7,553	3.30%	249
63	340100	Office Furniture & Equip	168,625	3.87%	6,526
64	340200	Comp & Periph Equip	73,243	10.00%	7,324
65	340300	Computer Software	265,949	25.00%	66,487
66	340330	Comp Software Other	6,839	25.00%	1,710
67	340500	Other Office Equipment	-		-
68	341100	Trans Equip Lt Duty Trks	-		-
69	343000	Tools, Shop, Garage Equip	-		-
70	344000	Laboratory Equipment	-		-
71	345000	Power Operated Equipment	-		-
72	346100	Comm Equip Non-Telephone	27,213	8.25%	2,245
73	346200	Comm Equip Telephone	2,098	8.25%	173
74	346300	Comm Equip Other	717	5.35%	38
75	347000	Misc Equipment	-		-
76	380400	WW TD Equip Aux Effl Trmt	-		-
77	393000	WW Tool Shop & Garage Equip	-		-
78	0	Corp Allocations Subtotal	581,157		
79		Youngtown Plant	(149,497)	2.83%	(4,231)
80		Post Test Year Plant	-		
81		Well 5.1:	-		
82	304100	Struct & Impr Supply	52,719	2.50%	1,318
83	307000	Wells & Springs	580,171	2.52%	14,620
84	309000	Supply Main	46,550	2.00%	931
85	311200	Pumping Equipment	423,724	4.42%	18,729
86	320100	WT Equip Non-Media	14,214	7.06%	1,004
87	347000	Misc Equipment	5,807		-
88		Total Well 5.1	1,123,185		
89			-		
90		Well 6.4 Rehabilitation	-		
91	304100	Struct & Impr Supply	1,830	2.50%	46
92	307000	Wells & Springs	182,268	2.52%	4,593
93	309000	Supply Main	1,220	2.00%	24
94	311200	Pumping Equipment	294,867	4.42%	13,033
95	320100	WT Equip Non-Media	12,681	7.06%	895
96	334100	TD Mains 18in & Grtr	9,758	6.67%	651
97	0	Total Well 6.4	502,625		
98			-		
99		Plant in Service	63,466,920		2,071,271
100					
101					
102		Less Non Depreciable Plant			
103	301000	Organization	471	0.00%	-
104	303200	Land & Land Rights SS	180,023	0.00%	-
105	303300	Land & Land Rights P	8,456	0.00%	-
106	303500	Land & Land Rights TD	10,493	0.00%	-
107	303600	Land & Land Rights AG	2,125	0.00%	-
108					
109		Net Depreciable Plant and Depreciation Amounts	\$ 63,265,352		\$ 2,071,271
110		Composite Depreciation Rate		3.27%	
111		Less			
112		Amortization of Regulatory CIAC at Settlement Rate			112,708
113		Amortization of CIAC at Composite Rate	\$ 13,233,715		\$ 433,264
114		Staff Recommended Depreciation Expense			\$ 1,525,299
115		Company Proposed Depreciation Expense			1,565,706
116		Staff Adjustment			\$ (40,407)

References:

Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-17
SURREBUTTAL

OPERATING INCOME ADJUSTMENT #6 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Taxes	<u>\$ 9,746</u>	<u>\$ (6,342)</u>	<u>\$ 3,404</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GWB

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

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Schedule GWB-18
SURREBUTTAL

OPERATING INCOME ADJUSTMENT #7 - RATE CASE EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	RATE CASE EXPENSE	<u>\$ 75,286</u>	<u>\$ (5,891)</u>	<u>\$ 69,395</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GWB

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

OPERATING INCOME PROPERTY TAX EXPENSE GRCF COMPONENT

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 9,283,101	\$ 9,283,101
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	18,566,202	18,566,202
4	Staff Adjusted Test Year Revenues - 2007	9,283,101	
5	Staff Recommended Revenue		11,191,323
6	Subtotal (Line 3 + Line 4) & (Line 3 + Line 5)	27,849,303	29,757,525
7	Number of Years	3	3
8	Three Year Average (Line 6 / Line 7)	9,283,101	9,919,175
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	18,566,202	19,838,350
11	Plus: 10% of CWIP - 2008	151,628	151,628
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 10 + Line 11 - Line 12)	18,717,830	19,989,978
14	Assessment Ratio	22.0%	22.0%
15	Assessment Value (Line 13 * Line 14)	4,117,923	4,397,795
16	Composite Property Tax Rate	3.79%	3.79%
17	Staff Test Year Adjusted Property Tax Expense (Line 15 * Line 16)	\$ 156,074	
18	Company Proposed Property Tax	\$ 156,074	
19	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 0	
20	Property Tax on Staff Recommended Revenue (Line 15 * Line 16)		\$ 166,679
21	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 156,074
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 10,605
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 10,605
24	Increase in Revenue Requirement		\$ 1,908,222
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		0.55577%

REFERENCES:

0

- Line 15: Composite Tax Rate, per Company
- Line 17: Company Schedule C-1, Line 27
- Line 21: Line 19 - Line 20
- Line 23: Schedule GWB-1, Line 8

ATTACHMENT 1

Reconciliation of Schedule C-1, Customer Accounting to Supporting Workpapers

Note: CA means Customer Accounting, not California

Line No.	Description	[A] Central/Western AZ Corporate Total 12/31/2008		[B] Sun City Water Corp Allocation 12/31/2008		[C] Anthem Water Corp Allocation 12/31/2008	
		Recorded	Actual	Recorded	Actual	Recorded	Actual
1	4 Factor Allocation Percentages used:				12.20%		9.36%
2	P18 Customer Accounting				5,665		4,347
3		\$ 46,423	\$ 5,665	\$ 140,618	\$ 107,894	\$ 107,894	\$ 4,347
4		\$ 1,152,299	\$ 140,618	\$ (361,154)	\$ (44,073)	\$ (33,816)	\$ 107,894
5		\$ 3,018	\$ 368	\$ -	\$ -	\$ 283	\$ -
6		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9		\$ 161,225	\$ 19,675	\$ 21,336	\$ 2,604	\$ 1,998	\$ 15,096
10		\$ 11,301	\$ 1,379	\$ 223,097	\$ 27,225	\$ 20,889	\$ 1,058
11		\$ 26,411	\$ 3,223	\$ -	\$ -	\$ -	\$ 2,473
12		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13		\$ 543,710	\$ 66,350	\$ 682	\$ 83	\$ -	\$ 50,910
14		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64
15		\$ 46,102	\$ 5,626	\$ 24,724	\$ 3,017	\$ -	\$ 4,317
16		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,315
17		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	P18 Customer Accounting	\$ 1,899,173	\$ 231,762	\$ 231,949	\$ 178,689	\$ 178,689	\$ 0
22	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Amount Recorded Directly (Not Allocated)	\$ -	\$ -	\$ 187	\$ 862	\$ 862	\$ -
24	Total, as recalculated above.	\$ -	\$ -	\$ 231,949	\$ 178,689	\$ 178,689	\$ 0
25		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Test Year Book Results, Customer Accounting	\$ -	\$ -	\$ 231,949	\$ 178,689	\$ 178,689	\$ 0
27	Expense, Schedule C-1	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 0
28	Unreconciled Difference.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Sources:

Columns [A]-[C], lines 1-21: From Company Workpaper, 08 A of I-AZ Corp Summary w Pro Formas Distributed to Districts.xls

Columns [B], line 23: From Company Workpaper, Sun City Water AI 2008.xls

Columns [C], line 23: From Company Workpaper, Anthem Water AI 2008.xls

Columns [B] and [C], lines 26-27: Company's Application

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS ANTHEM)
WATER DISTRICT AND ITS SUN CITY))
WATER DISTRICT)

DOCKET NO. W-01303A-09-0343

IN THE MATTER OF THE APPLICATION OF)
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS ANTHE/AGUA)
FRIA WASTEWATER DISTRICT, ITS SUN)
CITY WASTEWATER DISTRICT AND ITS SUN)
CITY WEST WASTEWATER DISTRICT,)

DOCKET NO. SW-01303A-09-0343

SURREBUTTAL TESTIMONY

OF

DOROTHY HAINS

UTILITIES ENGINEER

UTILITIES DIVISION

APRIL 15, 2010

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EXHIBIT

Depreciateion Rates for Sun City Water District (Revised)	Figure 6
-----------------------------------------------------------------	----------

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. Are you the same Dorothy Hains who has previously filed testimony in this rate
7 proceeding?**

8 A. Yes.

9
10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. In my testimony I will respond to two issues raised in the Company's rebuttal testimony.
12 (1) the Company argues against Staff's recommended depreciation rates for Account No.
13 380625 (Treatment Disposal Equipment – General Treatment), for Account No. 380650
14 (Treatment Disposal Equipment – Influent Lift Station) and for Account No. 390000
15 (Office Furniture and Equipment), (2) the Company argues that without the 2nd clarifier in
16 Verrado Wastewater Treatment Plant (in Agua Fria Wastewater District) that the Plant's
17 treatment capacity would be reduced. I also have one typographical error to correct.

18

19 **II. ANTHEM/AGUA FRIA WASTEWATER DISTRICT**

20 **Depreciation Rates for Account No. 380625**

21 **Q. In Decision No. 70372, did the Commission approve any depreciation rates for
22 Account No. 380625 (Treatment Disposal Equipment – General Treatment)?**

23 A. No. Account No. 380625 is a new proposed account in this rate application.

1 **Q. Did the Company provide any documentation to support its proposed 8.4%**
2 **depreciation rates for this account?**

3 A. No.
4

5 **Q. Please explain how Staff developed its recommended depreciation rate?**

6 A. In Decision No. 70372, the Commission approved a 5% depreciation rate for Account No.
7 380000 (Wastewater Treatment and Disposal Equipment). Further, the Company proposed
8 A 5% depreciation rate for Account No. 380000 in this case. Account No. 380625 is
9 designated for treatment disposal equipment used for general treatment purposes. Staff
10 believes that the life span for equipment in Account No. 380625 should be very similar, if
11 not the same, for equipment classified in Account No. 380000. National Association of
12 Regulatory Utility Commissioners ("NARUC") Account No. 380000 includes equipment
13 such as, aeration chambers, chemical equipment, trickling filters, landfill equipment,
14 sedimentation equipment, mechanical treatment equipment, and sludge digestion
15 equipment, that is similar in nature, use and expected life as the equipment in Account No.
16 380625. In its other Districts the Company included all of its equipment in question here in
17 Account No. 380000. Staff estimates the life span for mechanical treatment plant
18 equipment at 20 years (about 5% depreciation rate). Therefore, Staff adopted and
19 recommended the 5% depreciation rate for Account No. 380625.
20

21 **Depreciation Rates for Account No. 380650**

22 **Q. In Decision No. 70372, did the Commission approve any depreciation rates for**
23 **Account No. 380650 (Treatment Disposal Equipment – Influent Lift Station)?**

24 A. No. Account No. 380650 is a new proposed account in this rate application.

1 **Q. Did the Company provide any documentation to support its proposed 8.4%**
2 **depreciation rate for this account?**

3 A. No.

4
5 **Q. Please explain how Staff developed its recommended depreciation rate?**

6 A. Account No. 380650 is designated as capital improvement for treatment and disposal
7 equipment used for influent lift stations. Staff believes the life span for equipment
8 installed in influent lift stations should be similar to the lives for equipment installed for
9 grit removal and lives for equipment installed in receiving wells. Equipment used in an
10 influent lift station includes wells, screen units, and odor removal units. In Decision No.
11 70372, the Commission approved A 5% depreciation rate for screen unit (or grit removal
12 equipment, Account No. 380500), 5.42% for receiving wells (Account No. 370000) and
13 5% for odor removal unit (Wastewater Chemical Treatment Equipment, Account No.
14 380500). Staff estimates a life span of 20 years for both odor removal units and screen
15 units is reasonable. Staff estimates a 20 year life span for a concrete wet well and 30 year
16 life span for a fiber glass wet well. The Company proposed a 5% depreciation rate for
17 accounts (Account No. 380500, Account No. 370000, and Account No. 380500) in this
18 rate filing. Therefore, Staff adopted and recommended the 5% depreciation rate for
19 Account No. 380650.

1 **Verrado Wastewater Treatment Plant**

2 **Q. The Company stated that installation of the second clarifier was to provide reliable**
3 **wastewater treatment capacity when the first clarifier is down for maintenance or**
4 **repairs. Do you agree that the Verrado Wastewater Treatment Plant (“Verrado”)**
5 **should have been equipped with a second clarifier?**

6 A. No. There are no rules regarding how many clarifiers should be installed in a wastewater
7 treatment plant, in fact, there is only one clarifier installed in the Company’s Russell
8 Ranch Wastewater Treatment Plant (in Agua Fria Wastewater District) and in the Wishing
9 Well Wastewater Treatment Plant (in Mohave Wastewater District). Furthermore, the
10 Anthem Wastewater Treatment Plant (in Anthem Wastewater Treatment District) is not
11 equipped with a clarifier.

12
13 **Q. When the clarifier is down, is the treatment capacity in Verrado reduced?**

14 A. No. If the clarifier is down for a short period of time there should not be an impact on
15 treatment capacity. Short periods of equipment down time are accommodated by the
16 plants equalization basin.

17
18 **Q. When the clarifier is down, will the effluent meet the permit discharge limit?**

19 A. Yes, if the plant is operated properly.

1 **III. SUN CITY WEST WASTEWATER DISTRICT**

2 **Depreciation Rates for Account No. 390000**

3 **Q. The Company's witness testified that Staff had changed the depreciation rate for**
4 **Account No. 390000 (Office Furniture and Equipment) from 4.59% to 4.98%, do you**
5 **agree?**

6 A. No. The Company's proposed 4.59% depreciation rate for Account No. 390000 was
7 accepted by Staff.

8

9 **IV. Typographical Correction**

10 **Q. Please identify the one typographical corrections.**

11 A. The depreciation rate for Account No. 334100 (meters) for Sun City Water District should
12 have been 6.67% instead of 2.51%. A revised Depreciation Rates Table for Sun City
13 Water District is attached as Figure 6.

14

15 **Q. Does this conclude your surrebuttal testimony?**

16 A. Yes, it does.

**FIGURE 6
DEPRECIATION RATES FOR SUN CITY WATER DISTRICT (REVISED)**

NARUC Acct #	Company's Account #.	Depreciable Plant	Decision # 70351	Rate (%) Sun City Water proposed	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights	0		0
	303200	Land & Land Rights SS	0	0	0
	303300	Land & Land Rights P	0	0	0
	303500	Land & Land Right TD	0	0	0
	303600	Land & Land Right AG	0	0	0
304		Structures & Improvements			
	304100	Structure & Improvement SS	2.50	2.50	2.50
	304200	Structure & Improvement P	1.67	1.67	1.67
	304300	Structures and Improvements WT	1.67	1.67	1.67
	304400	Structure & Improvement TD	2.00	2.00	2.00
	304500	Structure & Improvement AG	N/A	3.99 ^{1,2}	3.99
	304600	Structure & Improvement office	4.63	4.63	4.63
	304620	Structure & Improvement Leasehold	N/A	N/A	0
	304800	Structure & Improvement Misc	1.67	1.67	1.67
305	305000	Collection & Impounding reservoirs	2.50	2.50	2.50
307	307000	Wells & Springs	2.52	2.52	2.52
309	309000	Supply Mains	N/A	2.00	2.00
310	310000	Power Generation Equip	4.42	4.42	4.42
	310100	Power Generation Equip Other	N/A	4.42	4.42
311		Pumping Equipment			
	311200	Pump Equipment Electric	4.42	4.42	4.42
	311300	Pump Equipment Diesel	5.00	5.00	5.00
	311400	Pump Equipment Hydraulic	N/A	4.42	4.42
	311500	Pump Equipment Other – pump parts ¹	5.01	5.01	5.01
320		Water Treatment			
	320100	Water Treatment Equipment Non-Media	4.00	7.06 ²	7.06
330		Distribution Reservoirs & Standpipes			
	33000	Distribution Reservoirs & Standpipes	1.67	1.67	1.67
331		Transmission and Distribution			
	331001	TD mains not classified by size	1.53	1.53	1.53
	331100	TD mains 4-inch & less	1.53	1.53	1.53
	331200	TD mains 6-inch to 8-inch	1.53	1.53	1.53
	331300	TD mains 10-inch to 16-inch	1.53	1.53	1.53
	331400	TD mains 18-inch & Grtr	N/A	2.00 ²	2.00
333	333000	Services	2.48	2.48	2.48
334		Meters			
	334100	Meters	2.51	6.67 ²	6.67 ⁵
	334200	Meter installations	2.51	2.51	2.51
335	335000	Hydrants	2.00	2.00	2.00
336	N/A	Backflow Prevention Devices	6.67	N/A	6.67
339		Other Plant & Misc Equipment			
	339100	Other P/E Intangible	0	0	0
	339500	Other P/E TD ³	2.00	20.00	0.00 ³

EXHIBIT

340	340100	Office Furniture & Equipments	4.59	4.59	4.59
	340200	Computer & periph equipment	4.59	10.00 ²	10.00
	340300	Computer Software	N/A	25.00 ²	25.00
	340310	Computer Software	N/A	25.00 ²	25.00
	340325	Computer Software Custom	N/A	25.00 ²	25.00
	340330	Computer Software other	N/A	25.00 ²	25.00
	340500	Other Office Equip – ice/water machine ¹	N/A	7.13 ¹	7.13
341	Transportation Equipment				
	341100	Transportation Equip, Lt Duty Trucks	25.00	20.00 ²	20.00
	341200	Transportation Equip, heavy Duty Trucks	25.00	15.00 ²	15.00
	341400	Trans Equip – Other – trailer for flatbed backhoe ¹	N/A	16.67	16.67
342	342000	Store Equipments	3.91	3.91	3.91
343	343000	Tools Shop & Garage Equipments	4.02	4.02	4.02
344	344000	Lab equipments	3.71	3.71	3.71
345	345000	Power operated equipments	5.20	5.20	5.20
346	Communication Equipments				
	346100	Communication Equip non-telephone	10.30	10.30	10.30
	346190	Remote Control & Instrument	10.30	10.30	10.30
	346200	Communication Equip - Telephone	10.30	10.30	10.30
	346300	Communication Equip Other	4.93	4.93	4.93
347	347000	Misc Equipment	0.0	6.19 ⁴	6.19

Notes:

1. Per the District's response to Data Request STF 14.1-14.7.
2. Referred to Decision #71410.
3. This account is for easement/right of way, the depreciation rate should be 0%.
4. According to the District, this account only includes an eye wash drench for Well #5.1 that was in service in May 2009.
5. Per the District's February 18 and 19 e-mails, the Company had begun its 15-year automatic meter replacement program in 2009. The depreciation rate for meter should be 6.67%.

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-09-0343
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN IT'S)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS ANTHEM)
WATER DISTRICT AND ITS SUN CITY)
WATER DISTRICT.)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. SW-01303A-09-0343
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN IT'S)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS ANTHEM/)
AGUA FRIA WASTEWATER DISTRICT,)
IT'S SUN CITY WASTEWATER DISTRICT, AND)
IT'S SUN CITY WEST WASTEWATER DISTRICT))

SURREBUTAL TESTIMONY

OF

GARY T. MCMURRY

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

APRIL 15, 2010

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EXECUTIVE SUMMARY
ARIZONA AMERICAN WATER COMPANY, INC.
DOCKET NOS. W-01303A-09-0343 AND SW-01303A-09-0343

The surrebuttal testimony of Staff witness Mr. Gary T. McMurry addresses rate base, operating income, and the revenue requirement for the Anthem Agua Fria, Sun City, and Sun City West wastewater districts. Staff witness Gerald Becker addresses these issues for the Anthem and Sun City water districts.

Anthem Agua Fria Wastewater - Staff's revenue requirement of \$13,686,519 represents an increase of \$5,049,396, or 58.46 percent, for a 7.20 percent rate of return on a Staff-adjusted OCRB of \$45,116,389. Staff's surrebuttal revenue requirement represents a \$41,290 increase from its direct testimony.

Sun City Wastewater - Staff's revenue requirement of \$7,558,955 represents an increase of \$1,618,574 or 27.25 percent, for a 7.20 percent rate of return on a Staff-adjusted OCRB of \$14,584,558. Staff's surrebuttal revenue requirement represents a \$2,097 increase from its direct testimony.

