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Docket #(s): W-03718A-09-0359

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Date: July 30, 2010

Re: Sahuarita Water Co. / Rates
W-03718A-09-0359
Volumes I through III, Concluded
July 19 through 23, 2010

STATUS OF ORIGINAL EXHIBITS

FILED WITH DOCKET CONTROL

Sahuarita Water (A Exhibits)

1 through 18

Staff (S Exhibits)

1 through 11

Copy to:

Jane Rodda, ALJ
Wes Van Cleve, Esq.
Lawrence V. Robertson, Jr., Esq.

Exhibit A-1
Thomas J. Bourassa

July 17, 2009 Rate Increase Application

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A 1
ADMITTED

ORIGINAL NEW APPLICATION

BEFORE THE ARIZONA CORPORATION C

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Arizona Corporation Commission
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COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	W-03718A-09-0359 DOCKET NO. W-03718A-09-____ **APPLICATION**

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P.O. Box 1448
Tubac, Arizona 85646
(520) 398-0411

Pursuant to A.R.S. § 40-250 and 40-251, and A.A.C. R14-2-103 et seq., Sahuarita Water Company, L.L.C. ("SWC"), submits this Application for an Opinion and Order of the Commission (i) determining the fair value of the utility property of SWC for ratemaking purposes, (ii) fixing a just and reasonable rate of return thereon, (iii) approving rates and charges designed to produce revenues sufficient to recover SWC's cost of service and authorized rate of return, and (iv) providing for the recovery of certain financing and operating expenses through a surcharge and a pass-through tariff, respectively. In support of this Application and the foregoing requested actions of the Commission, SWC submits the following attached documents:

1) The prepared Direct Testimony of Mark Seamans (President of SWC) on the history of SWC, its operations, and the circumstances surrounding and nature of the various Commission authorizations which are the subject of this Application;

2) The prepared Direct Testimony of Thomas J. Bourassa (Consultant) on the subjects of Rate Base, Income Statement, and Rate Design; and, Supporting Schedules "A" through "C," "E," "F," "G" and "H" in connection therewith; and,

3) The prepared Direct Testimony of Thomas J. Bourassa (Consultant) on the subject of Cost of Capital; and, Supporting Schedule "D" in connection therewith.

In addition, attached hereto is a copy of a July 13, 2009 Certificate of Good Standing from the Commission attesting to SWC's current good standing with the Commission.

WHEREFORE, SWC respectfully requests that the Commission (a) schedule and conduct an evidentiary hearing upon the instant Application, and (b) thereafter issue an Opinion and Order of the Commission (i) determining the fair value of the utility property of SWC for ratemaking purposes, (ii) fixing a just and reasonable rate of return thereon, (iii) approving rates and charges designed to produce revenues sufficient to recover SWC's cost of service and authorized rate of return, and (iv) providing for the recovery of certain financing and operating expenses through a surcharge and a pass-through tariff, respectively.

Dated this 13th day of July 2009.

Lawrence V. Robertson, Jr.
P. O. Box 1448
Tubac, Arizona 85646
Attorney for Sahuarita Water Company, L.L.C.

The original and thirteen (13) copies of the above Application will be filed this ____ day of July 2009 to:

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

A copy of the above Application will be hand-delivered this same date to:

Ernest Johnson, Director

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
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STATE OF ARIZONA

Office of the

CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Michael P. Kearns, Interim Executive Director of the Arizona Corporation Commission, do hereby certify that

******SAHUARITA WATER COMPANY, L.L.C.******

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 30th day of December 1996.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 13th Day of July, 2009, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
* 1912 *

Interim Executive Director

Order Number: 370420

Exhibit A-2
Thomas J. Bourassa

Prepared Direct Testimony on Rate Base, Income Statement and Rate Design

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A2
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	)	DOCKET NO. W-03718A-09-____ PREPARED TESTIMONY

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

(RATE BASE, INCOME STATEMENT, RATE DESIGN)

July 13, 2009

Table of Contents

I. INTRODUCTION AND QUALIFICATIONS 1

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF 2

III. SUMMARY OF A, E AND F SCHEDULES 4

IV. RATE BASE (B SCHEDULES) 6

V. INCOME STATEMENT (C SCHEDULES) 10

VI. Cost of Service Study (G Schedules) 17

VII. RATE DESIGN (H SCHEDULES) 30

A. Present and Proposed Rates 30

B. Miscellaneous Charges 34

C. Hook-up Fees 35

D. Central Arizona Ground Water Replenishment District (CAGRD) Fees 35

E. Arsenic Cost Recovery Surcharge Mechanism (ACRSM) 36

F. Accounting Order to Defer Arsenic Media Costs for Future Consideration in a Rate Case 39

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?

A2. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q3. PLEASE BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE.

A3. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of numerous water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission"). I have also prepared supporting documentation for CC&N and financing applications. A copy of my work summary is attached.

Q4. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A4. I am testifying in this proceeding on behalf of the applicant, Sahuarita Water

Company, L.L.C. ("SWC" or the "Company"). SWC is seeking increases in its rates and charges for water utility service in its certificated service area, which area is located in Pima County, Arizona.

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF

Q5. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A5. I will testify in support of the Company's proposed adjustments to its current rates and charges for water utility service. I am sponsoring the direct schedules, which are being filed concurrently herewith in support of the Company's application. I was responsible for the preparation of these schedules based on my investigation and review of SWC's relevant books and records.

For the convenience of the Commission and the parties, my direct testimony is being filed in two (2) separate volumes in this case, with relevant schedules attached to each volume. In this volume of my direct testimony, I address the rate bases, income statements (revenue and operating expenses), required increase in revenue, rate design and proposed rates and charges for water service. Schedules A through C, E-F, G and H are attached hereto in that regard. The Company also has prepared a cost of service study (G schedules) for use in this proceeding.

Q6. WHY WAS IT APPROPRIATE TO PREPARE A COST OF SERVICE STUDY?