Sun City West Wastewater - Staff's revenue requirement of \$7,127,382 represents an increase of \$1,465,672, or 25.89 percent, for a 7.20 percent rate of return on a Staff adjusted OCRB of \$18,097,843. Staff's surrebuttal revenue requirement represents a \$104,519 decrease from its direct testimony.

The Company's rebuttal testimony accepted many of Staff's direct adjustments and suggested a number of additional corrections including adoption of adjustments proposed by the Residential Utility Consumer Office ("RUCO"). Staff's surrebuttal recommendation is updated to reflect most of these additional suggestions. Outstanding differences remain between the Company and Staff on rate case issues addressed by Mr. McMurry's testimony in regard to cash working capital - lag-days for management fees, bad debt expense and depreciation expense. In addition, Mr. McMurry addresses Staff's opposition to the Company's proposal to defer the Sun City Wastewater district's proportionate share of certain replacement costs related to the 99th Avenue Interceptor project.

Response to the Rebuttal Testimony of Linda J. Gutowski

Cash Working Capital - Staff disagrees with the Company's rebuttal proposal to adjust lag days for payments to its affiliate at the date the affiliate requires payment. The affiliate controls the payment date and the Company payment date does not reflect the time that the affiliate must pay for the services provided. Accordingly, the proposed lag-days to the management fees are inconsistent with a properly-conducted lead-lag study. In the absence of the underlying data to determine the timing of when the affiliate pays its costs, Staff recommends eliminating the management fees from the cash working capital analysis.

Bad Debt Expense – Staff and the Company continue to disagree on the method for determining a normalized amount of bad debt expense for each of the three wastewater districts. Staff has revised its method to include normalization of uncollectibles related to miscellaneous invoices. The Company's rebuttal position is erroneous because its normalization method ignores that the actual test year recorded amount includes not only write-offs but also an accrual provision. The Company's rebuttal amount also includes mathematical errors due use of incorrect signs of netted amounts.

Depreciation Expense – Staff and the Company continue to disagree on the depreciation rates for two plant accounts in the Anthem/Agua Fria Wastewater District. Staff has corrected errors in several other accounts in the remaining districts, mostly involving corporate allocated assets.

Response to the Rebuttal Testimony of Miles H. Kiger

In its rebuttal testimony, the Company introduces a new request for authorization to defer the Sun City Wastewater District's proportionate share of replacement costs associated with the 99th Avenue Interceptor project pursuant to an agreement with the City of Glendale for consideration of recovery in a future rate case. Although the agreement was executed in 1985, the Company only recently received its first actual billing under the agreement and a billing estimate for 2010. The Company implies that it has not made payment as it is awaiting authorization to defer the costs, and it is discussing the amount invoiced with the City of Glendale. Rebuttal testimony is not the appropriate time or vehicle to propose this kind of special accounting treatment. Presenting a new request in rebuttal testimony does not provide Staff sufficient time to analyze the request. In the event that the Commission ultimately would find that the Company's request for deferral is appropriate, it need only grant the request before the Company closes its books for the year ended December 31, 2010, for the Company to defer payments made in 2010, it is not necessary for the Company to obtain deferral authorization prior making payment. Accordingly, Staff recommends that the Company submit its deferral request in a separate docket; otherwise, Staff recommends denial. However, Staff intends to pursue discovery and question witnesses at hearing to assess whether an alternate recommendation is warranted.

1 **I. INTRODUCTION**

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

3 A. My name is Gary T McMurry. I am a Public Utilities Analyst employed by the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”).
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Gary T McMurry who previously filed direct testimony on the rate
8 base and operating income in this proceeding?**

9 A. Yes.

10

11 **II. PURPOSE OF TESTIMONY**

12 **Q. What is the purpose of your testimony in this case?**

13 A. My surrebuttal testimony addresses issues raised in Arizona-American Water Company
14 (“AAWC” or “Company”) rebuttal testimony regarding Staff’s recommendations
15 regarding rate base, operating income and revenue requirement for the Anthem Agua Fria,
16 Sun City, and Sun City West wastewater districts. My testimony also addresses the
17 Company’s request for authorization to defer the Sun City Wastewater District’s
18 proportionate share of replacement costs associated with the 99th Avenue Interceptor
19 project pursuant to an agreement with the City of Glendale for consideration of recovery
20 in a future rate case.

21

22 **Q. How is your testimony organized?**

23 A. My testimony is presented in four sections. Section I is the introduction. Section II
24 provides the purpose for my testimony. Section III presents my responses to the rebuttal
25 testimony provided by Linda J. Gutowski. Section IV presents my response to the rebuttal
26 testimony provided by Miles H Kiger.

1 **Q. Have you prepared any schedules to accompany your testimony?**

2 A. Yes. I prepared surrebuttal schedules GTM-1 to GTM-20. The surrebuttal schedules
3 reflect the Company's application as filed, not its rebuttal position.
4

5 **III. SUMMARY OF RECOMMENDATIONS**

6 **Q. Please provide a summary of Staff surrebuttal recommendations.**

7 A. For Anthem Agua Fria Wastewater, Staff recommends a revenue requirement of
8 \$13,686,519, a 58.46 percent increase over test year revenues of \$8,637,123. For Sun City
9 Wastewater, Staff recommends a revenue requirement of \$7,558,955, a 27.25 percent
10 increase over test year revenues of \$5,940,381. For Sun City West Wastewater, Staff
11 recommends a revenue requirement of \$7,127,382, a 25.89 percent increase over test year
12 revenues of \$5,561,710. For Anthem Agua Fria Wastewater, Staff recommends a rate
13 base of \$45,116,389, a \$2,619,343 reduction from the Company's proposed rate base. For
14 Sun City Wastewater, Staff recommends a rate base of \$14,584,558, a \$179,529 reduction
15 from the Company's proposed rate base. For Sun City West Wastewater, Staff
16 recommends a rate base of \$18,097,843, a \$276,504 increase from the Company's
17 proposed rate base. For Anthem Agua Fria Wastewater, Staff's adjusted test year
18 operating income is \$199,477, a \$391,262 increase over that proposed by the Company.
19 For Sun City Wastewater, Staff's adjusted test year operating income is \$65,463, a
20 \$117,057 increase from that proposed by the Company. For Sun City West Wastewater,
21 Staff's adjusted test year operating income is \$410,534, a \$207,909 decrease from that
22 proposed by the Company.

1 **IV. STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF LINDA J**
2 **GUTOWSKI**

3 *Anthem Agua Fria, Sun City, and Sun City West Wastewater Districts:*

4 *Cash Working Capital Calculation: Lead Days for Management Expenses*

5 **Q. When Staff filed its Direct Testimony, did Staff make any adjustment to the**
6 **Company's lag days for Management Expenses in its calculation of cash working**
7 **capital?**

8 **A. No.**

9
10 **Q. Please explain.**

11 **A. In its filing, the Company used 14.77 lag days for Management Expenses. Based on the**
12 **expenses intended to be covered by Management Expenses, Staff recommended that 14.77**
13 **lag days would be a reasonable number of lag days for this item.**

14
15 **Q. Did the Company change its position in its Rebuttal Testimony?**

16 **A. Yes. The Company now claims a *lead* of 11.25 days for Management Expenses.**

17
18 **Q. What are the reasons that the Company changed its number of lead/lag days for**
19 **Management Expenses?**

20 **A. The Company uses a shared services model for certain items, and based on the agreement**
21 **between the Company and its affiliate, the Company pays for certain expenses one month**
22 **in advance.**

1 **Q. Does the Company offer other reasons to support its lead days for Management**
2 **Expenses?**

3 A. Yes. The Company states that the calculation “is the same kind of lead days used in the
4 2008 Working Capital calculation that was approved as part of Decision 71410.”¹

5
6 **Q. Does Staff agree with these reasons?**

7 A. No.
8

9 **Q. Please explain.**

10 A. Staff does not believe that lead/lag days should be based on internal agreements made
11 between the Company and its parent or other affiliate. Instead, lead/lag days should be
12 calculated on the best assessment of an entity’s actual experience regarding the transfer of
13 cash. Further, the use of an internal agreement to calculate lead/lag days may result in a
14 situation where an unregulated affiliate may expect payments even sooner than one month
15 in advance, and expect the ratepayers to support this internal circumstance in its cash
16 working capital calculation.
17

18 **Q. Does Staff have any comment regarding the use of the lead/lag days approved in**
19 **Decision No. 71410? Please explain.**

20 A. Staff reviewed Decision No. 71410 and notes that this decision does not approve a lead of
21 11.25 days for Management Expenses. Instead, this decision approves a lead of 3.88 days
22 for Management Expenses.

¹ Rebuttal Testimony of Linda J. Gutowski, page 11 of 21, lines 6-7.

1 **Q. What does Staff recommend?**

2 A. Staff recommends that the effect(s) of Management Expenses be removed from the
3 computation of cash working capital. Staff disagrees with the lead of 3.88 days approved
4 in Decision No. 71410 because it was not based upon a lead/lag study of the affiliate and
5 reflects the prepayment of the following month's expenses. In the absence of a lead/lag
6 study to determine the payment pattern by the affiliated service provider, Staff has revised
7 its computation of cash working capital to exclude the effects of the 14.77 lag days for
8 Management Expenses as originally requested by the Company, as shown in Anthem
9 Agua Fria Wastewater Surrebuttal Schedule GTM-7, Sun City Wastewater Surrebuttal
10 Schedule GTM-6 and Sun City West Wastewater Surrebuttal Schedule GTM-6

11
12 *Bad Debt Expense- Anthem Agua Fria, Sun City, and Sun City Wastewater districts*

13 **Q. Please describe the similarities and differences between the Company's rebuttal**
14 **position and Staff's position in this testimony.**

15 A. Although both the Company and Staff agree that Bad Debt Expense should be normalized
16 based on the Company's three-year experience, the Company and Staff are unable to agree
17 on the actual amount of Bad Debt Expense that was included in the Company's original
18 application. This difference, in turn, results in different adjustments to Bad Debt Expense
19 for both systems.

20
21 **Q. Please explain the reasons that there is disagreement of the amount of Bad Debt**
22 **Expense included in the Company's application?**

23 A. First, the Company's application incorporates Bad Debt Expense into the Company's total
24 Customer Accounting Expense, so the Bad Debt Expense itself is not readily discernible
25 from the schedules filed with the application. One must review the supporting
26 documentation to determine the amount of Bad Debt Expense included in the Customer

1 Accounting Expense. Secondly, the Company's application as filed reflects the use of a
2 four-factor allocation applied to both the actual write-offs and an accrued provision,
3 instead of using each district's respective loss history.
4

5 **Q. What is reflected in the Company's rebuttal testimony for this amount?**

6 A. The Company calculates the Bad Debt Expense included in the Customer Accounting
7 Expense based on net write-off's without giving consideration to the accrued provision.
8

9 **Q. Does Staff agree with the Company's position?**

10 A. No.
11

12 **Q. Please explain.**

13 A. The Company's use of the write-off amount only does not yield the amount of expenses
14 included in the Company's test year results because the test year results also include an
15 accrued provision for on-going bad debts. In order to determine the correct adjustment,
16 Staff compared the amount of bad debt expense reflected in the Company-proposed test
17 year to the normalized expense based on the Company's three-year history of write-offs.
18

19 **Q. Please provide Staff's calculation of the amount of Bad Debt Expense included in test
20 year expenses.**

21 A. Yes, please see GTM-13.1 for Sun City or GTM-14.1 for Anthem Agua Fria and Sun City
22 West. This schedule illustrates the composition of the Company's Customer Accounting
23 Expense by line item including Bad Debt Expenses ("Uncollectibles" and Uncollectibles-
24 MI (Miscellaneous Invoices)). As indicated, Customer Accounting Expenses are mostly
25 comprised of allocations from a shared services center, plus a minor amount recorded
26 locally at each system. Staff recalculated the allocated expense for each line item and then

1 added the amounts recorded directly by each system. The resulting figures reconcile to
2 the Customer Accounting Expense for each system as reported in Schedule C-1 of the
3 Company's application. Therefore, Staff concludes that the calculated amounts for Bad
4 Debt Expense and the corresponding adjustments, as shown in Surrebuttal Schedule
5 GTM-14 for Anthem Agua Fria Wastewater, Surrebuttal Schedule GTM-13 for Sun City
6 Wastewater district, and Surrebuttal Schedule GTM-14 for Sun City West Wastewater
7 district properly reflect the normalized test year expenses for the respective districts.
8

9 **Q. Has Staff's amount changed since Staff filed its Direct Testimony?**

10 A. Yes.
11

12 **Q. Please explain.**

13 A. Staff's calculation changed for two reasons. First, Staff made some minor corrections to
14 the allocation percentages used to recalculate Bad Debt Expense. Second, Staff applied
15 the restated percentages to Uncollectible Accounts only and did not include the
16 Uncollectible Accounts-MI (Miscellaneous Invoices) as was done as part of Staff's Direct
17 Testimony. The second change, exclusion of Uncollectible Accounts-MI (Miscellaneous
18 Invoices), is to reflect the fact that the Uncollectible Accounts-MI (Miscellaneous
19 Invoices) does not contain activity related to the uncollectible portion of the Company's
20 retail sales. Rather, Uncollectible Accounts-MI (Miscellaneous Invoices) is used as a
21 billing and collection clearing account for miscellaneous activity such as damage to
22 company property, and it should not be considered in the calculation of uncollectible
23 amounts associated with ordinary retail sales.

1 **Q. Does the Uncollectible Accounts-MI (Miscellaneous Invoices) warrant further**
2 **adjustment? Please explain.**

3 A. Yes. The large credit balance in the Uncollectible Accounts-MI (Miscellaneous Invoices)
4 represents collections of amounts billed in previous periods, and the large fluctuations in
5 the account warrant normalization. A review of the Company work papers indicates the
6 following activity for this account:

7		
8	2006	\$341,820
9	2007	\$16,584
10	2008	<u>\$(361,154)</u>
11	3 year total	<u>\$(2,750)</u>
12	3 year average	\$(917)
13		

14 The three-year average as shown above is allocated to each district as shown in
15 Surrebuttal Schedules GTM-14, GTM-13, and GTM-14 for Anthem Agua Fria, Sun City,
16 and Sun City West wastewater, respectively, and these amounts offset the adjustment for
17 Bad Debt Expense on ordinary activity.

18
19 **Q. Does Staff have other comments?**

20 A. Yes. The Company's methodology is a departure from the two established methodologies
21 for treating uncollectible accounts. The first method is the Direct Charge-Off method
22 where uncollectibles and any associated, subsequent recoveries are recorded directly, or
23 "charged-off," to Bad Debt Expense. The second method is the Allowance method where
24 a company systematically records expense to Bad Debt Expense with an offset to an
25 Allowance for Doubtful Accounts. Unlike the first method, under this method, the
26 charge-off is then made to the Allowance for Doubtful Accounts rather than to Bad Debt

1 Expense. In the instant case, the Company has adopted a kind of hybrid method whereby
2 its charge-offs, as well as its systematic provision for bad debts, are both reflected in the
3 Bad Debt Expense of Customer Accounting Expense. This practice has created confusion
4 regarding the reasons for and the amounts of Bad Debt Expense.
5

6 **Q. What does Staff recommend?**

7 A. Staff recommends the adjustments to Customer Accounting Expense as shown in Anthem
8 Agua Fria Surrebuttal Schedule GTM-14, Sun City Surrebuttal Schedule GTM-13, and
9 Sun City Water Surrebuttal Schedule GTM-14.
10

11 *Depreciation Rate Difference Account Numbers 380625 and 380650*

12 **Q. What does the Company propose with respect to depreciation rates for the Anthem**
13 **Agua Fria district for accounts 380625 and 380650?**

14 A. The Company proposes 8.4 percent.
15

16 **Q. What does Staff recommend for these assets?**

17 A. Staff continues to recommend 5 percent.
18

19 **V. STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF MILES H KIGER**

20 *Other Adjustments*

21 **Q. Is Staff adopting other adjustments reflected in the Company's Rebuttal Testimony?**

22 A. Yes. On Surrebuttal schedules GTM-11, Anthem Agua Fria adjustments 9 through 11 and
23 Sun City adjustments 7 through 10, and Sun City West adjustments 7 through 9 Staff is
24 reflecting its adoption of various RUCO adjustments discussed in the Company's Rebuttal
25 Testimony. Since these items are explained in detail in the Company's Rebuttal
26 Testimony, Staff is not providing duplicative or further explanation here.

1 *Accounting Order requested for the 99th Avenue Interceptor Project*

2 **Q. What does Mr. Kiger propose with respect to the City of Glendale Sewage**
3 **Transportation Agreement?**

4 A. The Company is requesting an accounting order to defer its proportionate share
5 (\$917,906) of the total costs associated with the 99th Avenue Interceptor Agreement, also
6 known as the "Tie-Line".

7
8 **Q. What does Staff recommend?**

9 A. Staff lacks sufficient information to make a recommendation in this proceeding. Because
10 this request was only recently made and Staff has had little time to issue data requests, we
11 must recommend denial at this time. Staff reserves the right to ask questions at the
12 hearing to get more information and may reconsider its recommendation, if appropriate.

13
14 **Q. Does this conclude your surrebuttal testimony?**

15 A. Yes, it does.

**MAIN EXTENSION AGREEMENT ("MXA") CHECKLIST
FOR ADMINISTRATIVE COMPLIANCE**

R-14-2-406

NAME OF COMPANY: Santa Cruz Water -Global

NAME OF APPLICATION AND/OR PROJECT: Desert Passage, Phase 2. Parcel 7/#002-007

Agreement Date: July 25, 2006

R-14-2-406 CONTRACT REQUIREMENTS:	YES	NO
1) Name and Address of Applicant	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2) Proposed Service Address?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3) Description of Requested Service	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4) Description and Map of Line Extension	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5) Itemized Cost Estimate to Include materials, Labor and Other Costs as Needed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6) Payment terms	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7) A Clear, Concise Statement of Refunding Provisions, If Applicable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8) Utilities' Estimated Start and Completion Dates	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9) Signatures From Both Parties	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10) Water Use Data Sheet	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11) DEQ Plan or Approval to Construct or ADEQ Waiver with ADEQ Compliance.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12) Confirm within CC&N	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13) Approved Hook Up Fee	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Reviewed By: Vicki Wallace

Date: April 13, 2010

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

DIRECT TESTIMONY OF GARY T. MCMURRY

TABLE OF CONTENTS TO SCHEDULES :

<u>SCH #</u>	<u>TITLE</u>
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GTM- 2	GROSS REVENUE CONVERSION FACTOR
GTM- 3	RATE BASE - ORIGINAL COST
GTM- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GTM- 5	RATE BASE ADJUSTMENT # 1 - NW VALLEY REGIONAL TREATMENT FACILITY
GTM- 6	RATE BASE ADJUSTMENT # 2 - VERRADO WWTF ADJUSTMENT
GTM- 7	RATE BASE ADJUSTMENT # 3 - WORKING CAPITAL
GTM- 8	RATE BASE ADJUSTMENT # 4 - ACCUMULATED DEFERRED INCOME TAXES
GTM- 9A	RATE BASE ADJUSTMENT # 5 - CIAC ASSOCIATED WITH CWIP
GTM- 9B	RATE BASE ADJUSTMENT # 6 - ACCUMULATED DEPRECIATION (NWWRTF)
GTM- 9C	RATE BASE ADJUSTMENT # 7 - TRANSFER OF GENERATOR
GTM- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GTM- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GTM- 12	OPERATING INCOME ADJUSTMENT # 1 - NWWRTF OPERATING EXPENSE
GTM- 13	OPERATING INCOME ADJUSTMENT # 2 - FUEL & POWER EXPENSE
GTM- 14	OPERATING INCOME ADJUSTMENT # 3 - BAD DEBT EXPENSE
GTM- 14.1	RECONCILIATION OF SCHEDULE C-1, CUSTOMER ACCOUNTING TO SUPPORTING WORK PAPER
GTM- 15	OPERATING INCOME ADJUSTMENT # 4 - WATER TESTING
GTM- 16	OPERATING INCOME ADJUSTMENT # 5- DEPRECIATION EXPENSE
GTM- 17	OPERATING INCOME ADJUSTMENT # 6 - PROPERTY TAX EXPENSE
GTM- 18	OPERATING INCOME ADJUSTMENT # 7 - INCOME TAXES
GTM- 19	OPERATING INCOME ADJUSTMENT # 8 - REGULATORY EXPENSE
GTM- 20	OPERATING INCOME ADJUSTMENT # 9 - ACCEPTING RUCO ADJUSTMENTS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 47,735,732	\$ 47,735,732	\$ 45,116,389	\$ 45,116,389
2	Adjusted Operating Income (Loss)	\$ (191,785)	\$ (191,785)	\$ 199,477	\$ 199,477
3	Current Rate of Return (L2 / L1)	-0.40%	-0.40%	0.44%	0.44%
4	Required Rate of Return	8.53%	8.53%	7.20%	7.20%
5	Required Operating Income (L4 * L1)	\$ 4,071,858	\$ 4,071,858	\$ 3,248,380	\$ 3,248,380
6	Operating Income Deficiency (L5 - L2)	\$ 4,263,643	\$ 4,263,643	\$ 3,048,903	\$ 3,048,903
7	Gross Revenue Conversion Factor	1.6561	1.6561	1.6561	1.6561
8	Required Revenue Increase (L7 * L6)	\$ 7,060,837	\$ 7,060,837	\$ 5,049,396	\$ 5,049,396
9	Adjusted Test Year Revenue	\$ 8,637,123	\$ 8,637,123	\$ 8,637,123	\$ 8,637,123
10	Proposed Annual Revenue (L8 + L9)	\$ 15,697,960	\$ 15,697,960	\$ 13,686,519	\$ 13,686,519
11	Required Increase in Revenue (%)	81.75%	81.75%	58.46%	58.46%
12	Rate of Return on Common Equity (%)	12.25%	12.25%	10.20%	10.20%

References:

Column (A): Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GTM-2, GTM-3, and GTM-10

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)	0.3131%			
3	Revenues (L1 - L2)	99.6869%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.3053%			
5	Subtotal (L3 - L4)	60.3815%			
6	Revenue Conversion Factor (L1 / L5)	1.656135			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.5100%			
11	Uncollectible Factor (L9 * L10)		0.3131%		
<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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (GTM-16, L24)	1.1505%			
22	Effective Property Tax Factor (L20*L21)		0.7064%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.3053%	
24	Required Operating Income (Schedule GTM-1, Line 5)	\$ 3,248,380			
25	Adjusted Test Year Operating Income (Loss) (Schedule GTM-10, Line 42)	\$ 199,477			
26	Required Increase in Operating Income (L24 - L25)		\$ 3,048,903		
27	Income Taxes on Recommended Revenue (Col. (D), L45)	\$ 1,191,193			
28	Income Taxes on Test Year Revenue (Col. (A), L45)	\$ (725,454)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 1,916,647		
30	Required Revenue Increase (Schedule GTM-1, Line 8)	\$ 5,049,396			
31	Uncollectible Rate (Line 10)	0.5100%			
32	Required Increase in Revenue to Provide for Uncollectible Exp. (L30 * L31)		\$ 25,752		
33	Property Tax with Recommended Revenue (GTM-17, Col B, L20)	\$ 356,444			
34	Property Tax on Test Year Revenue (GTM-17, Col A, L17)	\$ 298,349			
35	Increase in Property Tax Due to Increase in Revenue (L33-L34)		\$ 58,095		
36	Total Required Increase in Revenue (L26 + L29 + L32 + L35)		\$ 5,049,397		

	(A) Test Year Anthem Agua Fria	(D) Staff Recommended Anthem Agua Fria
37	Revenue (Sch GTM-10, Col.(C) L5, GTM-1, Col. (D), L10)	\$ 13,686,519
38	Operating Expenses Excluding Income Taxes	\$ 9,246,947
39	Synchronized Interest (L54)	\$ 1,353,492
40	Arizona Taxable Income (L37 - L38 - L39)	\$ 3,086,082
41	Arizona State Income Tax Rate	6.9680%
42	Arizona Income Tax (L40 x L41)	\$ 215,038
43	Federal Taxable Income (L40 - L42)	\$ 2,871,043
44	Total Federal Income Tax	\$ 976,155
45	Combined Federal and State Income Tax (L42 + L44)	\$ 1,191,193

46 Effective Tax Rate 34.0000%

Calculation of Interest Synchronization:

47	Rate Base (Schedule GTM-3, Col. (C), Line 17)	\$ 45,116,389
48	Weighted Average Cost of Debt	3.0000%
49	Synchronized Interest (L47 X L48)	\$ 1,353,492

Anthem AF	\$ 45,116,389
	3.0000%
	\$ 1,353,492

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER

Docket No. WS-01303A-09-0343

Surrebuttal Schedule GTM-3

Test Year Ended December 31, 2008

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 131,361,186	\$ 128,482,726
2	Less: Accumulated Depreciation	22,837,366	22,207,122
3	Net Plant in Service	<u>\$ 108,523,820</u>	<u>\$ 106,275,604</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 14,883,541	\$ 14,949,031
5	Less: Accumulated Amortization	1,054,390	1,054,390
6	Net CIAC	<u>13,829,151</u>	<u>13,894,641</u>
7	Advances in Aid of Construction (AIAC)	48,273,364	48,273,364
8	Imputed Reg AIAC	-	-
9	Imputed Reg CIAC	143,475	143,475
10	Accumulated Deferred Income Tax Credits Customer Meter Deposits	-	-
<u>ADD:</u>			
11	Cash Working Capital	285,666	7,113
12	Accumulated Deferred Income Tax Debits	1,049,621	1,022,537
13	Supplies Inventory	2,495	2,495
14	Prepayments	44,740	44,740
15	Deferred Debits	75,382	75,382
16	Purchase Wastewater Treatment Charges	-	-
	Rounding	(2)	(2)
17	Original Cost Rate Base	<u>\$ 47,735,732</u>	<u>\$ 45,116,389</u>

References:

Column (A), Company Schedule B-2

Column (B): Schedule GTM-4

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

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] NWWRTF ADJ #1	[C] Verrado ADJ #2	[D] Cash Working ADJ #3	[E] Deferred Inc. Taxes ADJ #4	[E] CIAC in CWIP ADJ #5	[F] Accum Depr ADJ #6	[G] Generator Trnsfr ADJ #7	[H] STAFF ADJUSTED
87		Allocation of 32 % of NWWTP (LJG-3)									
88	352000	WW Franchises	417	(52)							365
89	353200	WW Land & Ld Rights Coll	144,900	(18,113)							126,788
90	353500	WW Land & Ld Rights Gen	6,639	(830)							5,809
91	354200	WW Struct & Imp Coll	880,759	(110,095)							770,664
92	354300	WW Struct & Imp SPP	309,844	(38,731)							271,114
93	355400	WW Struct & Imp TDP	-	-							-
94	354500	WW Struct & Imp Gen	511,449	(63,931)							447,518
95	355200	WW Pwr Gen Equip Coll	2,545	(318)							2,227
96	355300	WW Pwr Gen Equip SPP	-	-							-
97	360000	WW Collection Sewers Forced	-	-							-
98	361100	WW Collecting Mains	35,134	(4,392)							30,742
99	362000	WW Special Coll Struct	165,708	(20,714)							144,995
100	363000	WW Services Sewer	8,285	(1,036)							7,249
101	364000	WW Flow Measuring Devices	1,760	(220)							1,540
102	370000	WW Receiving Wells	-	-							-
103	371100	WW Pump Equip Elect	129,472	(16,184)							113,288
104	371200	WW Pump Equip Other Pwr	118	(15)							103
105	380000	WW TD Equipment	673,966	(84,246)							589,720
106	380050	WW TD Equip Grit Removal	352,780	(44,097)							308,683
107	380100	WW TD Equip Sed Tanks/Acc	1,717,913	(214,739)							1,503,174
108	380200	WW TD Equip Sldge/Eff Rmv	16,730	(2,091)							14,639
109	380250	WW TD Equip SldgeDig Trk	22,897	(2,862)							20,035
110	380300	WW TD Equip Sldge Dry/Flt	1,929,814	(241,227)							1,688,587
111	380350	WW TD Equip Sec Trmt Flt	8,181	(1,023)							7,158
112	380400	WW TD Equip Aux Effl Trmt	410,850	(51,356)							359,494
113	380500	WW TD Equip Chem Trmt Plnt	649	(81)							568
114	380600	WW TD Equip Other Disp	332,677	(41,585)							291,092
115	380625	WW TD Equip Gen Trmt	253,425	(31,678)							221,747
116	380650	WW TD Equip Influent Lift S	23,045	(2,881)							20,164
117	381000	WW Plant Sewers	5,251	(656)							4,595
118	382000	WW Outfall Sewer Lines	37,568	(4,696)							32,872
119	389100	WW Oth Pint & Misc Equip Int	6,197	(775)							5,422
120	389600	WW Oth Pint & Misc Equip	-	-							-
121	390000	WW Office Furniture & Equip	53,781	(6,723)							47,058
122	390200	WW Computers & Peripheral	6,449	(806)							5,643
123	390300	WW Computer Software	20,152	(2,519)							17,633
124	391000	WW Trans Equipment	76,641	(9,580)							67,061
125	392000	WW Stores Equipment	3,606	(451)							3,155
126	393000	WW Tool Shop & Garage Equip	39,753	(4,969)							34,784
127	394000	WW Laboratory Equip	31,584	(3,948)							27,636
128	395000	WW Power Operated Equip	4,145	(518)							3,627
129	396000	WW Communication Equip	71,104	(8,888)							62,216
130	397000	WW Misc Equipment	22,396	(2,800)							19,597
131											
132		Post Test Year Plant Additons									
133		Additional Costs as of 5/15/2009									
134	354400	WW Struct & Impdt TDP	18,626								18,626
135	370000	WW Receiving Wells	548,541								548,541
136	371100	WW Pump Equip Elect	15								15
137	380000	WW TD Equipment	150								150
138	380350	WW TD Equip Sec Trmt Filter	38,691								38,691
139											
140		Rounding	(2)								(2)
141											
142		Total Plant in Service	131,361,185	(1,039,823)	(1,838,637)	-	-	-	-	-	128,482,725
143											
144		Accumulated Depreciation	22,837,366						(630,244)		22,207,122
145		Net Plant in Service (L58 - L59)	\$ 108,523,819	\$ (1,039,823)	\$ (1,838,637)	\$ -	\$ -	\$ -	\$ 630,244	\$ -	\$ 106,275,603
146											
147		LESS:									
148		Contributions in Aid of Construction (CIAC)	\$ 14,883,541		\$ -	\$ -	\$ -	\$ 65,490	\$ -	\$ -	\$ 14,949,031
149		Less: Accumulated Amortization	1,054,390								1,054,390
150		Net CIAC (L63 - L64)	13,829,151					65,490			13,894,641
151		Advances in Aid of Construction (AIAC)	48,273,364								48,273,364
152		Imputed Reg Advances									
153		Imputed Reg CIAC	143,475								143,475
154		Accumulated Deferred Income Tax Credits									
155		Customer Meter Deposits									
156		ADD:									
157		Working Capital Allowance	285,666			(278,553)					7,113
158		Accumulated Deferred Income Tax Debits	1,049,621				(27,084)				1,022,537
159		Purchase Wastewater Treatment Charges									
160		Material and Supplies Inventory	2,495								2,495
161		Prepayments	44,740								44,740
162		Projected Capital Expenditures									
163		Deferred Debits	75,382								75,382
164		Rounding	(1)								(1)
165		Original Cost Rate Base	\$ 47,735,732	\$ (1,039,823)	\$ (1,838,637)	\$ (278,553)	\$ (27,084)	\$ (65,490)	\$ 630,244	\$ -	\$ 45,116,389

RATE BASE ADJUSTMENT # 1 - NW VALLEY REGIONAL TREATMENT FACILITY

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	352000	WW Franchises	417	(52)	365
2	353200	WW Land & Ld Rights Coll	144,900	(18,113)	126,788
3	353500	WW Land & Ld Rights Gen	6,639	(830)	5,809
4	354200	WW Struct & Imp Coll	880,759	(110,095)	770,664
5	354300	WW Struct & Imp SPP	309,844	(38,731)	271,114
6	355400	WW Struct & Imp TDP	-	-	-
7	354500	WW Struct & Imp Gen	511,449	(63,931)	447,518
8	355200	WW Pwr Gen Equip Coll	2,545	(318)	2,227
9	355300	WW Pwr Gen Equip SPP	-	-	-
10	360000	WW Collection Sewers Forced	-	-	-
11	361100	WW Collecting Mains	35,134	(4,392)	30,742
12	362000	WW Special Coll Struct	165,708	(20,714)	144,995
13	363000	WW Services Sewer	8,285	(1,036)	7,249
14	364000	WW Flow Measuring Devices	1,760	(220)	1,540
15	370000	WW Receiving Wells	-	-	-
16	371100	WW Pump Equip Elect	129,472	(16,184)	113,288
17	371200	WW Pump Equip Other Pwr	118	(15)	103
18	380000	WW TD Equipment	673,966	(84,246)	589,720
19	380050	WW TD Equip Grit Removal	352,780	(44,097)	308,683
20	380100	WW TD Equip Sed Tanks/Acc	1,717,913	(214,739)	1,503,174
21	380200	WW TD Equip Sludge/Eff Rmv	16,730	(2,091)	14,639
22	380250	WW TD Equip Sludge Dig Tnk	22,897	(2,862)	20,035
23	380300	WW TD Equip Sludge Dry/Fit	1,929,814	(241,227)	1,688,587
24	380350	WW TD Equip Sec Trmt Filtr	8,181	(1,023)	7,158
25	380400	WW TD Equip Aux Effl Trmt	410,850	(51,356)	359,494
26	380500	WW TD Equip Chem Trmt Plnt	649	(81)	568
27	380600	WW TD Equip Other Disp	332,677	(41,585)	291,092
28	380625	WW TD Equip Gen Trmt	253,425	(31,678)	221,747
29	380650	WW TD Equip Influent Lift S	23,045	(2,881)	20,164
30	381000	WW Plant Sewers	5,251	(656)	4,595
31	382000	WW Outfall Sewer Lines	37,568	(4,696)	32,872
32	389100	WW Oth Plnt & Misc Equip Int	6,197	(775)	5,422
33	389600	WW Oth Plnt & Misc Equip	-	-	-
34	390000	WW Office Furniture & Equip	53,781	(6,723)	47,058
35	390200	WW Computers & Peripheral	6,449	(806)	5,643
36	390300	WW Computer Software	20,152	(2,519)	17,633
37	391000	WW Trans Equipment	76,641	(9,580)	67,061
38	392000	WW Stores Equipment	3,606	(451)	3,155
39	393000	WW Tool Shop & Garage Equip	39,753	(4,969)	34,784
40	394000	WW Laboratory Equip	31,584	(3,948)	27,636
41	395000	WW Power Operated Equip	4,145	(518)	3,627
42	396000	WW Communication Equip	71,104	(8,888)	62,216
43	397000	WW Misc Equipment	22,396	(2,800)	19,597
44			<u>8,318,584</u>	<u>(1,039,823)</u>	<u>7,278,761</u>
45					
46					
47	<u>Cost Allocation Percentage</u>		Prior	Current	
48	Sun City West		68%	72%	
49	Anthem Agua Fria		32%	28%	

References:

Column [A]: Amounts included in plant balances per filing.
Column [B]: Per Testimony GTM
Column [C]: Column [A] less Column [B]

RATE BASE ADJUSTMENT # 2 - VERRADO WWTF ADJUSTMENT

LINE NO.	DESCRIPTION	Acct No.	[A]	[B]	[C]
			Company Proposed AMOUNT	AMOUNT EXCLUDED	STAFF RECOMMENDED
1	WW Struct & Imp TDP	354400	\$ 5,374,047	\$ (547,937)	\$ 4,826,110
2	WW Pump Equip Elect	371100	\$ 409,283	(158,136)	251,147
3	WW TD Equip	380000	\$ 1,964,399	(1,132,564)	831,745
4	WW TD Equip Grit Remov	380050	\$ 527,158	-	527,158
5	WW Equip Sed /Tanks Acc	380100	\$ 1,797,750	-	1,797,750
6	WW TD Equip Sludge Dig Tnk	380250	\$ 532,857	-	532,857
7	WW TD Equip Sec Trmt Fil	380350	\$ 581,647	-	581,647
8	WW TD Equip Aux Effl Trmt	380400	\$ 649,801	-	649,801
9	WW TD Equip Chem Trmt Plt	380500	\$ 48,465	-	48,465
10	WW Communication Equip	396000	\$ 410,498	-	410,498
11	WW Receiving Wells	370000	\$ 351,452	-	351,452
12	Verrado Grand Total Phase II		<u>\$ 12,647,357</u>	<u>\$ (1,838,637)</u>	<u>10,808,630</u>

REFERENCES:

Columns [A]: Company Schedules
Column [B]: GTM Testimony
Column [C]: Column A - Column B

RATE BASE ADJUSTMENT # 3 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 1,335,278	\$ (43,071)	\$ 1,292,207	12.00	\$ 15,506,482
2	Purchased Water	3,368	(1,878)	1,490	52.52	78,282
3	Fuel & Power	278,664	(58,356)	220,308	23.46	5,168,423
4	Chemicals	303,374	(303,374)	-	14.63	-
5	Waste Disposal	199,095	-	199,095	26.90	5,355,377
6	Management Fees	1,528,005	(1,528,005)	-	14.77	-
7	Group Insurance	396,599	(54)	396,545	(13.70)	(5,434,173)
8	Pensions	221,640	18,666	240,306	(2.37)	(569,141)
9	Insurance Other Than Group	94,566	-	94,566	83.68	7,913,699
10	Customer Accounting	242,170	(36,401)	205,769	20.31	4,179,168
11	Rents	84,483	(883)	83,600	84.16	7,035,819
12	Miscellaneous	534,489	13,478	547,967	16.84	9,226,402
13	Maintenance Expense	246,204	(6,143)	240,061	18.24	4,378,430
14	Other Operating Expenses	166,636	-	166,636	30.00	4,999,080
15	Taxes					
16	General Taxes-Property Taxes	296,804	59,640	356,444	191.37	68,213,065
17	General Taxes-Other	87,538	-	87,538	13.35	1,168,300
18	Income Taxes	(1,020,813)	2,343,678	1,322,865	30.13	39,857,922
19	Interest Sync	1,432,072	(78,580)	1,353,492	106.25	143,808,490
20	Total Operating Expenses	\$ 6,430,172	\$ 378,717	\$ 6,808,889		\$ 310,885,626
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	45.66			
24	Revenue Lag	Company Workpapers	46.04			
25	Net Lag	Line 24 - 23	0.38			
26	Staff Adjusted Expenses	Line 20, Col C	6,808,889			
27	Staff - Cash Working Capital	Line 25 * Line 26/365 day	7,113			
28	Company As Filed	Co Schedule B-5	285,666			
29	Staff Adjustment - Reduction to WC	To GTM-4	(278,553)			
30						
31	References:					
32	Column [A]: Company Schedule C-1					
33	Column [B]: Staff adjustments to expenses, See Testimony GTM					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372					
36	Column [E]: Column [C] * Column [D]					

RATE BASE ADJUSTMENT # 4 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Deferred Income Taxes	\$ 13,025,093	\$ (336,093)	\$ 12,689,000
2	Allocation Factor	8.06%	8.06%	8.06%
3	Staff Adjustment	<u>1,049,622</u>	<u>(27,084)</u>	<u>1,022,538</u>

REFERENCES:

- Columns [A], Line 1: Amounts used by Co as basis for allocation
- Column [A], [B] & [C], Line 2: Allocation rate to this system
- Column [C], Line 1: Allocable amount per audited financial statements times allocation rate
- Column [A], [B] & [C], Line 3: Recalculated amounts

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER
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Surrebuttal Schedule GTM-9 A

RATE BASE ADJUSTMENT # 5 - CIAC ASSOCIATED WITH CWIP

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Contributions in Aid of Construction (CIAC)	\$ 14,883,541	\$ 65,490	\$ 14,949,031

References:

Column (A), Company Schedule C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

RATE BASE ADJUSTMENT # 6 - ACCUMULATED DEPRECIATION (NWWRTF)

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Accumulated Depreciation	\$ 17,795,411	0	\$ 17,795,411
2	Accum Depreciation - NWWRTF	5,041,955	(630,244)	4,411,711
3	Total Accumulated Depreciation	<u>\$ 22,837,366</u>	<u>\$ (630,244)</u>	<u>\$ 22,207,122</u>

References:

- Column (A), Company Schedule C-2
- Column (B): Testimony GTM
- Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER
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Surrebuttal Schedule GTM-9 C