A6. To support the Company's proposed rate design. As I will discuss, the Company's current rate design is a two-tier design with the same break-over point for all meter sizes and classes. The Company's proposed rate design is a three-tier design for 1 inch and smaller residential meters and a two-tier design for all other meter sizes and classes.

Q7. WHAT IS ADDRESSED IN THE SECOND VOLUME OF YOUR DIRECT TESTIMONY?

A7. In the second volume of my direct testimony, to which the D schedules are attached, I address cost of capital. SWC is requesting a return on common equity of 12.0 percent. As shown on Schedule D-1, the Company's test period capital structure for ratemaking purposes consists of 100 percent equity and 0 percent debt. The weighted cost of capital is therefore 12.0 percent.

Q8. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A8. The Company is seeking increases in its rates and charges based on a test year ending December 31, 2008. The Company is requesting a 12.0 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base and test period, expenses and revenues. These pro forma adjustments are consistent with normal ratemaking practices and are contemplated by the Commission's rules and regulations governing rate applications. *See* R14-2-103. These adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's fair value rate base is $7,418,409. The increase in revenues to provide for recovery of operating expenses and a 12.0 percent return on rate base is approximately $1,162,216, or an increase of approximately 52.47 percent over the adjusted and annualized test year revenues.

Q9. WHY IS THE COMPANY FILING FOR RATE INCREASES AT THIS TIME?

A9. This is the first permanent rate case for SWC. The Company's predecessor-in-interest received its original Certificate of Convenience and Necessity ("CC&N") in 1995 (Decision 59431, December 28, 1995) and began serving customers in 2000. The projections of plant investment, customer growth, and revenue and expenses upon which SWC's initial rates were set were made over 14 years ago.

Since that time SWC's customer base has grown to nearly 4,700 customers and SWC has made substantial investments in plant and equipment to serve that growth. As one would expect, operating expenses have also substantially increased. Revenues from SWC's initial rates have not kept pace with operating expenses. As a consequence, the Company's current rate of return, based on the adjusted test year data, is 2.3 percent. At this time rate increases are necessary to ensure that SWC recovers its reasonable operating expenses and has an adequate opportunity to earn a fair and reasonable return on the fair value of its utility plant and property devoted to public service.

III. SUMMARY OF A, E AND F SCHEDULES.

Q10. MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A10. The A-1 Schedule is a summary of the rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the required increase in gross revenue. A 12.0 percent return on FVRB is requested. The necessary increase in the revenue requirement is $1,162,216. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains the Company's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction, and plant in service for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the Company's changes in financial position (cash flow) for the prior two years, the test year at present rates, and a

projected year at present and proposed rates.

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data for the years 2006, 2007, and 2008, ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2006, 2007, and 2008, ending on December 31.

Schedule E-3 contains the statements of changes in the Company's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains the Company's plant in service at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2006, 2007, and 2008, ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements. The Company does not prepare audited financial statements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-4 shows the Company's projected construction requirements for the years 2009, 2010, and 2011.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

IV. RATE BASE (B SCHEDULES).

Q11. PLEASE EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A11. I will start with Schedule B-5, which is the working capital allowance. Because SWC is a small water utility, I used the "formula method" of computing the working capital allowance to reduce costs. The Company is not requesting a working capital allowance.

Q12. WHY DIDN'T THE COMPANY PREPARE A LEAD-LAG STUDY AND USE THE RESULTS OF THAT STUDY TO COMPUTE CASH WORKING CAPITAL?

A12. Because the costs to prepare a lead-lag study outweigh the benefits. By way of illustration, in a recent case for Chaparral City Water Company (W-02113A-07-0551), the Residential Utility Consumer Office prepared a lead-lag study and computed a negative $111,000 of cash working capital. SWC is much smaller sized in terms of the level of expenses. As a comparison, Chaparral City had adjusted operating expenses of approximately $5 million and SWC's adjusted operating expenses (excluding depreciation) in the instant case are approximately $1.45 million – or less than one-third of Chaparral City's operating expenses. Let's assume for argument's sake that a lead-lag study would produce negative cash working capital of approximately $33,000 ($111,000 divided by 3.4). Net working capital for SWC would be a positive $73,567 consisting of $103,909 of materials and supplies plus $2,658 of prepaid expenses (found on the E-1 schedule), plus a negative $33,000 of cash working capital. If the $73,567 were to be included in rate base, the impact on the revenue requirement would be a

positive $14,300 ($73,567 times 12.0 percent return times the tax factor of 1.6286). Against that analytical background, I would argue for the inclusion of rate case expense in prepaid expenses or alternatively using rate case expense in the computation of lead-lag days in the study, both approaches would lead to a much higher positive working capital.

However, in the meantime, the Company would have incurred $10,000 just to have the lead-lag study prepared. Plus, the Company could easily incur more than $15,000 defending its working capital calculation, all of which increases rate case expense. Accordingly, the Company concluded a lead-lag study in the context of the current application did not make economic sense.

Q13. PLEASE CONTINUE.

A13. The Company also did not prepare Schedules B-3 and B-4. In a future effort to limit the issues in dispute and reduce rate case expense, SWC is requesting that its original cost rate base ("OCRB") be used as its FVRB.

Q14. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE TEST PERIOD ORIGINAL COST RATE BASE?

A14. Yes. Schedule B-2 shows adjustments to the OCRB cost rate base proposed by the Company. Schedule B-2, pages 2 through 6, provides the supporting information.

Adjustment number 1, as shown on Schedule B-2, page 3, adjusts plant-in-service to reflect the Company's proposed revenue-neutral post-test year plant.

Q15. WHAT DOES THE COMPANY'S PROPOSED POST-TEST YEAR PLANT CONSIST OF?

A15. The costs of Well #23. As discussed by Mr. Seamans, this is a well that is needed in order to comply with Arizona Department of Environmental Quality ("ADEQ") regulations, and it is also needed to enable SWC to continue providing ongoing adequate and reliable service to the test year-end level of customers. *See* Direct

Testimony of Mark Seamans.

Q16. HAS THE COMMISSION ALLOWED POST TEST YEAR PLANT IN THE PAST?

A16. Yes. *See, e.g., Chaparral City Water Company*, Decision No. 68176 (Sept. 30, 2005); *Rio Rico Utilities, Inc.*, Decision No. 67279 (October 5, 2004); *Arizona Water Company—Eastern Group*, Decision No. 66489 March 19, 2004); *Bella Vista Water Company*, Decision No. 65350 (Nov. 1, 2002); *Arizona Water Company—Northern Group*, Decision No. 64282 December 28, 2001); *Paradise Valley Water Company*, Decision No. 61831 (July 20, 1999); *Far West Water Company*, Decision No. 60437 (September 29, 1997). While this Commission utilizes the historic test year as a starting point, the rules expressly permit, and the Commission has repeatedly allowed, pro forma adjustments, including post-test year plant, in order ensure a proper matching of plant to test year customers and to more accurately reflect reality during the period the rates will be in effect.

Q17. WHAT CRITERIA FOR INCLUSION OF POST-TEST YEAR PLANT CAN BE FOUND, IF ANY, IN RECENT COMMISSION DECISIONS?

A17. In the decisions mentioned previously, the Commission approved the inclusion of post test year plant in rate base because (i) the plant was revenue neutral (i.e., providing service to customers at end of test year), and (ii) it has been completed and placed into service a reasonable time before the hearing. so that it could be inspected and audited.

Q18. DOES THE POST-TEST YEAR PLANT PROPOSED BY THE COMPANY MEET THESE CRITERIA?

A18. Yes. Well #23 is necessary to serve the test year-end number of customers and is revenue neutral. In addition, it will be placed into service in sufficient time for the Commission's Staff to inspect the plant and audit the costs.

Q19. IF WELL #23 IS NOT YET COMPLETED AND PLACED INTO SERIVCE, WHAT COSTS HAVE YOU PROFORMED INTO THE RATE BASE FOR THIS PROJECT?

A19. As of the time of this filing, the Company has incurred actual costs of $1,444,270 and expects to incur an additional $400,000 to complete the project for a total of $1,844,270. If actual costs turn out to be higher (or lower) the Company will adjust its proposal accordingly.

Q20. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE RATE BASE SCHEDULES.

A20. Adjustment number 2, as shown on Schedule B-2, page 4, adjusts accumulated depreciation to reflect the re-computed amounts per the Company's B-2 plant schedule. Reconciliation to the starting balances for plant-in-service and accumulated depreciation are shown on Schedule B-2, pages 3.6 and 3.7. Plant additions and retirements since the beginning of operations of the Company have been added to and deducted from total plant shown on Schedule B-2, pages 3.1 to 3.10. Pages 3.1 to 3.12 of the schedule show the details for the accumulated depreciation through the end of the test year using the half-year convention for depreciation.

Adjustment number 3 increases deferred income taxes. The Company's computation is based on the adjusted plant-in-service, accumulated depreciation, and Contributions In-Aid-of Construction ("CIAC") in the instant case and the tax basis of its assets using the tax rate found on Schedule C-3.

Q21. THE COMPANY IS A LIMITED LIABILITY COMPANY WHICH DOES NOT PAY INCOME TAXES. DO LIMITED LIABILITY COMPANIES NORMALLY RECORD DEFERRED INCOME TAXES?

A21. No. Limited liability companies ("LLC's") are tax pass-through entities and the

members pay income taxes. However, for rate making purposes, the Company is proposing deferred income taxes to be consistent with its proposal to include SWC's income tax expense in operating expenses and to insure a proper match of rate base, revenue and expenses. I will discuss why inclusion of income taxes for rate making purposes is appropriate later in the testimony.

Q22. PLEASE CONTINUE WITH YOUR TESTIMONY REGARDING THE RATE BASE SCHEDULES.

A22. Adjustment number 4, labeled as 4a and 4b, adjusts CIAC and amortization based on additional CIAC recorded since the since the Company began operations.

Q23. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON SCHEDULE A-1 DETERMINED?

A23. As previously stated, the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the current reconstruction cost new values of the Company's plant and property.

V. INCOME STATEMENT (C SCHEDULES).

Q24. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME STATEMENT, AS SHOWN ON SCHEDULES C-1 AND C-2.

A24. Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates are account-specific rates based on the Commission Staff's typical and customary depreciation rates.

Adjustment 2 increases the property taxes based on proposed revenues. The Company has recognized the reduction in the assessment ratio contained in A.R.S. § 42-15001, entitled "Assessed Valuation of Class One Property"). By law, the assessment ratio will be reduced through tax year 2011 to 20 percent. The Company has proposed a two-year reduction in the assessment ratio or a reduction

from the 23 percent employed for the 2008 property tax year to 20 percent for 2011 property tax year.

Q25. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED RATES?

A25. To determine full cash value, I used the method employed by the Arizona Department of Revenue - Centrally Valued Properties ("ADOR" or "the Department"). This method determines full cash value by using twice the average of three years of revenue, plus an addition for construction work in progress ("CWIP") and a deduction for the book value of transportation equipment. In the instant case, I used two times the adjusted revenues for the year end December 31, 2008, and one year of revenues at proposed rates. The assessed value (20 percent of full cash value) was then multiplied by the property tax rate to determined adjusted property tax expense.

Q26. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?

A26. Yes. See *e.g.*, *Chaparral City Water Company*, Decision No. 68176 at 13, *Rio Rico Utilities*, Decision No. 67279 at 8; *Arizona Water Company*, Decision No. 64282 at 12-13; *Bella Vista Water Company*, Decision No. 65350 at 16; *Arizona-American Water Company*, Decision No. 67093 at 9-10; *Black Mountain Sewer Company*, Decision 69164 at 10-11.

Q27. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH REVENUES PROPER RATE MAKING?