RATE BASE ADJUSTMENT # 7 - TRANSFER OF GENERATOR

<u>LINE ACCT</u> <u>NO. NO.</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1	WW Struct & Imp TDP	\$ 6,059,098	\$ (487,000)	\$ 5,572,098
2	WW Pwr Gen Equip RWTP	\$ 136,851	\$ 487,000	\$ 623,851

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

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

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Sewer Revenues	\$ 8,634,567	\$ -	\$ 8,634,567	\$ 5,049,396	\$ 13,683,963
3	Other Revenues	2,556	-	2,556	-	2,556
4	Other	-	-	-	-	-
5	Total Operating Revenues	<u>\$ 8,637,123</u>	<u>\$ -</u>	<u>\$ 8,637,123</u>	<u>\$ 5,049,396</u>	<u>\$ 13,686,519</u>
6						
7	Labor	\$ 1,335,278	\$ (43,071)	1,292,207	\$ -	\$ 1,292,207
8	Purchased Water	\$ 3,368	(1,878)	1,490	-	1,490
9	Fuel & Power	\$ 278,664	(58,356)	220,308	-	220,308
10	Chemicals	\$ 303,374	(74,553)	228,821	-	228,821
11	Waste Disposal	\$ 199,095	-	199,095	-	199,095
12	Management Fees	\$ 1,528,005	(68,990)	1,459,015	-	1,459,015
13	Group Insurance	\$ 396,599	(54)	396,545	-	396,545
14	Pensions	\$ 221,640	18,666	240,306	-	240,306
15	Regulatory Expense	\$ 80,939	(12,500)	68,439	-	68,439
16	Insurance Other Than Group	\$ 94,566	-	94,566	-	94,566
17	Customer Accounting	\$ 242,170	(36,401)	205,769	25,752	231,521
18	Rents	\$ 84,483	(883)	83,600	-	83,600
19	General Office Expense	\$ 85,697	(393)	85,304	-	85,304
20	Miscellaneous	\$ 534,489	13,478	547,967	-	547,967
21	Maintenance Expense	\$ 246,204	(6,143)	240,061	-	240,061
22	Depreciation & Amortization	\$ 3,830,808	(417,089)	3,413,719	-	3,413,719
23	General Taxes-Property Taxes	\$ 296,804	1,545	298,349	58,095	356,444
24	General Taxes-Other	\$ 87,538	-	87,538	-	87,538
25	Income Taxes	\$ (1,020,813)	295,359	(725,454)	1,916,647	1,191,193
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	Total Operating Expenses	<u>8,828,908</u>	<u>(391,262)</u>	<u>8,437,646</u>	<u>2,000,493</u>	<u>10,438,140</u>
42	Operating Income (Loss)	<u>\$ (191,785)</u>	<u>\$ 391,262</u>	<u>\$ 199,477</u>	<u>\$ 3,048,903</u>	<u>\$ 3,248,379</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule GTM 11
- Column (C): Column (A) + Column (B)
- Column (D): Schedules GTM 2, Lines 29 and 37
- Column (E): Column (C) + Column (D)

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER

Docket No. WS-01303A-09-0343
 Test Year Ended December 31, 2006

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) NWVRTF ADJ #1	(C) Fuel & Power Exp ADJ #2	(D) Cust. Acctg ADJ #3	(E) Water Testing ADJ #4	(E) Depreciation Exp. ADJ #5	(F) Property Taxes ADJ #6	(G) Income Taxes ADJ #7	(H) Regulatory Exp. Adj #8	(G) Labor Adj ADJ #9	(I) Mgmt Fees ADJ #9	(J) Pension Exp. ADJ #9	(I) STAFF ADJUSTED
1	2 Sewer Revenues	\$ 8,634,567												\$ 8,634,567
3	Other Revenues	2,556												2,556
4	Other													
5	Total Operating Revenues	\$ 8,637,123												\$ 8,637,123
6	Labor	\$ 1,335,278												1,292,207
7	Purchased Water	3,368	(17,587)											1,490
8	Fuel & Power	278,664	(1,878)											220,308
9	Chemicals	303,374	(58,936)	580										228,821
10	Waste Disposal	198,095	(74,553)											198,095
11	Group Insurance	1,528,005	(6,054)											1,458,015
12	Regulatory Expense	366,598	(54)											396,545
13	Pensions	221,640											18,666	240,306
14	Insurance Other Than Group	80,939												84,483
15	Customer Accounting	94,566			(36,401)									94,566
16	General Office Expense	242,170												205,769
17	Miscellaneous	85,697	(893)											83,600
18	Maintenance Expense	534,489	(393)											85,304
19	Depreciation & Amortization	246,204	(8,000)			21,478	(417,089)							547,967
20	General Taxes-Property Taxes	3,830,808	(6,143)					1,545						3,413,719
21	General Taxes-Other	296,804												296,349
22	Income Taxes	87,538							295,359					87,538
23	Income Taxes	(1,020,813)												(725,454)
24	Income Taxes													
25	Income Taxes													
26	Income Taxes													
27	Income Taxes													
28	Income Taxes													
29	Income Taxes													
30	Income Taxes													
31	Income Taxes													
32	Income Taxes													
33	Income Taxes													
34	Income Taxes													
35	Income Taxes													
36	Income Taxes													
37	Income Taxes													
38	Income Taxes													
39	Income Taxes													
40	Income Taxes													
41	Income Taxes													
42	Total Operating Expenses	\$ 8,828,908	\$ (174,460)	\$ 580	\$ (36,401)	\$ 21,478	\$ (417,089)	\$ 1,545	\$ 295,359	\$ (12,500)	\$ (25,484)	\$ (62,936)	\$ 18,666	\$ 8,437,646
43	Operating Income (Loss)	\$ (191,785)	\$ (174,460)	\$ (580)	\$ 36,401	\$ (21,478)	\$ 417,089	\$ (1,545)	\$ (295,359)	\$ 12,500	\$ 25,484	\$ 62,936	\$ (18,666)	\$ 199,477

OPERATING INCOME ADJUSTMENT # 1 - NWWRTF OPERATING EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	[D]
1	NWWRTF allocated operating expenses	\$ 579,897	\$ (174,480)	\$ 405,418	
		Total costs NWWRTF	Co. Proposed 32%	Staff Recommended 28%	Difference
2	Labor	\$ 439,680	\$ 140,698	\$ 123,110	\$ (17,587)
3	Purchased Water	46,939	15,020	13,143	(1,878)
4	Fuel & Power (a)	373,211	119,428	60,492 (c)	(58,936)
5	Chemicals (a)	414,181	132,538	57,985	(74,553)
6	Waste Disposal	-	-	-	-
7	Management Fees	151,361	48,436	42,381	(6,054)
8	Group Insurance	1,351	432	378	(54)
9	Pensions	-	-	-	-
10	Regulatory Expense	-	-	-	-
11	Insurance Other Than Group	-	-	-	-
12	Customer Accounting	-	-	-	-
13	Rents	22,082	7,066	6,183	(883)
14	General Office Expense	9,819	3,142	2,749	(393)
15	Miscellaneous	199,988	63,996	55,997	(8,000)
16	Maintenance Expense	153,567	49,141	42,999	(6,143)
17	Depreciation & Amortization	1,176,113	(b)	(b)	(b)
18	General Taxes-Property Taxes	186,526	(b)	(b)	(b)
19	General Taxes-Other	-	-	-	-
20	Income Taxes	-	-	-	-
21					
22					
23	Total O & M Expenses	\$ 3,174,818	\$ 579,897	\$ 405,418	\$ (174,480)
24		32%			
25	Anthem's 68% of the NWWRTF costs	\$ 1,015,942			
26	(a) Variable cost allocation: Anthem Aqua Fria (14%) and Sun City West (86%)				
27	(b) Depreciation and Property Taxes Separately Reviewed				
28	(c) Staff recommended for NWWRTF based on revised APS annualization: (\$432,085 * 14%)				
29		Current	Future		
30	Cost Allocation	Capacity	Growth		
31	Anthem Agua Fria	14%	28%		
32	Sun City West	86%	72%		

References:

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

OPERATING INCOME ADJUSTMENT # 2 - FUEL & POWER EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Fuel & Power - All Other	\$ 159,236	\$ 580	\$ 159,816
2	Total Company Proposed Fuel and Power	\$ 278,664		
3	Less: Company Proposed Fuel and Power - NWWRTF	\$ 119,428		
4	Company Proposed Fuel and Power - All Other			\$ 159,236
5				
6	Total Staff Recommended		\$ 220,308	
7	Total Staff NWWRTF	\$ 432,085		
8	Staff NWWRTF Allocation Factor	14%		
9	Less: Staff Recommended for NWWRTF		\$ 60,492	
10	Staff Recommended for All Other			\$ 159,816
11	Staff Adjustment - Fuel and Power - All Other			\$ 580

References:

Column (A), Company Schedule C-1, C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT # 3 - BAD DEBT EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Uncollectible Accounts (Ordinary Activity)	\$ 116,460	\$ (72,809)	\$ 43,651
2	Uncollectible Accounts - MI (Misc Invoices)	(36,501)	\$ 36,408	\$ (93)
3	Total Uncollectibles	<u>\$ 79,959</u>	<u>\$ (36,401)</u>	<u>\$ 43,558</u>
4				
5	Total Uncollectible Accounts	\$ 1,152,299		
6	Allocation Percentage-	10.11%		
7	Bad Debts included in Customer Accounting	\$ 116,460		
8				
9	Staff Adjusted Test Year Revenue GTM-10			\$ 8,637,123
10	3 year average Bad Debt Exp. Rate, Per Co.			0.51%
11	Staff Recommended Bad Debt Exp			\$ 43,651
12				
13	Adjustment for Bad Debt Expense Ordinary activity		\$ (72,809)	
14				
15	Normalization of Uncollectible Accounts- Miscellaneous Invoices			
16				
17	2006			\$ 341,820
18	2007			\$ 16,584
19	2008			\$ (361,154)
20	3 year total			\$ (2,750)
21	3 year average			\$ (917)
22	2008 Test Year, Col [C], line 19	\$ (361,154)		
23	Co. Allocated %	10.11%		10.11%
24	Company proposed amount	<u>(36,501)</u>		\$ (93)
25	Adjustment for uncollectibles - MI		(36,408)	
26	Net Adjustment Uncollectibles - Ordinary activity & MI		<u>\$ (36,401)</u>	

References:

- Column [A], Company Workpapers
- Column [B], line 13: Col. [C], line 11, less Col [A], line 7
- Column [B], line 26: Col. [C], line 25, less Col [A], line 25
- Column [B], line 27: Col. [B], line 13, plus Col [B], line 26
- Column (C): Line 10, Per Company's Workpapers
- Column (C): Lines 18-20, & 25 Per Company's Workpapers

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER

Docket No. WS-01303A-09-0343
 Test Year Ended December 31, 2008

Line No.	Description	[A] AZ Corporate Total 12/31/2008		[B] Sun City WW Corp Allocation 12/31/2008		[C] Sun City West WW Corp Allocation 12/31/2008		[D] Agua Fria WW Corp Allocation 12/31/2008		[E] Anthem WW Corp Allocation 12/31/2008		[F] Anthem/AF comb Corp Allocation 12/31/2008	
		Recorded	Actual	7.54%	Actual	6.38%	Actual	6.57%	Actual	5.79%	Actual		

1	4 Factor Allocation Percentages used:												
2	P18 Customer Accounting	\$ 46,423	\$ 3,503	\$ 86,939	\$ 2,964	\$ 73,565	\$ 3,049	\$ 75,675	\$ 2,687	\$ 66,684	\$ 5,735	\$ 142,359	\$ (44,618)
3		\$ (361,154)	\$ (27,248)	\$ (23,057)	\$ (23,057)	\$ 193	\$ 198	\$ 175	\$ 175	\$ 373	\$ -	\$ -	\$ -
4		\$ 3,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9		\$ 161,225	\$ 12,164	\$ 10,293	\$ 10,293	\$ 1,362	\$ 1,401	\$ 1,235	\$ 1,235	\$ 9,330	\$ 19,918	\$ 2,636	\$ 1,396
10		\$ 21,336	\$ 1,610	\$ 721	\$ 721	\$ 853	\$ 742	\$ 654	\$ 654	\$ 12,911	\$ 27,562	\$ 3,263	\$ -
11		\$ 11,301	\$ 853	\$ 14,243	\$ 1,686	\$ 1,686	\$ 1,734	\$ 1,528	\$ 1,528	\$ -	\$ -	\$ -	\$ -
12		\$ 223,097	\$ 16,832	\$ 1,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13		\$ 26,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14		\$ 543,710	\$ 41,022	\$ 34,711	\$ 34,711	\$ 44	\$ 45	\$ 39	\$ 39	\$ 31,465	\$ 67,172	\$ 84	\$ -
15		\$ 682	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17		\$ 46,102	\$ 3,478	\$ 2,943	\$ 2,943	\$ 1,578	\$ 3,028	\$ 2,668	\$ 2,668	\$ 1,431	\$ 5,696	\$ 3,055	\$ -
18		\$ 24,724	\$ 1,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20		\$ 1,899,173	\$ 143,289	\$ 121,246	\$ 121,246	\$ 124,724.36	\$ 124,724.36	\$ 109,906.11	\$ 109,906.11	\$ 234,630.35	\$ 234,630.35	\$ -	\$ -
21	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22		\$ 350	\$ 350	\$ 252	\$ 252	\$ 124,724	\$ 124,724	\$ 109,906	\$ 109,906	\$ 234,752	\$ 234,752	\$ -	\$ -
23	Amount Recorded Directly (Not Allocated)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Total, as recalculated above.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Test Year Book Results, Customer Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27	Expense, Schedule C-1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Unreconciled Difference.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: CA means Customer Accounting, not California

Sources:
 Columns [A]-[C], lines 1-21: From Company Workpaper,
 08 A of I-AZ Corp Summary w Pro Formas Distributed to Districts.xls
 Columns [B], line 23: From Company Workpaper,
 Sun City WW AI 2008.xls
 Columns [C], line 23: From Company Workpaper,
 Sun City West WW AI 2008.xls
 Columns [C], line 23: From Company Workpaper,
 Sun City West WW AI 2008.xls
 Columns [B] and [C], lines 26-27: Company's Application

ARIZONA-AMERICAN WATER COMPANY - ANTHEM AGUA FRIA WASTEWATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Surrebuttal Schedule GTM-15

OPERATING INCOME ADJUSTMENT # 4 - WATER TESTING

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Miscellaneous	\$ 62,813	\$ 21,478	\$ 84,291

References:

Column (A), Company Schedule C-2 p. 26

Column (B): Testimony GTM

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

OPERATING INCOME ADJUSTMENT # 5- DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation & Amortization	\$ 3,830,808	\$ (417,089)	\$ 3,413,719

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
----------	-----------	-------------	-------------------------	-----------------------------	--------------------------------

2	<u>PLANT IN SERVICE:</u>		B-2 page 6		
3					
4	304100	Struct & Imp SS	11,726	0.00%	-
5	304200	Struct & Imp P	-	0.00%	-
6	304510	Struct & Imp AG Capital Lease	-	0.00%	-
7	304600	Struct & Imp Offices	-	0.00%	-
8	304620	Struct & Imp Leasehold	-	0.00%	-
9	304800	Struct & Imp Misc	-	0.00%	-
10	307000	Wells & Springs	-	0.00%	-
11	340100	Office Furniture & Equip	-	0.00%	-
12	304200	Computer & Periph Equip	25,424	10.00%	2,542
13	340300	Computer Software	-	0.00%	-
14	340330	Comp Software Other	-	0.00%	-
15	340500	Other Office Equip	-	0.00%	-
16	341100	Trans Equip Lt Duty Trucks	-	20.00%	-
17	341200	Trans Equip Hvy Duty Trucks	60,471	15.00%	9,071
18	341400	Trans Equip Other	8,352	16.67%	1,392
19	343000	Tools, Shop, Garage Equip	29,267	4.47%	1,308
20	344000	Laboratory Equipment	-	0.00%	-
21	346100	Comm Equip Non-Telephone	-	0.00%	-
22	346200	Comm Equip Telephone	-	0.00%	-
23	346300	Comm Equip Other	-	0.00%	-
24	346700	Misc Equipment	-	0.00%	-
25	351000	WW Organization	-	0.00%	-
26	352000	WW Franchises	495,058	0.00%	-
27	353200	WW Land & Ld Rights Coll	353,370	0.00%	-
28	353500	WW Land & Ld Rights Gen	143,036	0.00%	-
29	354200	WW Struct & Imp Coll	2,047,885	1.67%	34,200
30	354400	WW Struct & Imp TDP	5,572,098	1.67%	93,054
31	354500	WW Struct & Imp Gen	10,622,274	1.67%	177,392
32	355500	WW Pwr Gen Equip RWTP	623,851	4.42%	27,574
33	360000	WW Collection Sewers Forced	2,729,254	2.07%	56,496
34	361100	WW Collecting Mains	46,641,273	2.04%	951,482
35	362000	WW Special Coll Struct	181,571	2.04%	3,704
36	363000	WW Service Sewer	6,195,971	2.04%	126,398
37	364000	WW Flow Measuring Devices	490,498	10.00%	49,050
38	370000	WW Receiveing Wells	3,062,054	3.33%	101,966
39	371100	WW Pump Equip Elect	2,165,606	5.42%	117,376
40	371200	WW Pump Equip Other Pwr	6,216	5.42%	337
41	380000	WW TD Equip	1,706,736	5.00%	85,337
42	380050	WW TD Equip Grit Removal	10,086,969	5.00%	504,348
43	380100	WW TD Equip Sed Tanks/Acc	3,865,949	5.00%	193,297
44	380200	WW TD Equip Slidge/Eff Rmv	3,041	5.00%	152
45	380250	WW TD Equip Sludge Dig Tank	2,572,930	5.00%	128,647
46	380300	WW TD Equip Sludge Dry Filter	11,848,060	5.00%	592,403
47	380400	WW TD Equip Aux Effl Trmt	772,399	5.00%	38,620
48	380500	WW TD Equip Chem Trmt Pit	1,113,216	5.00%	55,661
49	380600	WW TD Equip Oth Disp	845,799	5.00%	42,290
50	380625	WW TD Equip Gen Trmt	143,294	5.00%	7,165
51	380650	WW TD Equip Influent Lift S	18,743	5.00%	937
	381000	WW Plant Sewers	657,626	5.00%	32,881
	382000	WW Outfall Sewer Lines	724,631	5.00%	36,232
52	389100	WW Oth Pit & Misc Equip Int	1,024,024	4.98%	50,996
53	389600	WW Oth Pit & Misc Equip	-	0.00%	-
54	390000	WW Office Furniture & Equip	31,682	4.59%	1,454
55	391000	WW Trans Equipment	-	20.00%	-
56	392000	WW Stores Equipment	-	3.96%	-
57	393000	WW Tool Shop & Garage Equip	16,453	4.47%	735
58	394000	WW Laboratory Equipment	48,048	3.71%	1,783
59	395000	WW Power Operated Equip	1,028,920	5.02%	51,652
60	396000	WW Communication Equip	2,134,843	10.30%	219,889
61	397000	WW Misc Equipment	-	5.10%	-
62	398000	WW Other Tangible Equipment	169,085	10.30%	17,416
63					
64					
65					
66	<u>Allocated From Corp to Districts (SLM-2)</u>		B-2 page 9		
67	303600	Land & Land Rights AG	-	0.00%	-
68	304510	Struct & Imp AG Cap Lease	-	0.00%	-
69	304600	Struct & Imp Offices	-	0.00%	-
70	304800	Struct & Imp Misc	-	0.00%	-
71	304620	Struct & Imp Leasehold	15,936	14.28%	2,276
72	3310001	Mains	-	-	-
73	339600	Other P/E CPS	4,162	3.30%	137
74	340100	Office Furniture & Equip	92,919	4.04%	3,754
75	340200	Comp & Periph Equip	40,360	10.00%	4,036
76	340300	Computer Software	146,548	25.00%	36,637
77	340330	Computer Software Other	3,768	25.00%	942
78	340500	Other Office Equipment	-	0.00%	-
79	341100	Trans Equip Lt Duty Trucks	-	25.00%	-
80	343000	Tool Shop & Garage Equip	-	4.47%	-