A27. Yes. Like income taxes, property taxes must be adjusted to ensure that the new rates are sufficient to produce the authorized return on fair value rate base. For this reason, the Commission has repeatedly approved the use of proposed revenues to determine an appropriate level of property tax expense to be recovered through rates.

To further eliminate issues, I used the methodology approved by the Commission in an Arizona-American Water Company rate case, Decision No. 67093 (June 30, 2004), where two years of adjusted test year revenues and one year of proposed revenues were used to determine full cash value. In that decision, the Commission concluded:

> "Staff calculated property taxes using its proposed adjusted test year revenues twice and its recommended revenues once to calculate a three year average of revenues. We agree with Staff that using only historical revenues to calculate property taxes to include in the cost of service fails to capture the effects of future revenue from new rates, and can result in an understatement or overstatement of property tax expense." Decision No. 67093 at 9-10.

Q28. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A28. Adjustment 3 shows the rate case expense. The Company estimates rate case expense of $225,000 to be recovered over three years because it believes a three-year cycle for future rate cases is reasonable given this utility's circumstances.

Q29. HASN'T IT BEEN OVER 14 YEARS SINCE INTITIAL RATES WERE SET?

A29. Yes. However. the Company expects to file rate case more often. A primary factor for filing a case in the next three years is the fact that the Company's arsenic treatment facility costs are excluded from rate base proposed in the instant case. While the Company is proposing debt service recovery through a surcharge, the costs that exceed the debt funding are being excluded from rate base, and all of the arsenic operating and maintenance costs and depreciation expense are also excluded as operating expenses in this case. More specifically, SWC is funding the construction of the arsenic treatment facility and related transmission mains

with a $4,694,253 loan from the Water Infrastructure Financing Authority of Arizona ("WIFA"). Because of SWC's timely application for access to "federal stimulus" funds under the auspices of the 2009 American Recovery and Reconstruction Act ("ARRA") WIFA is in a position to not require repayment of $1,877,809 of the aforesaid principal amount of the loan SWC is obtaining from WIFA. This treatment is referred to as "principal forgiveness." Thus, SWC will be paying interest on only $2,816,222 of the WIFA loan principal, that is, the difference between $4,694,253, and the aforesaid $1,877,809 amount of the forgiven principal. It will not pay any interest on the forgiven principal itself; and, that interest which SWC does pay would be recovered through the Arsenic Cost Recovery Surcharge Mechanism ("ACRSM") the Company is proposing in this case. However, SWC will incur future operating and maintenance expense and depreciation expense for the entirety of the capital facilities constructed with the $4,694,253 WIFA loan, not just the $2,816,444 portion which is not being accorded "principal forgiveness" treatment.

Q30. WHY DO YOU BELIEVE $225,000 IS A REASONABLE ESTIMATE FOR RATE CASE EXPENSE IN THIS INSTANCE?

A30. By way of comparison, Black Mountain Sewer was authorized $150,000 rate case expense (Decision 68164, December 5, 2006). Black Mountain Sewer incurred actual rate case far exceeding the amounts it was authorized and, considering SWC is approximately 2.5 times larger (in terms of customer base) than Black Mountain Sewer, the estimate of $225,000 is significantly less than the amount likely to be incurred and represents a reasonable estimate at this time.

However, this is an estimate based on my experience. But I can only consider what is currently foreseeable. Given SWC's good customer service history, and its conscious effort to limit and clearly define issues, SWC currently

does not anticipate many, if any, intervenors or a protracted rate proceeding. If things turn to be out more complicated than anticipated, the Company will modify its request to account for that the resulting increased rate case expense. Conversely, if the case proceeds smoothly and rate case expense is lower than expected, SWC would propose an appropriate downward adjustment.

Q31. SHOULDN'T THE COMPANY'S EQUITY HOLDERS BEAR SOME OF THE BURDEN OF RATE CASE EXPENSE?

A31. As a practical matter, they always do. My estimate of $225.000 assumes SWC will actually incur a higher amount of total rate case expense. I would also agree that if the utility does something improper, or advances positions in bad-faith, it should shoulder the burden of such actions. But, the Commission dictates the process, not the utility, and absent such "improper action" or "bad faith" circumstances, which are not present in this case, the utility should be allowed to recover its reasonably incurred rate case expense.

Q32. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.

A32. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization was based on the number of customers at the end of the test year, compared to the actual number of customers during each month of the test year. Average revenues by month were computed for the test year. The average revenues were then multiplied by the increase (or decrease) in number of customers for each month of the test year.

Adjustment number 5 (labeled as 5a and 5b) reclasses power cost reimbursement revenues received from the Town of Sahuarita under a well sharing agreement from metered revenues to purchased power expense. The net impact of this adjustment is zero as both revenues and expenses are reduced equally.

Adjustment number 6 increases purchased power expense to reflect recent rate increases from Tucson Electric Power Company.

Adjustment 7 annualizes purchased power expense based on the additional gallons treated from annualizing revenues to the year-end number of customers. This adjustment takes into consideration increases in purchased power expense reflected in Adjustment 5.

Adjustment 8 annualizes chemicals expense based on the additional gallons treated from annualizing revenues to the year-end number of customers.

Adjustment 9 removes Central Arizona Ground Water Replenishment District ("CAGRD") fees incurred during the test year from purchased water expense. SWC is proposing that these fees be treated as a pass-through to customers similar to sales and franchise taxes. Mr. Seamans discusses the reasons for the proposed pass-through treatment at length in his prepared Direct Testimony.

Adjustment 10 increases contractual services costs (management fees) for known and measurable changes to the allocated portions of operations, accounting and billing, and corporate overhead costs since the end of the test year. Specifically, the increase reflects known and measurable increased payroll costs for a Customer Service Manager hired after the end of the test year.

Q33. DO THE CONTRACTUAL COSTS THE COMPANY HAS RECORDED IN EXPENSE FOR THE TEST YEAR EXCLUDE ANY AFFILIATE PROFIT?

A33. Yes. The test year costs reflect actual costs.