81	344000	Laboratory Equipment	-	3.71%	-
82	345000	Power Operated Equipment	-	1.53%	-
83	346100	Comm Equip Non-Telephone	14,995	8.25%	1,237
84	346200	Communication Equip Telephone	1,156	8.25%	95
85	346300	Communication Equip Other	395	5.35%	21
86	347000	Misc Equipment	-	-	-
87	380400	WW TD Equip Aux Eff Trmt	-	-	-
88	393000	WW Tool Shop & Garage Equip	-	-	-
89					
90					
91		Allocation of 32 % of NWVTP (LJG-3)	B-2 page 12		
92	352000	WW Franchises	365	0.00%	-
93	353200	WW Land & Ld Rights Coll	126,788	0.00%	-
94	353500	WW Land & Ld Rights Gen	5,809	0.00%	-
95	354200	WW Struct & Imp Coll	770,664	1.67%	12,870
96	354300	WW Struct & Imp SPP	271,114	5.00%	13,556
97	355400	WW Struct & Imp TDP	-	5.00%	-
98	354500	WW Struct & Imp Gen	447,518	1.67%	7,474
99	355200	WW Pwr Gen Equip Coll	2,227	3.30%	73
100	355300	WW Pwr Gen Equip SPP	-	3.30%	-
101	360000	WW Collection Sewers Forced	-	2.07%	-
102	361100	WW Collecting Mains	30,742	2.04%	627
103	362000	WW Special Coll Struct	144,995	2.04%	2,958
104	363000	WW Services Sewer	7,249	2.04%	148
105	364000	WW Flow Measuring Devices	1,540	10.00%	154
106	370000	WW Receiving Wells	-	3.33%	-
107	371100	WW Pump Equip Elect	113,288	5.42%	6,140
108	371200	WW Pump Equip Other Pwr	103	5.42%	6
109	380000	WW TD Equipment	589,720	5.00%	29,486
110	380050	WW TD Equip Grit Removal	308,683	5.00%	15,434
111	380100	WW TD Equip Sed Tanks/Acc	1,503,174	5.00%	75,159
112	380200	WW TD Equip Sldge/Eff Rmv	14,639	5.00%	732
113	380250	WW TD Equip SldgeDig Trnk	20,035	5.00%	1,002
114	380300	WW TD Equip Sldge Dry/Fit	1,688,587	5.00%	84,429
115	380350	WW TD Equip Sec Trmt Fill	7,158	5.00%	358
116	380400	WW TD Equip Aux Effl Trmt	359,494	5.00%	17,975
117	380500	WW TD Equip Chem Trmt Pint	568	5.00%	28
118	380600	WW TD Equip Other Disp	291,092	5.00%	14,555
119	380625	WW TD Equip Gen Trmt	221,747	5.00%	11,087
120	380650	WW TD Equip Influent Lift S	20,164	5.00%	1,008
121	381000	WW Plant Sewers	4,595	5.00%	230
122	382000	WW Outfall Sewer Lines	32,872	5.00%	1,644
123	389100	WW Oth Pint & Misc Equip Int	5,422	4.98%	270
124	389600	WW Oth Pint & Misc Equip	-	4.98%	-
125	390000	WW Office Furniture & Equip	47,058	4.59%	2,160
126	390200	WW Computers & Peripheral	5,643	10.00%	564
127	390300	WW Computer Software	17,633	25.00%	4,408
128	391000	WW Trans Equipment	67,061	20.00%	13,412
129	392000	WW Stores Equipment	3,155	3.96%	125
130	393000	WW Tool Shop & Garage Equip	34,784	4.47%	1,555
131	394000	WW Labortory Equip	27,636	3.71%	1,025
132	395000	WW Power Operated Equip	3,627	5.02%	182
133	396000	WW Communication Equip	62,216	10.30%	6,408
134	397000	WW Misc Equipment	19,597	5.10%	999
135					
136					
137		Post Test Year Plant Additons	B-2 page 15		
138		Additional Costs as of 5/15/2009			
139	354400	WW Struct & Impt TDP	18,626	1.67%	311
140	370000	WW Receiving Wells	548,541	3.33%	18,266
141	371100	WW Pump Equip Elect	15	5.42%	1
142	380000	WW TD Equipment	150	5.00%	8
143	380350	WW TD Equip Sec Trmt Filter	38,691	5.00%	1,935
144					
145					
146		Rounding	(2)		
147		Total Plant in Service	128,482,725	3.28%	4,213,134
148					
149					
150		Less Non Depreciable Plant			
	352000	WW Franchises	495,058	0.00%	-
151	353200	WW Land & Ld Rights Coll	353,370	0.00%	-
152	353500	WW Land & Ld Rights Gen	143,036	0.00%	-
	352000	WW Franchises	365	0.00%	-
	353200	WW Land & Ld Rights Coll	126,788	0.00%	-
153	353500	WW Land & Ld Rights Gen	5,809	0.00%	-
154					
155		Net Depreciable Plant and Depreciation Amounts	\$ 127,358,299		\$ 4,213,134
156		Composite Depreciation Rate		3.31%	
157		Less			
158		Amortization of Regulatory CIAC at Settlement Rate			304,886
159		Amortization of CIAC at Composite Rate	\$ 14,949,031		\$ 494,528
160		Staff Recommended Depreciation Expense			\$ 3,413,719
161		Company Proposed Depreciation Expense			<u>3,830,808</u>
162		Staff Adjustment			<u>\$ (417,089)</u>

OPERATING INCOME ADJUSTMENT # 6 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2008	\$ 8,637,123	\$ 8,637,123
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	17,274,246	17,274,246
4	Staff Adjusted Test Year Revenues - 2008	8,637,123	
5	Staff Recommended Revenue		13,686,519
6	Subtotal (Line 3 + Line 4) or (Line 3 + Line 5)	25,911,369	30,960,765
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	8,637,123	10,320,255
9	Department of Revenue Mutilplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	17,274,246	20,640,510
11	Plus: 10% of CWIP - 2008	13,454	13,454
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 9 + Line 10 - Line 11)	17,287,700	20,653,964
14	Assessment Ratio	22.0%	22.0%
15	Assessment Value (Line 12 * Line 13)	3,803,294	4,543,872
16	Composite Property Tax Rate - Obtained from ADOR	7.84%	7.84%
17	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 298,349	
18	Company Proposed Property Tax	\$ 296,804	
19	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 1,545	
20	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 356,444
21	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 298,349
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 58,095
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 58,095
24	Increase in Revenue Requirement		\$ 5,049,396
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		1.15053%

REFERENCES:

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GTM-1, Line 8

OPERATING INCOME ADJUSTMENT # 7 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$(1,020,813)</u>	<u>\$ 295,359</u>	<u>\$ (725,454)</u>

References:

- Column (A), Company Schedule C-2
- Column (B): Testimony GTM
- Column (C): Column (A) + Column (B)

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OPERATING INCOME ADJUSTMENT # 8 - REGULATORY EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Regulatory Expense	\$ 80,939	\$ (12,500)	\$ 68,439

References:

Column (A), Company Schedule C-2, p. 16

Column (B): Testimony GTM

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

OPERATING INCOME ADJUSTMENT # 9 - ACCEPTING RUCO ADJUSTMENTS

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Labor - AIP Adjustment	\$ 1,335,278	(17,639)	\$ 1,317,639
2	Labor - Stock Comp Adj	1,317,639	(7,845)	1,309,794
3	Total Labor Adjustment		(25,484)	
4				
5	Management Fees - AIP Adj	\$ 1,528,005	(5,249)	\$ 1,522,756
6	Management Fees - Stock Comp Adj	1,522,756	(19,895)	1,502,861
7	Management Fees - other expenses adj	1,502,861	(21,050)	1,481,811
8	Management Fees - BD expense	1,481,811	(12,453)	1,469,358
9	Management Fees - Dues & Donations	\$ 1,469,358	(4,289)	\$ 1,465,069
	Total Management Fees Adjustment		(62,936)	
	Pension Adjustment	\$ 221,640	18,666	\$ 240,306

References:

Column (A), Company Schedule
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER

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ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER
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Surrebuttal Schedule

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 14,764,087	\$ 14,764,087	\$ 14,584,558	\$ 14,584,558
2	Adjusted Operating Income (Loss)	\$ (51,594)	\$ (51,594)	\$ 65,463	\$ 65,463
3	Current Rate of Return (L2 / L1)	-0.35%	-0.35%	0.45%	0.45%
4	Required Rate of Return	8.53%	8.53%	7.20%	7.20%
5	Required Operating Income (L4 * L1)	\$ 1,259,377	\$ 1,259,377	\$ 1,050,088	\$ 1,050,088
6	Operating Income Deficiency (L5 - L2)	\$ 1,310,969	\$ 1,310,971	\$ 984,625	\$ 984,625
7	Gross Revenue Conversion Factor	1.6453	1.6453	1.6438	1.6438
8	Required Revenue Increase (L7 * L6)	\$ 2,156,882	\$ 2,156,882	\$ 1,618,574	\$ 1,618,574
9	Adjusted Test Year Revenue	\$ 5,940,381	\$ 5,940,381	\$ 5,940,381	\$ 5,940,381
10	Proposed Annual Revenue (L8 + L9)	\$ 8,097,263	\$ 8,097,263	\$ 7,558,955	\$ 7,558,955
11	Required Increase in Revenue (%)	36.31%	36.31%	27.25%	27.25%
12	Rate of Return on Common Equity (%)	12.25%	12.25%	10.20%	10.20%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GTM-2, GTM-3, and GTM-10

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)	0.0798%			
3	Revenues (L1 - L2)	99.9202%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.0873%			
5	Subtotal (L3 - L4)	60.8329%			
6	Revenue Conversion Factor (L1 / L5)	1.643847			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.1300%			
11	Uncollectible Factor (L9 * L10)		0.0798%		
<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 46)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (GTM-15, L25)	0.7954%			
22	Effective Property Tax Factor (L20*L21)		0.4884%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L23)			39.0873%	

24	Required Operating Income (Schedule GTM-1, Line 5)	\$ 1,050,088			
25	Adjusted Test Year Operating Income (Loss) (Schedule GTM-10, Line 42)	\$ 65,463			
26	Required Increase in Operating Income (L24 - L25)		\$ 984,625		
27	Income Taxes on Recommended Revenue (Col. (D), L45)	\$ 385,071			
28	Income Taxes on Test Year Revenue (Col. (A), L45)	\$ (233,899)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 618,970		
30	Required Revenue Increase (Schedule GTM-1, Line 8)	\$ 1,618,574			
31	Uncollectible Rate (Line 10)	0.1300%			
32	Required Increase in Revenue to Provide for Uncollectible Exp. (L30 * L31)		\$ 2,104		
33	Property Tax with Recommended Revenue (GTM-15, Col B, L20)	\$ 154,785			
34	Property Tax on Test Year Revenue (GTM-15, Col A, L17)	\$ 141,911			
35	Increase in Property Tax Due to Increase in Revenue (L33-L34)		\$ 12,874		
36	Total Required Increase in Revenue (L26 + L29 + L32 + L35)		\$ 1,618,574		

	(A)	(B)
	Test Year	Staff Recommended
	Sun City Wastewater	Sun City Wastewater
<u>Calculation of Income Tax:</u>		
37	Revenue (Sch GTM-10, Col.(C) L5, GTM-1, Col. (D), L9)	\$ 7,558,955
38	Operating Expenses Excluding Income Taxes	\$ 6,123,795
39	Synchronized Interest (L54)	\$ 437,537
40	Arizona Taxable Income (L37 - L38 - L39)	\$ 997,623
41	Arizona State Income Tax Rate	6.9680%
42	Arizona Income Tax (L40 x L41)	\$ 69,514
43	Federal Taxable Income (L40 - L42)	\$ 928,108
44	Total Federal Income Tax	\$ 315,557
45	Combined Federal and State Income Tax (L42 + L44)	\$ 385,071
46	Effective Tax Rate	34.0000%

	Sun City WW
<u>Calculation of Interest Synchronization:</u>	
47	Rate Base (Schedule GTM-3, Col. (C), Line 17)
48	Weighted Average Cost of Debt
49	Synchronized Interest (L47 X L48)

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 24,469,337	\$ 24,457,095
2	Less: Accumulated Depreciation	10,761,769	10,761,769
3	Net Plant in Service	<u>\$ 13,707,568</u>	<u>\$ 13,695,326</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 18,920	\$ 22,663
5	Less: Accumulated Amortization	6,593	6,593
6	Net CIAC	<u>12,327</u>	<u>16,070</u>
7	Advances in Aid of Construction (AIAC)	2,660,292	2,660,292
8	Imputed Reg AIAC	-	-
9	Imputed Reg CIAC	360,708	360,708
10	Accumulated Deferred Income Tax Credits Customer Meter Deposits	-	-
<u>ADD:</u>			
11	Cash Working Capital	129,827	13,355
12	Accumulated Deferred Income Tax Debits	1,824,256	1,777,184
13	Supplies Inventory	597	597
14	Prepayments	77,758	77,758
15	Deferred Debits	2,057,405	2,057,405
16	Purchase Wastewater Treatment Charges	-	-
	Rounding	3	3
17	Original Cost Rate Base	<u>\$ 14,764,087</u>	<u>\$ 14,584,558</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GTM-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	Planning Study [B] ADJ #1	Working Capital [C] ADJ #2	Deferred Income Taxes [D] ADJ #3	CIAC associated with CWIP [E] ADJ #4	[F] STAFF ADJUSTED
PLANT IN SERVICE:								
1	351000	WWWOrganization	122,373					\$ 122,373
2	352000	WW Franchises	6,132					6,132
3	353200	WW Land & Ld Rights Coll	6,565					6,565
4	354200	WW Struct & Imp Coll	187,017					187,017
5	354500	WW Struct & Imp Gen	465,769					465,769
6	355400	WW Power Gen Equip TDP	49,003					49,003
7	360000	WW Collection Sewers Forced	2,397,611					2,397,611
8	361100	WW Collecting Mains	16,050,734					16,050,734
9	362000	WW Special Coll Struct	1,219,748					1,219,748
10	363000	WW Service Sewer	2,680,127					2,680,127
11	364000	WW Flow Measuring Devices	33,470					33,470
12	371100	WW Pump Equip Elect	495,398					495,398
13	380050	WW TD Equip Grit Removal	453					453
14	380100	WW TD Equip Sed Tanks/Acc	2,575					2,575
15	380600	WW TD Eauip Oth Disp	1,503					1,503
16	380625	WW TD Eauip Gen Tmt	115,202					115,202
17	380650	WW TD Equip Influent Lift S	178					178
18	382000	WW Outfall Sewer Lines	291					291
19	389100	WW Oth Pit & Misc Equip Int	10,495					10,495
20	389800	WW Oth Pit & Misc Equip	12,242	(12,242)				
21	390000	WW Office Furniture & Equip	54,203					54,203
22	391000	WW Trans Equipment	2,312					2,312
23	393000	WW Tool Shop & Garage Equip	59,656					59,656
24	396000	WW Communication Equip	23,222					23,222
25	397000	WW Misc Equipment	13,207					13,207
26	398000	WW Other Tangible Equipment	1					1
27								
28		Less: Youngtown Plant	(96,727)					(96,727)
29								
30		Allocated From Corp to Districts (SLM-2)						
31	303600	Land & Land Rights AG	\$ -					\$ -
32	304510	Struct & Imp AG Cap Lease	-					-
33	304600	Struct & Imp Offices	-					-
34	304800	Struct & Imp Misc	-					-
35	304620	Struct & Imp Leasehold	27,697					27,697
36	3310001	Mains	-					-
37	339600	Other P/E CPS	7,234					7,234
38	340100	Office Furniture & Equip	161,494					161,494
39	340200	Comp & Periph Equip	70,145					70,145
40	340300	Computer Software	254,701					254,701
41	340330	Computer Software Other	6,549					6,549
42	340500	Other Office Equipment	-					-
43	341100	Trans Equip Lt Duty Trucks	-					-
44	343000	Tool Shop & Garage Equip	-					-
45	344000	Laboratory Equipment	-					-
46	345000	Power Operated Equipment	-					-
47	346100	Copmm Equip Non-Telephone	26,059					26,059
48	346200	Communication Equip Telephone	2,009					2,009
49	346300	Communication Equip Other	687					687
50	347000	Misc Equipment	-					-
51	380400	WW TD Equip Aux Eff Tmt	-					-
52	393000	WW Tool Shop & Garage Equip	-					-
53								2
54		Rounding	2					-
55								
56		Total Plant in Service	<u>24,469,337</u>	<u>(12,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,457,095</u>
57								
58		Accumulated Depreciation	10,761,769					10,761,769
59		Net Plant in Service (L58 - L 59)	<u>\$ 13,707,568</u>	<u>\$ (12,242)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,695,326</u>
60								
61		LESS:						
62		Contributions in Aid of Construction (CIAC)	\$ 18,920		\$ -	\$ -	\$ 3,743	\$ 22,663
63		Less: Accumulated Amortization	8,593					6,593
64		Net CIAC (L63 - L64)	12,327				3,743	16,070
65		Advances in Aid of Construction (AIAC)	2,660,292					2,660,292
66		Imputed Reg Advances	-					-
67		Imputed Reg CIAC	360,708					360,708
68		Accumulated Deferred Income Tax Credits	-					-
69		Customer Meter Deposits	-					-
70		ADD:						
71		Working Capital Allowance	129,827		(116,472)			13,355
72		Accumulated \Deferred Income Tax Debits	1,824,256			(47,072)		1,777,184
73		Purchase Wastewater Treatment Charges	-					-
74		Material and Supplies Inventory	597					597
75		Prepayments	77,758					77,758
76		Projected Capital Expenditures	-					-
77		Deferred Debits	2,057,405					2,057,405
78		Rounding	3					3
79		Original Cost Rate Base	<u>\$ 14,764,087</u>	<u>\$ (12,242)</u>	<u>\$ (116,472)</u>	<u>\$ (47,072)</u>	<u>\$ (3,743)</u>	<u>\$ 14,584,558</u>

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Surrebuttal Schedule GTM-5

RATE BASE ADJUSTMENT # 1 - COMPREHENSIVE PLANNING STUDY COSTS

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	389100	WW Oth Plt & Misc Equip Int	\$ 12,242	\$ (12,242)	\$ -

References:

Column [A]: Company Schedules

Column [B]: Per Testimony GTM

Column [C]: Column [A] less Column [B]

RATE BASE ADJUSTMENT # 2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 454,529	\$ (18,617)	435,912	12.00	\$ 5,230,944
2	Fuel & Power	15,804	2,746	18,550	20.75	384,835
3	Chemicals	4,885	(4,885)	-	20.35	-
4	Waste Disposal	3,300,475	73,539	3,374,014	43.73	147,562,165
5	Management Fees	933,155	(933,155)	-	14.77	-
6	Group Insurance	141,193	-	141,193	(13.67)	(1,930,292)
7	Pensions	75,595	(11,399)	64,196	(2.37)	(152,042)
8	Insurance Other Than Group	57,656	-	57,656	(83.68)	(4,824,908)
9	Customer Accounting	145,686	(82,998)	62,688	20.31	1,273,186
10	Rents	40,868	-	40,868	93.42	3,818,019
11	Miscellaneous	104,503	-	104,503	12.47	1,303,163
12	Maintenance Expense	61,533	-	61,533	29.75	1,830,379
13	Other Operating Expenses	94,627	-	94,627	30.00	2,838,810
14	Taxes Other Than Income-Property Taxes	157,456	(2,671)	154,785	189.67	29,358,060
15	Taxes Other Than Income-Other	34,880	-	34,880	13.35	465,515
16	Income Taxes	513,251	(128,180)	385,071	30.13	11,602,193
17	Interest	442,923	(5,386)	437,537	106.25	46,488,278
18	Total Operating Expenses	6,579,019	(1,111,007)	5,468,012	537.23	245,248,306
19						
20						
21	Expense Lag	Line 20, Col. (E) / Col [C]	44.85			
22	Revenue Lag	Company Workpapers	45.74			
23	Net Lag	Line 22 - 21	0.89			
24	Staff Adjusted Expenses	Line 20, Col C	5,468,012			
25	Staff - Cash Working Capital	Line 25 * Line 26/365 day	13,355			
26	Company As Field	Co Schedule B-5	129,827			
27	Staff Adjustment	To GTM-4	(116,472)			
28						
29	References:					
30	Column [A]: Company Schedule C-1					
31	Column [B]: Staff adjustments to expenses, See Testimony GTM					
32	Column [C]: Column [A] + Column [B]					
33	Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372					
34	Column [E]: Column [C] * Column [D]					

RATE BASE ADJUSTMENT # 3 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	ADIT - total	\$ 13,025,093	\$ (336,093)	\$ 12,689,000
2	Allocation Factor	14.01%	14.01%	14.01%
3	ADIT allocated to this system	1,824,256	(47,072)	1,777,183

REFERENCES:

- Columns [A], Line 1: Amounts used by Co as basis for allocation
- Column [A], [B] & [C], Line 2: Allocation rate to this system
- Column [C], Line 1: Allocable amount per audited financial statements times allocation rate
- Column [A], [B] & [C], Line 3: Recalculated amounts

RATE BASE ADJUSTMENT # 4 - CIAC ASSOCIATED WITH CWIP

<u>LINE</u> <u>NO.</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>AS</u> <u>FILED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>AS</u> <u>ADJUSTED</u>
1	Contributions in Aid of Construction (CIAC)	18,920	3,743	22,663

REFERENCES:

Columns [A]: Company schedules

Column [B]: Column [C] less Column [A]

Column [C]: See testimony GTM

OPERATING INCOME STATEMENT TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Sewer Revenues	\$ 5,933,970	\$ -	\$ 5,933,970	\$ 1,618,574	\$ 7,552,544
3	Other Revenues	6,411	-	6,411	-	6,411
4	Other	-	-	-	-	-
5	Total Operating Revenues	<u>\$ 5,940,381</u>	<u>\$ -</u>	<u>\$ 5,940,381</u>	<u>\$ 1,618,574</u>	<u>\$ 7,558,955</u>
6						
7	Labor	\$ 454,529	\$ (18,617)	435,912	\$ -	\$ 435,912
8	Purchased Water	\$ -	-	-	-	-
9	Fuel & Power	\$ 15,804	2,746	18,550	-	18,550
10	Chemicals	\$ 4,885	-	4,885	-	4,885
11	Waste Disposal	\$ 3,300,475	73,539	3,374,014	-	3,374,014
12	Management Fees	\$ 933,155	(40,478)	892,677	-	892,677
13	Group Insurance	\$ 141,193	-	141,193	-	141,193
14	Pensions	\$ 75,595	(11,399)	64,196	-	64,196
15	Regulatory Expense	\$ 49,683	(9,406)	40,277	-	40,277
16	Insurance Other Than Group	\$ 57,656	-	57,656	-	57,656
17	Customer Accounting	\$ 145,686	(50,939)	94,747	2,104	96,851
18	Rents	\$ 40,868	-	40,868	-	40,868
19	General Office Expense	\$ 44,944	-	44,944	-	44,944
20	Miscellaneous	\$ 104,503	-	104,503	-	104,503
21	Maintenance Expense	\$ 61,533	-	61,533	-	61,533
22	Depreciation & Amortization	\$ 679,999	(123,927)	556,072	-	556,072
23	General Taxes-Property Taxes	\$ 157,456	(15,545)	141,911	12,874	154,785
24	General Taxes-Other	\$ 34,880	-	34,880	-	34,880
25	Income Taxes	\$ (310,869)	76,970	(233,899)	618,970	385,071
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	Total Operating Expenses	<u>5,991,975</u>	<u>(117,057)</u>	<u>5,874,918</u>	<u>633,948</u>	<u>6,508,866</u>
42	Operating Income (Loss)	<u>\$ (51,594)</u>	<u>\$ 117,057</u>	<u>\$ 65,463</u>	<u>\$ 984,626</u>	<u>\$ 1,050,089</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule GTM 11
- Column (C): Column (A) + Column (B)
- Column (D): Schedules GTM 2, Lines 29 and 37
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Fuel & Power ADJ.#1	(C) Customer Acctg ADJ.#2	(D) Depreciation ADJ.#3	(E) Property Taxes ADJ.#4	(F) Income Taxes ADJ.#5	(G) Regulatory Expense ADJ.#6	(I) Labor ADJ.#7	(J) Mgmt fees ADJ.#8	(K) Pension Exp. ADJ.#9	(L) Glendale Waste ADJ.#10	(H) STAFF ADJUSTED
1	Sewer Revenues	\$ 5,933,970											\$ 5,933,970
2	Other Revenues	6,411											6,411
3	Other												
4	Other												
5	Total Operating Revenues	\$ 5,940,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,940,381
6	Labor	\$ 454,529							\$ (18,617)				435,912
7	Purchased Water												
8	Fuel & Power	15,804	2,746										18,550
9	Chemicals	4,885											4,885
10	Waste Disposal	3,300,475										73,539	3,374,014
11	Management Fees	933,155								(40,478)			892,677
12	Group Insurance	141,193									(11,399)		141,193
13	Pensions	75,595											75,595
14	Regulatory Expense	49,683					(9,406)						40,277
15	Insurance Other Than Group	57,656											57,656
16	Customer Accounting	145,686		(50,939)									94,747
17	Rents	40,868											40,868
18	General Office Expense	44,944											44,944
19	Miscellaneous	104,503											104,503
20	Maintenance Expense	61,533											61,533
21	Depreciation & Amortization	679,999			(123,927)								556,072
22	General Taxes-Property Taxes	157,456				(15,545)							141,911
23	General Taxes-Other	34,880											34,880
24	Income Taxes	(310,869)					76,970						(233,899)
25	Income Taxes												
26													
27													
28													
29													
30													
31													
32													
33													
34													
35													
36													
37													
38													
39													
40													
41													
42	Total Operating Expenses	\$ 5,991,975	\$ 2,746	\$ (50,939)	\$ (123,927)	\$ (15,545)	\$ 76,970	\$ (9,406)	\$ (18,617)	\$ (40,478)	\$ (11,399)	\$ 73,539	\$ 5,874,918
43	Operating Income (Loss)	\$ (51,594)	\$ (2,746)	\$ 50,939	\$ 123,927	\$ 15,545	\$ (76,970)	\$ 9,406	\$ 18,617	\$ 40,478	\$ 11,399	\$ (73,539)	\$ 68,463

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Surrebuttal Schedule GTM-12

OPERATING INCOME ADJUSTMENT # 1 - FUEL & POWER

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Actual Test Year Fuel & Power	\$ 15,804	2,746	\$ 18,550

References:

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

OPERATING INCOME ADJUSTMENT # 2 - CUSTOMER ACCOUNTING (BAD DEBT)

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Uncollectible Accounts (Ordinary Activity)	\$ 85,102	\$ (77,545)	\$ 7,558
2	Uncollectible Accounts - MI (Misc Invoices)	\$ (26,673)	\$ 26,605	\$ (68)
3	Total Uncollectibles	\$ 58,430	\$ (50,939)	\$ 7,490
4				
5	Uncollectible Accounts (Ordinary Activity)	\$ 1,152,299		
6	Allocation Percentage-	7.39%		
7	Company Proposed Amount, See Attachment 1, Col C	\$ 85,102		
8				
9	Staff Adjusted Test Year Revenue GTM-10			\$ 5,940,381
10	3-year average Bad Debt Exp. Rate, Per Co.			0.13%
11	Staff Recommended Bad Debt Exp			\$ 7,558
12				
13	Adjustment for bad debt expense - ordinary activity		\$ (77,545)	
14				
15	Normalization of Uncollectible - Miscellaneous Invoices			
16				
17	2006			\$ 341,820
18	2007			\$ 16,584
19	2008			\$ (361,154)
20	3 year total			\$ (2,750)
21	3 year average			\$ (917)
22	2008 Test Year Total , Col [C], line 19	\$ (361,154)		
23	Allocation Percentage	7.39%		7.39%
24	Company proposed amount	(26,673)		\$ (68)
25	Adjustment to Normalize Uncollectible Misc. Invoices		(26,605)	
26	Net Adjusted Uncollectibles. Ordinary activity & MI		(50,939)	

References:

Column [A], Company Workpapers
Column [B], line 13: Col. [C], line 11, less Col [A], line 7
Column [B], line 26: Col. [C], line 25, less Col [A], line 25

OPERATING INCOME ADJUSTMENT # 3- DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	
1	Depreciation & Amortization	\$ 679,999	\$ (123,927)	\$ 556,072	
LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
2	<u>PLANT IN SERVICE:</u>		B-2, page 3		
3	351000	WWWOrganization	122,373	0.00%	-
4	352000	WW Franchises	6,132	0.00%	-
5	353200	WW Land & Ld Rights Coll	6,565	0.00%	-
6	354200	WW Struct & Imp Coll	187,017	2.50%	4,675
7	354500	WW Struct & Imp Gen	465,769	2.00%	9,315
8	355400	WW Power Gen Equip TDP	49,003	3.33%	1,632
9	360000	WW Collection Sewers Forced	2,397,611	2.07%	49,631
10	361100	WW Collecting Mains	16,050,734	2.03%	325,830
11	362000	WW Special Coll Struct	1,219,748	8.40%	102,459
12	363000	WW Service Sewer	2,680,127	2.04%	54,675
13	364000	WW Flow Measuring Devices	33,470	10.00%	3,347
14	371100	WW Pump Equip Elect	495,398	5.42%	26,851
15	380050	WW TD Equip Grit Removal	453	2.00%	9
16	380100	WW TD Equip Sed Tanks/Acc	2,575	2.00%	52
17	380600	WW TD Eauip Oth Disp	1,503	2.00%	30
18	380625	WW TD Eauip Gen Tmt	115,202	2.00%	2,304
19	380650	WW TD Equip Influent Lift S	178	2.00%	4
20	382000	WW Outfall Sewer Lines	291	2.00%	6
21	389100	WW Oth Plt & Misc Equip Int	10,495	4.98%	523
22	389600	WW Oth Plt & Misc Equip	-	4.98%	-
23	390000	WW Office Furniture & Equip	54,203	4.59%	2,488
24	391000	WW Trans Equipment	2,312	20.00%	462
25	393000	WW Tool Shop & Garage Equip	59,656	4.47%	2,667
26	396000	WW Communication Equip	23,222	10.28%	2,387
27	397000	WW Misc Equipment	13,207	5.10%	674
28	398000	WW Other Tangible Equipment	1	0.00%	-
29					
30	Less:	Youngtown Plant	(96,727)		-
31					
32	<u>Allocated From Corp to Districts (SLM-2)</u>		B-2 page 4		
33	303600	Land & Land Rights AG	-	0.00%	-
34	304510	Struct & Imp AG Cap Lease	-	0.00%	-
35	304600	Struct & Imp Offices	-	0.00%	-
36	304800	Struct & Imp Misc	-	2.00%	-
37	304620	Struct & Imp Leasehold	27,697	14.28%	3,955
38	3310001	Mains	-		-
39	339600	Other P/E CPS	7,234	3.30%	239
40	340100	Office Furniture & Equip	161,494	4.04%	6,524
41	340200	Comp & Periph Equip	70,145	10.00%	7,015
42	340300	Computer Software	254,701	25.00%	63,675
43	340330	Computer Software Other	6,549	25.00%	1,637
44	340500	Other Office Equipment	-		-
45	341100	Trans Equip Lt Duty Trucks	-		-
46	343000	Tool Shop & Garage Equip	-		-
47	344000	Laboratory Equipment	-		-
48	345000	Power Operated Equipment	-		-
49	346100	Copmm Equip Non-Telephone	26,059	8.25%	2,150
50	346200	Communication Equip Telephone	2,009	8.25%	166
51	346300	Communication Equip Other	687	5.35%	37
52	347000	Misc Equipment	-		-
53	380400	WW TD Equip Aux Eff Tmt	-		-
54	393000	WW Tool Shop & Garage Equip	-		-
55					
56		Rounding	2		
57		Total Plant in Service	24,457,095	2.76%	675,416
58					
59					
60		Less Non Depreciable Plant			
61	351000	WWWOrganization	122,373	0.00%	-
62	353200	WW Land & Ld Rights Coll	6,565	0.00%	-
63	355400	WW Power Gen Equip TDP	49,003	0.00%	-
64					
65		Net Depreciable Plant and Depreciation Amounts	\$ 24,279,154		\$ 675,416
66		Composite Depreciation Rate		2.78%	
67		Less			
68		Amortization of Regulatory CIAC at Settlement Rate			118,714
69		Amortization of CIAC at Composite Rate	\$ 22,663		\$ 630
70		Staff Recommended Depreciation Expense			\$ 556,072
71		Company Proposed Depreciation Expense			679,999
72		Staff Adjustment			\$ (123,927)

References:	
Col A	Schedule GTM-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

OPERATING INCOME ADJUSTMENT # 4 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2008	\$ 5,940,381	\$ 5,940,381
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	11,880,762	11,880,762
4	Staff Adjusted Test Year Revenues - 2008	5,940,381	
5	Staff Recommended Revenue		7,558,955
6	Subtotal (Line 3 + Line 4) or (Line 3 + Line 5)	17,821,143	19,439,717
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	5,940,381	6,479,906
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	11,880,762	12,959,811
11	Plus: 10% of CWIP - 2008	13,454	13,454
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 9 + Line 10 - Line 11)	11,894,216	12,973,265
14	Assessment Ratio	22.0%	22.0%
15	Assessment Value (Line 12 * Line 13)	2,616,728	2,854,118
16	Composite Property Tax Rate - Obtained from ADOR	5.42%	5.42%
17	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 141,911	
18	Company Proposed Property Tax	\$ 157,456	
19	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (15,545)	
20	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 154,785
21	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 141,911
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 12,874
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 12,874
24	Increase in Revenue Requirement		\$ 1,618,574
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		0.79540%

REFERENCES:

- Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
- Line 17: Company Schedule C-1, Line 24
- Line 21: Line 19 - Line 20
- Line 23: Schedule GTM-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Surrebuttal Schedule GTM-16

OPERATING INCOME ADJUSTMENT # 5 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ (310,869)</u>	<u>\$ 76,970</u>	<u>\$ (233,899)</u>

References:

Column (A), Company Schedule C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Surrebuttal Schedule GTM-17

OPERATING INCOME ADJUSTMENT # 6 - REGULATORY EXPENSE

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Regulatory Expense	\$ 49,683	\$ (9,406)	\$ 40,277

References:

Column (A), Company Schedule C-2 , p 16

Column (B): Testimony GTM

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

OPERATING INCOME ADJUSTMENT # 7 - ACCEPTING RUCO ADJUSTMENTS

LINE	ACCT		[A]	[B]	[C]
NO.	NO.	DESCRIPTION	COMPANY	STAFF	STAFF
			PROPOSED	ADJUSTMENTS	RECOMMENDED
1		Labor - AIP Adjustment	\$ 454,529	(10,772)	\$ 443,757
2		Labor - Stock Comp Adj	443,757	(7,845)	435,912
3		Total Labor Adjustment		(18,617)	
4					
5		Management Fees - AIP Adj	\$ 933,155	(12,150)	\$ 921,005
6		Management Fees - Stock Comp Adj	921,005	(5,249)	915,756
7		Management Fees - other expenses adj	915,756	(12,855)	902,901
8		Management Fees - BD expense	902,901	(7,605)	895,296
9		Management Fees - Dues & Donations	\$ 895,296	(2,619)	\$ 892,677
		Total Management Fees Adjustment		(40,478)	
		Pensions	\$ 75,595	11,399	\$ 86,994

References:

Column (A), Company Schedule

Column (B): Testimony GTM

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

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WASTEWATER
Docket No. WS-01303A-09-0343
Test Year Ended December 31, 2008

Surrebuttal Schedule GTM-19

OPERATING INCOME ADJUSTMENT # 8 - GLENDALE WASTE DISPOSAL EXPENSE

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Waste Disposal	3300475	\$ 73,539	\$ 3,374,014

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

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

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WASTEWATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

DIRECT TESTIMONY OF GARY T. MCMURRY

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GTM- 18	OPERATING INCOME ADJUSTMENT # 7 - INCOME TAXES
GTM- 19	OPERATING INCOME ADJUSTMENT # 8 - REGULATORY EXPENSE
GTM- 20	OPERATING INCOME ADJUSTMENT # 9 - ACCEPTING RUCO ADJUSTMENTS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 17,821,339	\$ 17,821,339	\$ 18,097,843	\$ 18,097,843
2	Adjusted Operating Income (Loss)	\$ 618,443	\$ 618,443	\$ 410,534	\$ 410,534
3	Current Rate of Return (L2 / L1)	3.47%	3.47%	2.27%	2.27%
4	Required Rate of Return	8.53%	8.53%	7.20%	7.20%
5	Required Operating Income (L4 * L1)	\$ 1,520,160	\$ 1,520,160	\$ 1,303,045	\$ 1,303,045
6	Operating Income Deficiency (L5 - L2)	\$ 901,717	\$ 901,717	\$ 892,511	\$ 892,511
7	Gross Revenue Conversion Factor	1.6422	1.6422	1.6422	1.6422
8	Required Revenue Increase (L7 * L6)	\$ 1,480,765	\$ 1,480,765	\$ 1,465,672	\$ 1,465,672
9	Adjusted Test Year Revenue	\$ 5,661,710	\$ 5,661,710	\$ 5,661,710	\$ 5,661,710
10	Proposed Annual Revenue (L8 + L9)	\$ 7,142,475	\$ 7,142,475	\$ 7,127,382	\$ 7,127,382
11	Required Increase in Revenue (%)	26.15%	26.15%	25.89%	25.89%
12	Rate of Return on Common Equity (%)	12.25%	12.25%	10.20%	10.20%

References:

Column (A): Company Schedule A-1
Column (B): Company Schedule A-1
Column (C): Staff Schedules GTM-2, GTM-3, and GTM-10

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)	0.0184%			
3	Revenues (L1 - L2)	99.9816%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.0873%			
5	Subtotal (L3 - L4)	60.8943%			
6	Revenue Conversion Factor (L1 / L5)	1.642189			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0300%			
11	Uncollectible Factor (L9 * L10)		0.0184%		
<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 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (GTM-16, L24)	0.7954%			
22	Effective Property Tax Factor (L20*L21)		0.4884%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.0873%	
24	Required Operating Income (Schedule GTM-1, Line 5)	\$ 1,303,045			
25	Adjusted Test Year Operating Income (Loss) (Schedule GTM-10, Line 42)	\$ 410,534			
26	Required Increase in Operating Income (L24 - L25)		\$ 892,511		
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 477,832			
28	Income Taxes on Test Year Revenue (Col. (A), L52)	\$ (83,232)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 561,064		
30	Required Revenue Increase (Schedule GTM-1, Line 8)	\$ 1,465,672			
31	Uncollectible Rate (Line 10)	0.0300%			
32	Required Increase in Revenue to Provide for Uncollectible Exp. (L30 * L31)		\$ 440		
33	Property Tax with Recommended Revenue (GTM-15, Col B, L20)	\$ 146,919			
34	Property Tax on Test Year Revenue (GTM-15, Col A, L17)	\$ 135,261			
35	Increase in Property Tax Due to Increase in Revenue (L33-L34)		\$ 11,658		
36	Total Required Increase in Revenue (L26 + L29 + L32 + L35)		\$ 1,465,672		

(A)	
Test Year	
Sun City WestWW	
\$	5,661,710
\$	5,334,408
\$	542,935
\$	(215,634)
	6.9680%
\$	(15,025)
\$	(200,608)
\$	(68,207)
\$	(83,232)

(B)	
Staff Recommended	
Sun City West WW	
\$	7,127,382
\$	5,346,506
\$	542,935
\$	1,237,942
	6.9680%
\$	86,260
\$	1,151,682
\$	391,572
\$	477,832

<u>Calculation of Income Tax:</u>	
37	Revenue (Sch GTM-10, Col.(C) L5, GTM-1, Col. (D), L9)
38	Operating Expenses Excluding Income Taxes
39	Synchronized Interest (L54)
40	Arizona Taxable Income (L37 - L38 - L39)
41	Arizona State Income Tax Rate
42	Arizona Income Tax (L40 x L41)
43	Federal Taxable Income (L40 - L42)
44	Total Federal Income Tax
45	Combined Federal and State Income Tax (L42 + L44)
46	Effective Tax Rate

34.0000%

<u>Calculation of Interest Synchronization:</u>	
47	Rate Base (Schedule GTM-3, Col. (C), Line 17)
48	Weighted Average Cost of Debt
49	Synchronized Interest (L47 X L48)