Q34. THANK YOU. PLEASE CONTINUE.

A34. Adjustment 11 removes other income and expenses to eliminate their impact on income taxes.

Adjustment 12 reflects the change to incomes taxes at the effective tax rate

under proposed revenues.

Q35. ISN'T THE COMPANY A LIMITED LIABILITY COMPANY AND THUS A PASS-THOUGH TAX ENTITY?

A35. Yes. The taxable income is "passed-through" to the owner-members of the utility. Income taxes, while payable from the owner-members of the utility rather than the utility itself are directly attributable to the taxable income generated by the utility. Thus, it is only fair that the income taxes are recovered in rates. In fact, the situation is analogous to a subsidiary C-Corp utility of a parent holding company whose tax return is consolidated with the parent. The individual C-Corp utility does not file a separate tax return, yet this Commission has traditionally allowed income taxes of the utility to be computed on a stand-alone basis and included in the revenue requirement.

Q36. IS OPERATING INCOME FOR A UTILITY WHOSE LEGAL STATUS IS THAT OF A C-CORPORATION DETERMINED BY CONSIDERING THE IMPACT OF INCOME TAXES?

A36. Yes; and, pass-through entities like Limited Liability Companies ("LLC") or S-Corporations ("S-Corp") should be given the same treatment. Otherwise, for example, a 10 percent authorized return to an LLC or an S-Corp. does not have the same meaning as a 10 percent return to a C-Corporation - one is before tax and the other is after tax.

Rate making should be applied in a manner which produces reasonable and realistic results no matter what the legal form of the utility is. Inclusion or exclusion of income taxes should not be limited to a technical distinction, rather it should be based on whether it is fair and does not discriminate. The income taxes required to be paid by members of an LLC on a utility's income are inescapable business outlays that are directly attributable to the utility and are directly

comparable with similar taxes paid by C corporations. In fact, rate payers receive an unjustified windfall from the lower revenue requirement and operating income when income taxes are excluded.

Q37. WHAT TAX RATES HAVE YOU EMPLOYED?

A37. I employed individual tax rates in the computation of income taxes. As it turns out, the overall tax is somewhat less under that approach than the tax computed using corporate tax rates.

Q38. ARE INCOME TAXES SWC PROPOSES HIGHER THAN IF THE COMPANY WAS NOT A PASS-THROUGH ENTITY?

A38. No. In the instant case the computed taxes are somewhat lower.

Q39. ARE THESE ANY OTHER INCOME STATEMENT ADJUSTMENTS?

A39. No. There are no further adjustments to the Income Statement at this time.

VI. COST OF SERVICE STUDY (G SCHEDULES).

Q40. WHAT IS A COST OF SERVICE STUDY?

A40. A cost of service study is an analysis of the adequacy of water revenues and the revenue requirements to be met by the various classes of customers under both existing and proposed rates. The study begins with an allocation of utility plant and expenses into cost and asset functions which are then allocated to customer classifications. The study attempts to identify the costs resulting from meeting the customers' service requirements. Ideally, the revenues received from each customer class should equal the cost of providing service to that customer class. The cost to provide service includes the operating and maintenance expenses and the capital costs. Operating and maintenance expenses include the costs of operating the system and the costs of maintaining system facilities and equipment. Capital costs include investment-related cash requirements such as debt service, contributions to debt service reserves, and capital requirements not financed by

debt. Capital costs also include depreciation expense and either a return on rate base (for-profit utilities) or an operating margin (non-profit utilities) as well as incomes taxes and other taxes, if applicable.

Q41. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?

A41. Typically, the purpose of preparing a cost of service study is to offer guidance in setting the rates to be charged for utility service. The basic premise in establishing rates for the various classes of customers that are both adequate and equitable is that rates should reflect the cost of providing utility service. Generally speaking, regulators should set rates based on the cost of service. Put simply, this assures that the cost of providing service is allocated equitably among customers and customer classes. Cost-based rates also send an appropriate price signal to customers because the amount paid for service approximates the cost to provide the service. In other words, subsidies between customers are minimized.

There are many factors at play when rates are set which may result in rates which are not adequate and/or equitable between the various classes of customers. Non-economic factors may be into play when rates are set. For example, the regulatory body may favor subsidizing one class of customer by shifting costs to other classes of customers, or shifting revenues within one class of customer to subsidize certain members within that class. Lifeline or discounted rates, which are sometimes used to assist low-income customers in areas with high utility costs, are prime examples of subsidization of a class of customers by other customers. If possible, Lifeline or discounted rates should not apply to a whole customer class. If Lifeline or discounted rates are needed, they should be offered only to customers meeting some verifiable income test.

Another example is rate designs intended to encourage conservation. Conservation-based rates deviate from cost of service principles because larger

water users pay more than their cost of service. Inverted tier rates shift revenue recovery into the upper rate blocks in order to send a price signal to customers, regardless of the cost to serve those customers. This may be a desirable social policy, but these rates may also be regarded as unfair and discriminatory by larger water users on economic grounds.

Thus, public policy can have a significant impact on rate design. Accordingly, the Commission and its Staff should consider (i) the impact that these sorts of alternative rate designs have on other customers, and (ii) the extent to which such approaches deviate from cost-based rates, because such impact and deviation may result in inequities and, in extreme cases, cause customers to develop alternatives to service from the utility provider. In the end, the goal is for the Company to recover its demonstrated revenue requirement.

Q42. HOW IS YOUR COST OF SERVICE STUDY ORGANIZED?

A42. The Commission's standard filing requirements call for Schedules G-1 through G-7. I have also included Schedules G-8, G-9, and G-10. These schedules show cost-based rate designs which I will explain later in this testimony.

G Schedules with higher numbers, i.e., 5, 6 and 7 contain the allocation factors and actual allocations to functions. These functions are then carried forward to the summary G schedules 1, 2, 3 and 4, which allocate expenses and plant (by function) to classes of customers (by meter size).

I will start my analysis using Schedule G-7 and end with Schedules G-2 and G-1. I will then describe Schedules G-8 and G-9.