Sun City West	
\$	18,097,843
	3.0000%
\$	542,935

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 35,931,696	\$ 36,983,761
2	Less: Accumulated Depreciation	19,183,739	19,813,983
3	Net Plant in Service	<u>\$ 16,747,957</u>	<u>\$ 17,169,778</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 5,122	\$ 5,122
5	Less: Accumulated Amortization	(375)	(375)
6	Net CIAC	<u>4,747</u>	<u>4,747</u>
7	Advances in Aid of Construction (AIAC)	145,453	145,453
8	Imputed Reg AIAC	-	-
9	Imputed Reg CIAC	443,212	443,212
10	Accumulated Deferred Income Tax Credits Customer Meter Deposits	-	-
<u>ADD:</u>			
11	Cash Working Capital	229,465	116,225
12	Accumulated Deferred Income Tax Debits	1,243,135	1,211,058
13	Supplies Inventory	32,436	32,436
14	Prepayments	52,988	52,988
15	Deferred Debits	108,771	108,771
16	Purchase Wastewater Treatment Charges	-	-
	Rounding	(1)	(1)
17	Original Cost Rate Base	<u>\$ 17,821,339</u>	<u>\$ 18,097,843</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GTM-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS			NWVRTF Cost Allocation	Working Capital	Deferred Income Taxes	Comprehensive Study Costs	Accumulated Depreciation		
LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(E) ADJ #5	(F) STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>									
1	351000	WWW Organization	\$ 4,078						\$ 4,078
2	352000	WW Franchises	68						68
3	353200	WW Land & Ld Rights Coll	-						-
4	354200	WW Struct & Imp Coll	130,873						130,873
5	354500	WW Struct & Imp Gen	48,870						48,870
6	355300	WW Power Gen Equip SPP	25,840						25,840
7	355400	WW Power Gen Equip TDP	-						-
8	360000	WW Collection Sewers Forced	752,939				12,242		765,181
9	361100	WW Collecting Mains	13,101,343						13,101,343
10	362000	WW Special Coll Struct	963,907						963,907
11	363000	WW Service Sewer	2,641,009						2,641,009
12	364000	WW Flow Measuring Devices	-						-
13	371100	WW Pump Equip Elect	27,605						27,605
14	380050	WW TD Equip Grit Removal	-						-
15	380100	WW TD Equip Sed Tanks/Acc	7,615						7,615
16	380600	WW TD Equip Oth Disp	5,634						5,634
17	380625	WW TD Equip Gen Trmt	110,053						110,053
18	380650	WW TD Equip Influent Lift S	19,530						19,530
19	382000	WW Outfall Sewer Lines	-						-
20	389100	WW Oth Plt & Misc Equip Int	-						-
21	389600	WW Oth Plt & Misc Equip	-						-
22	390000	WW Office Furniture & Equip	-						-
23	391000	WW Trans Equipment	-						-
24	393000	WW Tool Shop & Garage Equip	-						-
25	395000	WW Power Operated Equip	777						777
26	396000	WW Communication Equip	12,621						12,621
27	397000	WW Misc Equipment	22,663						22,663
28	398000	WW Other Tangible Equipment	-						-
29									
30		Allocated From Corp to Districts (SLM-2)							
31	303600	Land & Land Rights AG	\$ -						\$ -
32	304510	Struct & Imp AG Cap Lease	-						-
33	304600	Struct & Imp Offices	-						-
34	304800	Struct & Imp Misc	-						-
35	304620	Struct & Imp Leasehold	18,874						18,874
36	3310001	Mains	-						-
37	339600	Other P/E CPS	4,930						4,930
38	340100	Office Furniture & Equip	110,050						110,050
39	340200	Comp & Periph Equip	47,801						47,801
40	340300	Computer Software	173,566						173,566
41	340330	Computer Software Other	4,463						4,463
42	340500	Other Office Equipment	-						-
43	341100	Trans Equip Lt Duty Trucks	-						-
44	343000	Tool Shop & Garage Equip	-						-
45	344000	Laboratory Equipment	-						-
46	345000	Power Operated Equipment	-						-
47	346100	Comm Equip Non-Telephone	17,760						17,760
48	346200	Communication Equip Telephone	1,369						1,369
49	346300	Communication Equip Other	468						468
50	347000	Misc Equipment	-						-
51	380400	WW TD Equip Aux Eff Trmt	-						-
52	393000	WW Tool Shop & Garage Equip	-						-
53									
54		North West Valley Treat Plant (NWVRTF) B-2 p 9							
55	352000	WW Franchises	887	52					939
56	353200	WW Land & Ld Rights Coll	307,913	18,113					326,026
57	353500	WW Land & Ld Rights Gen	14,108	830					14,938
58	354200	WW Struct & Imp Coll	1,871,614	110,095					1,981,709
59	354300	WW Struct & Imp SPP	658,418	38,730					697,148
60	354400	WW Struct & Imp TDP	-	-					-
61	354500	WW Struct & Imp Gen	1,086,830	63,931					1,150,761
62	355200	WW Power Gen Equip Col	5,407	318					5,725
63	355300	WW Power Gen Equip SPP	-	-					-
64	360000	WW Collection Sewers Forced	-	-					-
65	361100	WW Collecting Mains	74,660	4,392					79,052
66	362000	WW Special Coll Struct	352,131	20,714					372,845
67	363000	WW Service Sewer	17,606	1,036					18,642
68	364000	WW Flow Measuring Devices	3,739	220					3,959
69	370000	WW Receiving Wells	-	-					-
70	371100	WW Pump Equip Elect	275,127	16,184					291,311
71	371200	WW Pump Equip Other	252	15					267
72	380000	WW TD Equipment	1,432,178	84,246					1,516,424
73	380050	WW TD Equip Grit Removal	749,658	44,098					793,756
74	380100	WW TD Equip Sed Tanks/Acc	3,650,565	214,739					3,865,304
75	380200	WW TD Equip Sldge/Eff Rmv	35,551	2,091					37,642
76	380250	WW TD Equip Sldge Dig Trnk	48,656	2,862					51,518
77	380300	WW TD Equip Sldge Dry/Fitt	4,100,856	241,227					4,342,083
78	380350	WW TD Equip Sec Trmt Fitt	17,384	1,023					18,407
79	380400	WW TD Equip Aux Effl Trmt	873,055	51,356					924,411
80	380500	WW TD Equip Chem Trmt Plant	1,379	81					1,460
81	380600	WW TD Equip Oth Disp	706,938	41,585					748,523
82	380625	WW TD Equip Gen Trmt	538,528	31,678					570,206

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS			NWVRTF Cost Allocation	Working Capital	Deferred Income Taxes	Comprehensive Study Costs	Accumulated Depreciation	[F] STAFF ADJUSTED	
LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[E] ADJ #5	[F] STAFF ADJUSTED
83	380650	WW TD Equip Influent Lift S	48,971	2,881					51,852
84	381000	WW Plant Sewers	11,159	656					11,815
85	382000	WW Outfall Sewer Lines	79,832	4,696					84,528
86	389100	WW Oth Plt & Misc Equip Int	13,168	775					13,943
87	389600	WW Oth Plt & Misc Equip	-	-					-
88	390000	WW Office Furniture & Equip	114,284	6,723					121,007
89	390200	WW Computer & Perphials	13,704	806					14,510
90	390300	WW Computer Software	42,823	2,519					45,342
91	391000	WW Trans Equip	162,863	9,580					172,443
92	392000	WW Stores Equip	7,663	451					8,114
93	393000	WW Tool Shop & Garage Equip	84,476	4,969					89,445
94	394000	WW Laboratory Equipment	67,116	3,948					71,064
95	395000	WW Power Operated Equipment	8,809	518					9,327
96	396000	WW Comm Equip	151,095	8,888					159,983
97	397000	WW Misc Equip	47,591	2,799					50,390
98	398000	WW Other Tangible Plant	-	-					-
99		Rounding	(4)	-					(4)
100							12,242	-	
101		Total Plant in Service	<u>35,931,696</u>	<u>1,039,823</u>	<u>-</u>	<u>-</u>	<u>12,242</u>	<u>-</u>	<u>36,983,761</u>
102								630,244	19,813,983
103		Accumulated Depreciation	19,183,739	-	-	-	12,242	(630,244)	17,169,777
104		Net Plant in Service (L58 - L 59)	<u>\$ 16,747,957</u>	<u>\$ 1,039,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,242</u>	<u>\$ (630,244)</u>	<u>\$ 17,169,777</u>
105									
106		LESS:							
107		Contributions in Aid of Construction (CIAC)	\$ 5,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,122
108		Less: Accumulated Amortization	\$ (375)	-	-	-	-	-	(375)
109		Net CIAC (L63 - L64)	4,747	-	-	-	-	-	4,747
110		Advances in Aid of Construction (AIAC)	145,453	-	-	-	-	-	145,453
111		Imputed Reg Advances	-	-	-	-	-	-	-
112		Imputed Reg CIAC	443,212	-	-	-	-	-	443,212
113		Deferred Income Tax Credits	-	-	-	-	-	-	-
114		Customer Meter Deposits	-	-	-	-	-	-	-
115									116,225
116		Working Capital Allowance	229,465	-	(113,240)	-	-	-	1,211,058
117		Deferred Income Tax Debits	1,243,135	-	-	(32,077)	-	-	-
118		Purchase Wastewater Treatment Charges	-	-	-	-	-	-	32,436
119		Material and Supplies Inventory	32,436	-	-	-	-	-	52,988
120		Prepayments	52,988	-	-	-	-	-	-
121		Projected Capital Expenditures	-	-	-	-	-	-	108,771
122		Deferred Debits	108,771	-	-	-	-	-	-
123		Rounding	(1)	-	-	-	-	-	(1)
124		Original Cost Rate Base	<u>\$ 17,821,339</u>	<u>\$ 1,039,823</u>	<u>\$ (113,240)</u>	<u>\$ (32,077)</u>	<u>\$ 12,242</u>	<u>\$ (630,244)</u>	<u>\$ 18,097,842</u>

RATE BASE ADJUSTMENT # 1 - NW VALLEY REGIONAL TREATMENT FACILITY (NWVRTF) ADJ.

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	352000	WW Franchises	887	52	939
	353200	WW Land & Ld Rights Coll	307,913	18,113	326,026
	353500	WW Land & Ld Rights Gen	14,108	830	14,938
	354200	WW Struct & Imp Coll	1,871,614	110,095	1,981,709
	354300	WW Struct & Imp SPP	658,418	38,730	697,148
	354400	WW Struct & Imp TDP	-	-	-
	354500	WW Struct & Imp Gen	1,086,830	63,931	1,150,761
	355200	WW Power Gen Equip Col	5,407	318	5,725
	355300	WW Power Gen Equip SPP	-	-	-
	360000	WW Collection Sewers Forced	-	-	-
	361100	WW Collecting Mains	74,660	4,392	79,052
	362000	WW Special Coll Struct	352,131	20,714	372,845
	363000	WW Service Sewer	17,606	1,036	18,642
	364000	WW Flow Measuring Devices	3,739	220	3,959
	370000	WW Receiving Wells	-	-	-
	371100	WW Pump Equip Elect	275,127	16,184	291,311
	371200	WW Pump Equip Other	252	15	267
	380000	WW TD Equipment	1,432,178	84,246	1,516,424
	380050	WW TD Equip Grit Removal	749,658	44,098	793,756
	380100	WW TD Equip Sed Tanks/Acc	3,650,565	214,739	3,865,304
	380200	WW TD Equip Sldge/Effl Rmv	35,551	2,091	37,642
	380250	WW TD Equip Sldge Dig Tnk	48,656	2,862	51,518
	380300	WW TD Equip Sldge Dry/Fitt	4,100,856	241,227	4,342,083
	380350	WW TD Equip Sec Trmt Fitt	17,384	1,023	18,407
	380400	WW TD Equip Aux Effl Trmt	873,055	51,356	924,411
	380500	WW TD Equip Chem Trmt Plant	1,379	81	1,460
	380600	WW TD Equip Oth Disp	706,938	41,585	748,523
	380625	WW TD Equip Gen Trmt	538,528	31,678	570,206
	380650	WW TD Equip Influent Lift S	48,971	2,881	51,852
	381000	WW Plant Sewers	11,159	656	11,815
	382000	WW Outfall Sewer Lines	79,832	4,696	84,528
	389100	WW Oth Pit & Misc Equip Int	13,168	775	13,943
	389600	WW Oth Pit & Misc Equip	-	-	-
	390000	WW Office Furniture & Equip	114,284	6,723	121,007
	390200	WW Computer & Perphials	13,704	806	14,510
	390300	WW Computer Software	42,823	2,519	45,342
	391000	WW Trans Equip	162,863	9,580	172,443
	392000	WW Stores Equip	7,663	451	8,114
	393000	WW Tool Shop & Garage Equip	84,476	4,969	89,445
	394000	WW Laboratory Equipment	67,116	3,948	71,064
	395000	WW Power Operated Equipment	8,809	518	9,327
	396000	WW Comm Equip	151,095	8,888	159,983
	397000	WW Misc Equip	47,591	2,799	50,390
	398000	WW Other Tangible Plant	-	-	-
			17,676,994	1,039,823	18,716,817

Cost Allocation Percentage

	Old	New
Sun City West	68%	72%
Anthem Agua Fria	32%	28%

References:

Column (A): Amounts included in plant balances per filing.
Column (B): Per Testimony GTM
Column (C): Column (A) less Column (B)

RATE BASE ADJUSTMENT # 2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG FACTOR	[E] DOLLAR DAYS
1	Labor	\$ 766,759	\$ (3,492)	763,267	12.00	\$ 9,159,206
2	Purchased Water	\$ 7,156	1,878	9,034	52.52	\$ 474,465
3	Fuel & Power	\$ 385,512	265,325	650,837	23.18	\$ 15,088,410
4	Chemicals	\$ 401,682	(401,682)	-	17.28	\$ -
5	Waste Disposal	\$ 103,272	-	103,272	19.93	\$ 2,058,438
6	Management Fees	\$ 789,604	(789,604)	-	14.77	\$ -
7	Group Insurance	\$ 267,064	54	267,118	(13.62)	\$ (3,636,919)
8	Pensions	\$ 150,285	9,646	159,931	(2.37)	\$ (378,781)
9	Insurance Other Than Group	\$ 48,786	-	48,786	(83.68)	\$ (4,082,627)
10	Customer Accounting	\$ 123,968	(56,772)	67,196	20.31	\$ 1,364,760
11	Rents	\$ 38,079	883	38,962	72.11	\$ 2,809,574
12	Miscellaneous	\$ 243,174	17,501	260,675	9.91	\$ 2,582,607
13	Maintenance Expense	\$ 138,620	6,143	144,763	26.14	\$ 3,783,488
14	Other Operating Expenses	\$ 93,744	-	93,744	30.00	\$ 2,812,320
15	Taxes					
16	Taxes Other Than Income-Property Taxes	\$ 135,172	11,747	146,919	187.98	\$ 27,618,449
17	Taxes Other Than Income-Other	\$ 58,909	-	58,909	13.35	\$ 786,211
18	Income Taxes	\$ 52,682	425,150	477,832	30.13	\$ 14,397,066
19	Interest Sync	\$ 534,640	8,295	542,935	106.25	\$ 57,686,874
20	Total Operating Expenses	4,339,108	(504,929)	3,834,179	536.2	132,523,543
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	34.56			
24	Revenue Lag	Company Workpapers	45.63			
25	Net Lag	Line 24 - 23	11.06			
26	Staff Adjusted Expenses	Line 20, Col C	3,834,179			
27	Staff - Cash Working Capital	Line 25 * Line 26/365 day	116,225			
28	Company As Filed	Co Schedule B-5	229,465			
29	Staff Adjustment	To GTM-4	(113,240)			
30						
31	References:					
32	Column [A]: Company Schedule C-1					
33	Column [B]: Staff adjustments to expenses, See Testimony GTM					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372					
36	Column [E]: Column [C] * Column [D]					

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WASTEWATER
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Surrebuttal Schedule GTM- 7

RATE BASE ADJUSTMENT # 3 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	ADIT - total	\$ 13,025,093	\$ (336,093)	\$ 12,689,000
2	Allocation Factor	9.54%	9.54%	9.54%
3	ADIT allocated to this system	1,243,135	(32,077)	1,211,058

REFERENCES:

- Columns [A], Line 1: Amounts used by Co as basis for allocation
- Column [A], [B] & [C], Line 2: Allocation rate to this system
- Column [C], Line 1: Allocable amount per audited financial statements times allocation rate
- Column [A], [B] & [C], Line 3: Recalculated amounts

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WASTEWATER
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Surrebuttal Schedule GTM - 8

RATE BASE ADJUSTMENT # 4 - COMPREHENSIVE STUDY PLANNING COST

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	WW Collection Sewers Forced	360000	\$ 752,939	\$ 12,242	\$ 765,181

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Surrebuttal Schedule GTM - 9

RATE BASE ADJUSTMENT # 5 - ACCUMULATED DEPRECIATION (NWWRTF)

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 8,469,585	\$ -	\$ 8,469,585
	Accum Depreciaton - NWWRTF	10,714,154	630,244	11,344,398
	Total Accumulated Depreciation	<u>\$ 19,183,739</u>	<u>\$ 630,244</u>	<u>\$ 19,813,983</u>

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Sewer Revenues	\$ 5,660,389	\$ -	\$ 5,660,389	\$ 1,465,672	\$ 7,126,061
3	Other Revenues	1,321	-	1,321	-	1,321
4	Other	-	-	-	-	-
5	Total Operating Revenues	<u>\$ 5,661,710</u>	<u>\$ -</u>	<u>\$ 5,661,710</u>	<u>\$ 1,465,672</u>	<u>\$ 7,127,382</u>
6						
7	Labor	\$ 766,759	\$ (3,492)	763,267	\$ -	\$ 763,267
8	Purchased Water	\$ 7,156	1,878	9,034	-	9,034
9	Fuel & Power	\$ 385,512	265,325	650,837	-	650,837
10	Chemicals	\$ 401,682	74,553	476,235	-	476,235
11	Waste Disposal	\$ 103,272	-	103,272	-	103,272
12	Management Fees	\$ 789,604	(28,198)	761,406	-	761,406
13	Group Insurance	\$ 267,064	54	267,118	-	267,118
14	Pensions	\$ 150,285	9,646	159,931	-	159,931
15	Regulatory Expense	\$ 43,794	(9,406)	34,388	-	34,388
16	Insurance Other Than Group	\$ 48,786	-	48,786	-	48,786
17	Customer Accounting	\$ 123,968	(55,675)	68,293	440	68,732
18	Rents	\$ 38,079	883	38,962	-	38,962
19	General Office Expense	\$ 49,950	393	50,343	-	50,343
20	Miscellaneous	\$ 243,174	17,501	260,675	-	260,675
21	Maintenance Expense	\$ 138,620	6,143	144,763	-	144,763
22	Depreciation & Amortization	\$ 1,238,799	64,131	1,302,930	-	1,302,930
23	General Taxes-Property Taxes	\$ 135,172	89	135,261	11,658	146,919
24	General Taxes-Other	\$ 58,909	-	58,909	-	58,909
25	Income Taxes	\$ 52,682	(135,914)	(83,232)	561,064	477,832
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	Total Operating Expenses	<u>5,043,267</u>	<u>207,909</u>	<u>5,251,176</u>	<u>573,161</u>	<u>5,824,338</u>
42	Operating Income (Loss)	<u>\$ 618,443</u>	<u>\$ (207,909)</u>	<u>\$ 410,534</u>	<u>\$ 892,511</u>	<u>\$ 1,303,044</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule GTM 11
- Column (C): Column (A) + Column (B)
- Column (D): Schedules GTM 2, Lines 29 and 37
- Column (E): Column (C) + Column (D)