Q43. WHAT IS A "FUNCTION" IN THIS CONTEXT?

A43. Functions refer to the plant and the expenses needed to get the water (the commodity) from the source (well or surface water) to the customer. The functions are commodity, demand, customer, meter, and service.

Commodity refers to the actual volume of water delivered. The commodity function is used to derive the commodity rate or the rate charged per unit of measurement, i.e., 1,000 gallons of water. Demand refers to how the water system is sized to deliver the water, which is normally determined by total customers and fire flow requirements. Hence, the system is built to be able to deliver water (the commodity) to customers, as well as the demand placed on the water system when water is used to contain or fight a fire.

Customer, service, and meter functions are also used to develop the monthly minimum charged to each class of customer. The full cost of the demand function should also be included in the monthly minimum charge. However, the practice of the Commission's Staff has been to allocate a portion of the demand function to both the commodity rate and to the monthly minimum charge, and this has generally been adopted by the Commission in my experience. However, under this approach, unless that portion of the demand function included in the commodity rate is included in the first tier of the commodity rates, then conceivably there is a risk of under-recovery of demand function costs during periods of customer conservation, with a resultant under earning of the allowed return.

Demand, customer, service and meter functions refer to the delivery of the water from the Company's wells, surface sources or reservoirs through the transmission and distribution mains to the individual customer's premises. The costs associated with demand, customer, service and meter functions are incurred whether the customer uses 1,000 gallons or 1,000,000 gallons of water each month.

Fire protection assets (e.g., hydrants) and expenses associated with fire protection, including depreciation, should be allocated to the customer function because fire protection generally benefits all customers on the system. This has been the Commission's policy with regard to fire protection costs.

Q44. PLEASE DESCRIBE THE TYPE OF COST OF SERVICE STUDY YOU PREPARED TO SUPPORT THE PROPOSED RATES, AND PROVIDE A MORE DETAILED EXPLANATION OF THE FUNCTIONS YOU USED?

A44. I used the Commodity / Demand Method for the cost of service study. This method normally separates expenses and assets into three primary functions or components: commodity; demand; customer (with further breakdown of customer costs and plant into meter and service line).

Commodity costs are costs that tend to vary (change) with the production or output of water. These costs would consist primarily of power costs, chemicals, water treatment, purchased water, and other variable expenses. In this instance, I included a portion of the demand function into the commodity function, in order to reflect to Commission Staff's past practices.

Demand costs are capital and maintenance costs of facilities related to meeting the peak demand or peak usage requirements. The plant assets which cause the bulk of the demand cost are transmission and distribution mains.

Customer costs are those costs related to serving and/or having customers, without regard to the amount of water used. These costs would include meter reading, billing, customer accounting and collection, and the capital costs and maintenance costs related to the meters, services, and customer equipment such as meters, service lines, computers, office furniture, transportation equipment, etc.

Q45. AFTER COSTS ARE ALLOCATED TO FUNCTIONS, HOW ARE EXPENSES AND ASSETS THEN ALLOCATED TO THE INDIVIDUAL CLASSES OF CUSTOMERS?

A45. After the expenses and assets are allocated to the commodity, demand, customer, service, and meter functions, the values for the functions were then allocated to various customer classes. Customer classes are based on meter sizes on the

system.

Q46. DOES A COST OF SERVICE STUDY PROVIDE DATA TO DETERMINE HOW THE TIERED RATE DESIGN SHOULD BE SET?

A46. No. The cost of service study will provide the cost of the commodity, but it will not provide data on where rate tiers should be set. The tiers rates can be based on studying the usage by the customers.

Q47. PLEASE DESCRIBE AND EXPLAIN THE ALLOCATION FACTORS YOU USED AND THE SCHEDULES TO WHICH THEY PERTAIN.

A47. The allocations for the development of the class allocation factors are shown on Schedule G-7, pages 1 through 3.

The commodity allocation is based on the number of gallons of water used by customers on various sizes of meters, plus the gallons from the revenue annualization to year-end number of customers, divided by the total gallons of water sold (including gallons from the revenue annualization) during the test year. Thus, if 80,000,000 gallons of water were sold through the 5/8 inch meters, out of a total of 100,000,000 gallons of water sold by the water utility, this meter size would be allocated 80% of the commodity cost.

The demand allocation factor consists of the number of meters for each size of meter on the system, multiplied by the equivalent system weighting of each size of meter. The equivalent weighting is determined by the flow capacity of each meter. A 5/8 inch meter can flow 20 gallons per minute, while a 6 inch meter can flow 1,000 gallons per minute. Thus, one 6 inch meter is equivalent to approximately fifty 5/8 inch meters in terms of system flow capacity. The larger meters are restated into equivalent 5/8 meters to derive a monthly meter charge for the 5/8 inch meter. Then based on flow capacity, monthly minimums are developed for larger meters.

The customer allocation factor is the number of customers on each size meter. The allocation is based on total meters, not equivalent meters. It costs no more to read a 6 inch meter than a 5/8 inch meter, and it costs the same to issue a bill.

I computed the meter allocation factor by multiplying the number of meters times the most recent cost of installing a meter. Costs were used from the Commission Staff's Engineering memorandum originated by Marlin Scott, Jr., dated February 21, 2008. The dollar weighted value of meters is then divided by the total computed meter cost to derive the meter allocation factor for each class of customer.

The service line allocations were computed in the same manner as the meters. That is, I used the values listed on the Commission Staff's memorandum to derive a total value for the service lines. The allocation to each service line size was the result of dividing the dollar value of the service lines for each customer class by the total dollar value of the service lines.

Schedule G-7, page 2.1 lists the allocation factors for repairs and maintenance expense, contractual services, purchased power, purchased water, transportation, chemicals, water testing, and salaries and wages. Allocation factors for these expenses were determined by examining the causal relationships of each expense to the various functions, which may include an examination of the recorded amounts during the test year and the use of professional judgment.

The depreciation expense allocations shown on Schedule G-6, page 2, apply the allocation factors shown on Schedule G-7, page 2, times the depreciation expense for each plant asset. For the demand function for Wells, Mains, Water Treatment Equipment, and Pumping Equipment, I assumed an allocation factor of 90 percent. Ten percent of plant values and related depreciation expense for Wells,

Mains, Water Treatment Equipment, and Pumping Equipment was allocated to the commodity function.

The depreciation expense was computed with the Company's depreciation rates.

The operation and maintenance expense allocation to functions (commodity, demand, customer, service, and meter) are shown on Schedule G-6, page 1.

On Schedule G-5, page 2, I allocated net plant rather than gross plant, via deducting the accumulated depreciation from each plant asset.

I deducted Advances In-Aid-of Construction ("AIAC") and CIAC from the plant balances normally financed with AIAC and CIAC, which would be primarily transmission and distribution mains. I allocated the AIAC and CIAC to both the demand and commodity functions to be consistent with my allocation of the transmission and distribution mains. The allocations are shown on Schedule G-5, page 2.

Then I computed rate bases for each function (commodity, demand, customer, service and meter). The rate bases by function are shown on Schedule G-5, page 1.

Schedule G-4 allocates the commodity, demand, customer, service and meter expenses to meter sizes using the allocation factors developed on Schedule G-7, page 3.

Schedule G-3 allocates the rate bases for commodity, demand, customer, service, and meter to customer classes, which are meter sizes.

Schedules G-1 and G-2 derive the return on rate base by customer classes (meter sizes) at present and proposed rates, respectively. The returns on rate base (by customers class) are computed by dividing the operating income for each meter size by the rate base for that meter size.

Property taxes are allocated based on revenue, as this revenue is the main factor in the method used by the Arizona Department of Revenue to determine the full cash value of the utility.

Income Taxes are allocated based on taxable income on Schedules G-1 and G-2.

Q48. DID YOU PREPARE SCHEDULES SHOWING RATE DESIGNS BASED ON THE COST OF SERVICE STUDY?

A48. Yes. Cost-based monthly minimums and commodity rates are shown on Schedule G-8.

Q49. PLEASE DISCUSS SCHEDULE G-8.

A49. Schedule G-8 computes the cost-based monthly minimums for each meter size and the commodity rates. On Schedule G-8, in the monthly minimums for each size meter, I have included all of the demand-related expenses and capital costs. The computed monthly minimum gives guidance on the rates that should be charged based upon a direct utilization of the cost of service study results, and regardless of customer water usage. As you will note, the proposed rates in the instant case as to monthly minimum charges on the H-3 schedule are noticeably below what the computed monthly minimums shown on Schedule G-8, page 3, because not all of the demand function included within the monthly minimum.

Conversely, the computed commodity rate is substantially below the proposed commodity rates on the H-3 schedule under both present and proposed rates, because the proposed commodity rates include a portion of the demand function. The disparity (computed cost vs. proposed rates) continues as you compare the proposed rates using two-tier or three-tier rates.

Q50. WHAT IS THE MONTHLY MINIMUM FOR A CUSTOMER ON A 5/8 INCH METER THAT YOU COMPUTED IN YOUR COST OF SERVICE

STUDY?

A50. The monthly minimum, with no water in that minimum, should be $45.47 when you include the full allocations for expenses and plant for the function of demand, customer, meter and service line.

Q51. HOW DOES THE COMPUTED MONTHLY MINIMUM CHARGE COMPARE TO THE COMPANY'S PROPOSED MONTHLY MINIMUM?

A51. The proposed monthly minimum for a 5/8 inch meter is $24.75, or approximately 54 percent of the computed monthly minimum of $45.47 as shown on Schedule G-8, page 3. Thus, the proposed monthly minimum is over $20 below the actual cost for the monthly minimum for the previously indicated reason.

Q52. WHAT IS THE COMPUTED COMMODITY CHARGE, WITHOUT REGARD TO TIERS, THAT WOULD BE DERIVED FROM YOUR COST OF SERVICE STUDY?

A52. The computed commodity rate is $1.0095 per 1,000 gallons of water from the cost of service study (Schedule G-8, page 3).

Q53. HOW DOES THE COMPUTED COMMODITY RATE COMPARE TO THE COMPANY'S PRESENT AND PROPOSED COMMODITY RATES?

A53. The commodity rate under present rates being charged is $2.05 per 1,000 gallons for the first 6,000 gallons and $2.75 per 1,000 gallons over 6,000 gallons. The first tier rate is approximately 2 times what it costs to produce the water. The second tier rate is approximately 2.7 times what it costs to produce the water.

The Company's proposed commodity rates are $3.34 for tier one, $4.29 for tier two, and $5.09 for tier three for the 5/8 inch, ¾ inch, and 1 inch residential meters. The proposed first tier rates are approximately 3.3 times the cost to produce the water. The proposed second tier rates are over 4.2 times the cost to produce the water while the proposed third tier rate is nearly 5.0 times the cost to

produce the water. Thus, the proposed first tier, second tier and third tier commodity rates are vastly overstated when compared to the actual cost to produce the water.

Q54. WHAT IS THE IMPACT OF SETTING THE MONTHLY MINIMUMS SUBSTANTIALLY BELOW COST?

A54. As previously indicated, it adds substantial risk of under earning the allowed return. Inverted multi-tiered rates designs as proposed in this case encourage conservation. If conservation is actually achieved, usage will decline and it will cause a substantial shortfall in the revenues the Company collects. That means that it will be impossible to actually achieve the authorized return. The Company's proposed design helps to mitigate some revenue instability by increasing the portion of revenues derived from the monthly minimums. However, since the monthly minimums do not fully cover the demand, customer, meter and service costs (the "fixed" costs in the cost of service), significant revenue instability still exists.

Q55. HAVE YOU ILLUSTRATED THIS IMPACT WITH SOME EXAMPLES?