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WASTEWATER

Account No. WS-01303A-09-0343
 Fiscal Year Ended December 31, 2008

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) NWRRTF ADJ.#1	(C) Fuels & Power ADJ.#3	(D) Bad Debt ADJ.#4	(E) Water Testing ADJ.#5	(F) Depreciation ADJ.#6	(G) Property Taxes ADJ.#7	(H) Income Taxes ADJ.#8	(I) Regulatory Expense ADJ.#8	(J) Labor adj. ADJ.#7	(K) Mgmt Fee ADJ.#8	(L) Pension Exp. ADJ.#9	(M) STAFF ADJUSTED
1	Sewer Revenues	\$ 5,660,389												
2	Other Revenues	1,321												
3	Other													
4	Total Operating Revenues	\$ 5,661,710												
5														
6	Labor	\$ 766,759	\$ 17,587											763,267
7	Purchased Water	7,156	1,878											8,034
8	Fuel & Power	385,512	117,810	147,515										650,837
9	Chemicals	401,682	74,553											476,235
10	Waste Disposal	103,272												103,272
11	Management Fees	789,604	6,054											761,406
12	Group Insurance	267,064	54											267,118
13	Pensions	150,285												159,931
14	Regulatory Expense	43,794								(9,406)				34,388
15	Insurance Other Than Group	48,786												48,786
16	Customer Accounting	123,968												68,293
17	Rents	38,079												38,962
18	General Office Expense	49,950	883		(55,675)									50,343
19	Miscellaneous	243,174	8,000											260,675
20	Maintenance Expense	138,620	6,143											144,763
21	Depreciation & Amortization	1,238,799				9,501	64,131							1,302,980
22	General Taxes-Property Taxes	135,172												135,261
23	General Taxes-Other	58,909												58,909
24	Income Taxes	52,682							(135,914)					(83,232)
25														
26														
27														
28														
29														
30														
31														
32														
33														
34														
35														
36														
37														
38														
39														
40														
41														
42	Total Operating Expenses	\$ 5,043,267	\$ 233,354	\$ 147,515	\$ (55,675)	\$ 9,501	\$ (64,131)	\$ 89	\$ (135,914)	\$ (9,406)	\$ (21,079)	\$ (34,252)	\$ 9,646	\$ 5,251,176
43	Operating Income (Loss)	\$ 618,443	\$ (233,354)	\$ (147,515)	\$ 55,675	\$ (9,501)	\$ (64,131)	\$ (89)	\$ 135,914	\$ 9,406	\$ 21,079	\$ 34,252	\$ (9,646)	\$ 410,534

OPERATING INCOME ADJUSTMENT # 1 - NWRWF OPERATING EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	[D]
1	Operating expenses	<u>\$ 1,232,282</u>	<u>\$ 233,354</u>	<u>\$ 1,465,635</u>	<u>Difference</u>
		Total Costs of NWRWF	Company Proposed 68%	Staff Recommended 72%	<u>Difference</u>
2	Labor	\$ 439,680	\$ 298,982	\$ 316,570	\$ 17,587
3	Purchased Water	46,939	31,919	33,796	1,878
4	Fuel & Power (a)	373,211	253,783	371,593 (c)	117,810
5	Chemicals (a)	414,181	281,643	356,196	74,553
6	Waste Disposal	-	-	-	-
7	Management Fees	151,361	102,925	108,980	6,054
8	Group Insurance	1,351	919	973	54
9	Pensions	-	-	-	-
10	Regulatory Expense	-	-	-	-
11	Insurance Other Than Group	-	-	-	-
12	Customer Accounting	-	-	-	-
13	Rents	22,082	15,016	15,899	883
14	General Office Expense	9,819	6,677	7,070	393
15	Miscellaneous	199,988	135,992	143,991	8,000
16	Maintenance Expense	153,567	104,426	110,568	6,143
17	Depreciation & Amortization	1,176,113	(b)	(b)	(b)
18	General Taxes-Property Taxes	186,526	(b)	(b)	(b)
19	General Taxes-Other	-	-	-	-
20	Income Taxes	-	-	-	-
21					
22					
23		<u>\$ 3,174,818</u>	<u>\$ 1,232,282</u>	<u>\$ 1,465,635</u>	<u>\$ 233,354</u>
24					
25	(a) Variable cost allocation: Anthem Aqua Fria (14%) and Sun City West (86%)				
26	(b) Depreciation and Property Taxes Separately Reviewed				
27	(c) Staff recommended for NWRWF based on revised APS annualization: (\$432,085 * 14%)				
28		Current	Future		
29	<u>Cost Allocation</u>	<u>Capacity</u>	<u>Growth</u>		
30	Anthem Agua Fria	14%	28%		
31	Sun City West	86%	72%		

OPERATING INCOME ADJUSTMENT # 2 - FUEL & POWER EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Fuel & Power - All Other	\$ 12,301	147,515	\$ 159,816
2		Total Company Proposed Fuel and Power	\$ 385,512		
3		Less: Company Proposed Fuel and Power - NWWRTF	\$ 373,211		
4		Company Proposed Fuel and Power - All Other			\$ 12,301
5					
6		Total Staff Recommended		\$ 531,409	
7		Total Staff NWWRTF	\$ 432,085		
8		Staff NWWRTF Allocation Factor	86%		
9		Less: Staff Recommended for NWWRTF		\$ 371,593	
10		Staff Recommended for All Other			\$ 159,816
11		Staff Adjustment - Fuel and Power - All Other			\$ 147,515

OPERATING INCOME ADJUSTMENT # 3 - CUSTOMER ACCOUNTING (BAD DEBT) EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Uncollectible Accounts (Ordinary Activity)	\$ 83,328	\$ (81,726)	\$ 1,602
2	Uncollectible Accounts - MI (Misc Invoices)	\$ (26,117)	\$ 26,050	\$ (66)
3	Total Uncollectibles	<u>\$ 57,211</u>	<u>\$ (55,675)</u>	<u>\$ 1,536</u>
4				
5	Uncollectible Accounts (ordinary activity)	\$ 1,152,299		
6	Allocation Percentage-	7.23%		
7	Company proposed amount	<u>\$ 83,328</u>		
8				
9	Staff Adjusted Test Year Revenue GTM-10			\$ 5,661,710
10	3 year average Bad Debt Exp. Rate, Per Co.			0.03%
11	Staff Recommended Bad Debt Expense			<u>\$ 1,602</u>
12				
13	Adjustment for Bad Debt Expense		\$ (81,726)	
14				
15	Normalization of Uncollectible Accounts- Miscellaneous Invoices			
16				
17	2006			\$ 341,820
18	2007			\$ 16,584
19	2008			\$ (361,154)
20	3 year total			<u>\$ (2,750)</u>
21	3 year average			\$ (917)
22	2008 Test Year Total. Col [C], line 19	\$ (361,154)		
23	Allocation Percentage	7.23%		7.23%
24	Company proposed amount	<u>(26,117)</u>		<u>\$ (66)</u>
25	Adjustment for uncollectibles - MI		(26,050)	
26	Net Adjustment uncollectibles, Ordinary activity & MI		<u>\$ (55,675)</u>	

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WASTEWATER

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 Test Year Ended December 31, 2008

RECONCILIATION OF SCHEDULE C-1, CUSTOMER ACCOUNTING TO SUPPORTING WORK TO SUPPORTING WORKPAPERS

Note: CA means Customer Accounting, not California

Line No.	[A] AZ Corporate Total 12/31/2008 Recorded	[B] Sun City WW Corp Allocation 12/31/2008 Actual	[C] Sun City West WW Corp Allocation 12/31/2008 Actual	[D] Agua Fria WW Corp Allocation 12/31/2008 Actual	[E] Anthem WW Corp Allocation 12/31/2008 Actual	[F] Anthem/AF comb Corp Allocation 12/31/2008 Actual
		7.54%	6.38%	6.57%	5.79%	
1	\$ 46,423	\$ 3,503	\$ 2,964	\$ 3,049	\$ 2,687	\$ 5,735
2	\$ 1,152,299	\$ 86,939	\$ 73,565	\$ 75,675	\$ 66,684	\$ 142,359
3	\$ (361,154)	\$ (27,248)	\$ (23,057)	\$ (23,718)	\$ (20,900)	\$ (44,618)
4	\$ 3,018	\$ 228	\$ 193	\$ 198	\$ 175	\$ 373
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	\$ 161,225	\$ 12,164	\$ 10,293	\$ 10,588	\$ 9,330	\$ 19,918
9	\$ 21,336	\$ 1,610	\$ 1,362	\$ 1,401	\$ 1,235	\$ 2,636
10	\$ 11,301	\$ 853	\$ 721	\$ 742	\$ 654	\$ 1,396
11	\$ 223,097	\$ 16,832	\$ 14,243	\$ 14,651	\$ 12,911	\$ 27,562
12	\$ 26,411	\$ 1,993	\$ 1,686	\$ 1,734	\$ 1,528	\$ 3,263
13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	\$ 543,710	\$ 41,022	\$ 34,711	\$ 35,707	\$ 31,465	\$ 67,172
15	\$ 682	\$ 51	\$ 44	\$ 45	\$ 39	\$ 84
16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	\$ 46,102	\$ 3,478	\$ 2,943	\$ 3,028	\$ 2,668	\$ 5,696
18	\$ 24,724	\$ 1,865	\$ 1,578	\$ 1,624	\$ 1,431	\$ 3,055
19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	\$ 1,899,173	\$ 143,289	\$ 121,246	\$ 124,724.36	\$ 109,906.11	\$ 234,630.35
21		Total				122
22		\$ 350	\$ 252	\$ 252	\$ 109,906	\$ 234,752
23		\$ 143,639	\$ 121,499	\$ 124,724	\$ 109,906	\$ 234,752
24		\$ 143,639	\$ 121,498	\$ (0)	\$ (109,906)	\$ (0)
25		\$ (0)	\$ (0)	\$ (124,724)	\$ (109,906)	\$ (0)
26						
27						
28						

Sources:
 Columns [A]-[C], lines 1-21: From Company Workpaper,
 08 A of I-AZ Corp Summary w Pro Formas Distributed to Districts.xls

Columns [B], line 23: From Company Workpaper,
 Sun City WW AI 2008.xls

Columns [C], line 23: From Company Workpaper,
 Sun City West WW AI 2008.xls

Columns [C], line 23: From Company Workpaper,
 Sun City West WW AI 2008.xls

Columns [B] and [C], lines 26-27: Company's Application

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WASTEWATER
Docket No. WS-01303A-09-0343
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Surrebuttal Schedule GTM-15

OPERATING INCOME ADJUSTMENT # 4 - WATER TESTING

<u>LINE ACCT</u> <u>NO. NO.</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1	Miscellaneous	\$ -	\$ 9,501	\$ 9,501

References:

Column (A), Company Schedule C-2 p. 26

Column (B): Testimony GTM

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

OPERATING INCOME ADJUSTMENT # 5- DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	
1	Depreciation & Amortization	\$ 1,238,799	\$ 64,131	\$ 1,302,930	
LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
2		<u>PLANT IN SERVICE:</u>	B-2 page 2		
3	351000	WWWOrganization	4,078	0.00%	-
4	352000	WW Franchises	68	0.00%	-
5	353200	WW Land & Ld Rights Coll	-	0.00%	-
6	354200	WW Struct & Imp Coll	130,873	5.00%	6,544
7	354500	WW Struct & Imp Gen	48,870	1.67%	816
8	355300	WW Power Gen Equip SPP	25,840	3.33%	860
9	355400	WW Power Gen Equip TDP	-	0.00%	-
10	360000	WW Collection Sewers Forced	765,181	2.07%	15,839
11	361100	WW Collecting Mains	13,101,343	2.04%	267,267
12	362000	WW Special Coll Struct	963,907	8.40%	80,968
13	363000	WW Service Sewer	2,641,009	2.04%	53,877
14	364000	WW Flow Measuring Devices	-	10.00%	-
15	371100	WW Pump Equip Elect	27,605	10.00%	2,761
16	380050	WW TD Equip Grit Removal	-	5.00%	-
17	380100	WW TD Equip Sed Tanks/Acc	7,615	5.00%	381
18	380600	WW TD Eauip Oth Disp	5,634	5.00%	282
19	380625	WW TD Eauip Gen Tmt	110,053	5.00%	5,503
20	380650	WW TD Equip Influent Lift S	19,530	5.00%	977
21	382000	WW Outfall Sewer Lines	-	5.00%	-
22	389100	WW Oth Plt & Misc Equip Int	-	4.98%	-
23	389600	WW Oth Plt & Misc Equip	-	4.98%	-
24	390000	WW Office Furniture & Equip	-	4.59%	-
25	391000	WW Trans Equipment	-	20.00%	-
26	393000	WW Tool Shop & Garage Equip	-	4.47%	-
27	395000	WW Power Operated Equip	777	5.02%	39
28	396000	WW Communication Equip	12,621	10.30%	1,300
29	397000	WW Misc Equipment	22,663	5.10%	1,156
30	398000	WW Other Tangible Equipment	-	0.00%	-
31					
32		Allocated From Corp to Districts (SLM-2)	B-2 page 6		
33	303600	Land & Land Rights AG	-	0.00%	-
34	304510	Struct & Imp AG Cap Lease	-	0.00%	-
35	304600	Struct & Imp Offices	-	-	-
36	304800	Struct & Imp Misc	-	-	-
37	304620	Struct & Imp Leasehold	18,874	14.28%	2,695
38	3310001	Mains	-	-	-
39	339600	Other P/E CPS	4,930	3.30%	163
40	340100	Office Furniture & Equip	110,050	4.04%	4,446
41	340200	Comp & Periph Equip	47,801	10.00%	4,780
42	340300	Computer Software	173,566	25.00%	43,392
43	340330	Computer Software Other	4,463	25.00%	1,116
44	340500	Other Office Equipment	-	-	-
45	341100	Trans Equip Lt Duty Trucks	-	-	-
46	343000	Tool Shop & Garage Equip	-	-	-
47	344000	Laboratory Equipment	-	-	-
48	345000	Power Operated Equipment	-	-	-
49	346100	Comm Equip Non-Telephone	17,760	8.25%	1,465
50	346200	Communication Equip Telephone	1,369	8.25%	113
51	346300	Communication Equip Other	468	5.35%	25
52	347000	Misc Equipment	-	-	-
53	380400	WW TD Equip Aux Eff Tmt	-	-	-
54	393000	WW Tool Shop & Garage Equip	-	-	-
55					
56		North West Valley Treat Plant (NWWRTF)	B-2 p 9	B-2 page 9	
57	352000	WW Franchises	939	0.00%	-
58	353200	WW Land & Ld Rights Coll	326,026	0.00%	-
59	353500	WW Land & Ld Rights Gen	14,938	0.00%	-
60	354200	WW Struct & Imp Coll	1,981,709	5.00%	99,085
61	354300	WW Struct & Imp SPP	697,148	5.00%	34,857
62	354400	WW Struct & Imp TDP	-	0.00%	-
		WW Struct & Imp Gen	1,150,761	1.67%	19,218

64	355200	WW Power Gen Equip Col	5,725	3.33%	191
65	355300	WW Power Gen Equip SPP	-	3.33%	-
66	360000	WW Collection Sewers Forced	-	2.07%	-
67	361100	WW Collecting Mains	79,052	2.04%	1,613
68	362000	WW Special Coll Struct	372,845	8.40%	31,319
69	363000	WW Service Sewer	18,642	2.04%	380
70	364000	WW Flow Measuring Devices	3,959	10.00%	396
71	370000	WW Receiving Wells	-	3.33%	-
72	371100	WW Pump Equip Elect	291,311	10.00%	29,131
73	371200	WW Pump Equip Other	267	5.42%	14
74	380000	WW TD Equipment	1,516,424	5.00%	75,821
75	380050	WW TD Equip Grit Removal	793,756	5.00%	39,688
76	380100	WW TD Equip Sed Tanks/Acc	3,865,304	5.00%	193,265
77	380200	WW TD Equip Sldge/Effl Rmv	37,642	5.00%	1,882
78	380250	WW TD Equip Sldge Dig Tnk	51,518	5.00%	2,576
79	380300	WW TD Equip Sldge Dry/Fitt	4,342,083	5.00%	217,104
80	380350	WW TD Equip Sec Trmt Fitt	18,407	5.00%	920
81	380400	WW TD Equip Aux Effl Trmt	924,411	0.00%	-
82	380500	WW TD Equip Chem Trmt Plant	1,460	5.00%	73
83	380600	WW TD Equip Oth Disp	748,523	5.00%	37,426
84	380625	WW TD Equip Gen Trmt	570,206	5.00%	28,510
85	380650	WW TD Equip Influent Lift S	51,852	5.00%	2,593
86	381000	WW Plant Sewers	11,815	5.00%	591
87	382000	WW Outfall Sewer Lines	84,528	5.00%	4,226
88	389100	WW Oth Plt & Misc Equip Int	13,943	4.98%	694
89	389600	WW Oth Plt & Misc Equip	-	0.00%	-
90	390000	WW Office Furniture & Equip	121,007	4.59%	5,554
91	390200	WW Computer & Perphials	14,510	25.00%	3,628
92	390300	WW Computer Software	45,342	25.00%	11,336
93	391000	WW Trans Equip	172,443	20.00%	34,489
94	392000	WW Stores Equip	8,114	3.91%	317
95	393000	WW Tool Shop & Garage Equip	89,445	0.00%	-
96	394000	WW Laboratory Equipment	71,064	10.00%	7,106
97	395000	WW Power Operated Equipment	9,327	5.02%	468
98	396000	WW Comm Equip	159,983	10.30%	16,478
99	397000	WW Misc Equip	50,390	5.10%	2,570
100	398000	WW Other Tangible Plant	-	0.00%	-
101		Rounding	(4)		
102					
103					
104		Total Plant in Service	36,983,761	3.79%	1,400,284
105					
106					
107		Less Non Depreciable Plant			
108	351000	WWWOrganization	4,078	0.00%	-
109	353200	WW Land & Ld Rights Coll	-	0.00%	-
110	355300	WW Power Gen Equip SPP	25,840	0.00%	-
	352000	WW Franchises	939	0.00%	-
	353200	WW Land & Ld Rights Coll	326,026	0.00%	-
	353500	WW Land & Ld Rights Gen	14,938	0.00%	-
111					
112		Net Depreciable Plant and Depreciation Amounts	\$ 36,611,940		\$ 1,400,284
113		Composite Depreciation Rate		3.82%	
114		Less			
115		Amortization of Regulatory CIAC at Settlement Rate			97,158
116		Amortization of CIAC at Composite Rate	\$ 5,122		\$ 196
117		Staff Recommended Depreciation Expense			\$ 1,302,930
118		Company Proposed Depreciation Expense			\$ 1,238,799
119		Staff Adjustment			\$ 64,131

References:	
Col A	Schedule GTM-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

OPERATING INCOME ADJUSTMENT # 6 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2008	\$ 5,661,710	\$ 5,661,710
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	11,323,420	11,323,420
4	Staff Adjusted Test Year Revenues - 2008	5,661,710	
5	Staff Recommended Revenue		7,127,382
6	Subtotal (Line 3 + Line 4) or (Line 3 + Line 5)	16,985,130	18,450,802
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	5,661,710	6,150,267
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	11,323,420	12,300,535
11	Plus: 10% of CWIP - 2008	13,454	13,454
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 9 + Line 10 - Line 11)	11,336,874	12,313,989
14	Assessment Ratio	22.0%	22.0%
15	Assessment Value (Line 12 * Line 13)	2,494,112	2,709,078
16	Composite Property Tax Rate - Obtained from ADOR	5.42%	5.42%
17	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 135,261	
18	Company Proposed Property Tax	\$ 135,172	
19	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 89	
20	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 146,919
21	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 135,261
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 11,658
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 11,658
24	Increase in Revenue Requirement		\$ 1,465,672
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		0.79540%

REFERENCES:

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GTM-1, Line 8

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Surrebuttal Schedule GTM-18

OPERATING INCOME ADJUSTMENT # 7 - INCOME TAXES

<u>LINE ACCT</u> <u>NO. NO.</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1	Income Taxes	<u>\$ 52,682</u>	<u>\$ (135,914)</u>	<u>\$ (83,232)</u>

References:

Column (A), Company Schedule C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

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Surrebuttal Schedule GTM-19

OPERATING INCOME ADJUSTMENT # 8 - REGULATORY EXPENSE

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Regulatory Expense	<u>\$ 43,794</u>	<u>\$ (9,406)</u>	<u>\$ 34,388</u>

References:

Column (A), Company Schedule C-2, p. 16

Column (B): Testimony GTM

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

OPERATING INCOME ADJUSTMENT # 9 - ACCEPTING RUCO ADJUSTMENTS

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Labor - AIP Adjustment	\$ 766,759	(14,441)	\$ 752,318
2	Labor - Stock Comp Adj	752,318	(6,638)	745,680
3	Total Labor Adjustment		<u>(21,079)</u>	
4				
5	Management Fees - AIP Adj	\$ 789,604	(10,281)	\$ 779,323
6	Management Fees - Stock Comp Adj	779,323	(4,442)	774,881
7	Management Fees - other expenses adj	774,881	(10,878)	764,003
8	Management Fees - BD expense	764,003	(6,435)	757,568
9	Management Fees - Dues & Donations	\$ 757,568	(2,216)	\$ 755,352
	Total Mgmt Fees Adjustment		<u>(34,252)</u>	
	Pensions	\$ 150,285	9,646	\$ 159,931

References:

Column (A), Company Schedule
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)