A55. Yes. Schedule G-9 illustrates what happens when conservation is achieved. On Schedule G-9, page 1, I have constructed an illustration showing the profit or loss from proposed rates that is achieved for the 5/8 inch metered residential customer at increments of 1,000 gallons through 100,000 gallons of monthly usage. The cross-over point going from a loss to a profit is between 8,000 and 9,000 gallons and is substantially above the average usage for the 5/8 inch meter customer class of approximately 5,424 gallons.

On Schedule G-9, page 2, I have constructed an illustration showing the profit or loss from proposed rates that is achieved for the 3/4 inch metered residential customer at increments of 1,000 gallons through 100,000 gallons of monthly usage. The cross-over point going from a loss to a profit is between

10,000 and 12,000 gallons and is substantially above the average usage for the 3/4 inch metered residential customer class of approximately 6,164 gallons.

On Schedule G-9, page 3, I have constructed an illustration showing the profit or loss from proposed rates that is achieved for the 1 inch metered residential customer at increments of 1,000 gallons through 100,000 gallons of monthly usage. The cross-over point going from a loss to a profit is between 20,000 and 25,000 gallons and is substantially above the average usage for the 1 inch metered residential customer class of approximately 6,957 gallons.

As you can see, by pricing the monthly minimum substantially below cost and the commodity rate substantially above cost, the Company will under earn if water sales drop. Conversely, if water sales increase, there is the potential to over earn. However, in this particular case, since the average usage is well below the break-even point, the potential to over earn is far less likely than the potential to under earn.

Q56. WHAT ABOUT MOVING FROM A TWO-TIERED TO A THREE-TIERED RATE DESIGN, PARTICULARLY FOR THE SMALLER RESIDENTIAL METERS?

A56. That adds further risk of SWC prospectively being able to actually earn the allowed return. Under the proposed rate design, the monthly minimum is being substantially subsidized by the commodity rate. In other words, the Company must recover a large amount of fixed costs, through sales of water, which can vary based on weather, or conservation efforts. Any meaningful conservation by customers will substantially impact the Company's net income.

Q57. WHAT HAPPENS WHEN THE MONTHLY MINIMUMS AND COMMODITY RATES ARE NOT PRICED AT COST?

A57. Two things can happen. If customers don't conserve and usage increases rather

than decreases, the Company will over earn. If customers conserve, or just use less water due to more rainfall, the Company will under earn. If usage changes substantially, either up or down, the impacts I just referred to will be magnified.

Q58. BUT EVEN IF THE MONTHLY MINIMUMS AND COMMODITY RATES ARE PRICED AT COST, WOULDN'T THE COMPANY STILL OVER OR UNDER EARN IF CUSTOMERS USE MORE OR LESS WATER THAN HAS BEEN ASSUMED FOR RATEMAKING PURPOSES?

A58. Yes, but to a lesser lower extent.

Q59. WHAT SPECIAL CONSIDERATIONS HAVE YOU TAKEN INTO ACCOUNT IN THE COST OF SERVICE STUDY?

A59. The study takes into consideration the annualized gallons produced by annualizing revenues to the year-end level of customers.

Q60. WHAT IS THE RANGE OF THE RETURNS FOR THE VARIOUS METER SIZES AT PRESENT RATES?

A60. As shown on Schedule G-1, the returns vary substantially between the various meter sizes at present rates. The two largest customer classes, the 5/8 inch and ¾ inch provide the lowest returns under present rates. In fact, they are 0.55 percent and 1.64 percent, respectively. This implies that these classes of customers are not paying their respective cost of service and are in fact the largest cause of the overall deterioration to a 2.30 percent rate of return for the test year under present rates. Conversely, the larger sized meters, such as the 2 inch commercial and 3 inch commercial are providing returns of 22.74 percent and 10.83 percent, respectively. The 1 inch irrigation, 1½ inch irrigation and 2 inch irrigation are providing returns of 11.60 percent, 13.64 percent, and 21.89 percent, respectively. The greater returns for these meter sizes and customer classes indicate that they are subsidizing the 5/8 inch and 3/4 inch customer classes.

Q61. WHAT ARE THE RETURNS FOR THE VARIOUS METER SIZES AT PROPOSED RATES?

A61. As shown on Schedule G-2, the returns at proposed rates also vary substantially between the various meter sizes. While all the returns are positive, the 5/8 inch and ¾ inch customer classes provide returns below the 12.0 percent requested in the instant case at 9.50 percent and 10.27 percent, respectively. The larger-sized meters, such as the 1 inch commercial, 2 inch commercial, 3 inch commercial are providing much higher returns at 13.23 percent, 41.48 percent, and 23.15 percent, respectively. The 1 inch irrigation, 1½ inch irrigation and 2 inch irrigation are providing returns of 24.43 percent, 28.89 percent, and 42.07 percent, respectively. This indicates that the larger meter customer classes continue to subsidize the 5/8 inch and ¾ inch customer classes under proposed rates. However, consistent with the concept of gradualism, there is improvement in eliminating subsidization under the Company's proposed rates.

VII. RATE DESIGN (H SCHEDULES)

A. Present and Proposed Rates

Q62. WHAT ARE THE COMPANY'S PRESENT RATES

A62. The monthly charges at present rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 16.00	0
3/4	$ 25.00	0
1	$ 40.00	0
1 1 /2	$ 75.00	0
2	$ 120.00	0

3	$ 225.00	0
4	$ 375.00	0
6	$ 750.00	0

The commodity charges and tiers by meter size are:

Residential, Commercial, and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
All	1 to 6,000	$ 2.05
	6,000 and above	$ 2.75

Standpipe (Construction)

All Meter Sizes	All gallons	$4.50

Q63. WHAT ARE THE COMPANY'S PROPOSED RATES?

A63. The monthly charges at proposed rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 24.75	0
3/4	$ 37.13	0
1	$ 61.88	0
1 1 /2	$ 123.76	0
2	$ 198.02	0
3	$ 396.03	0
4	$ 618.80	0
6	$1,237.60	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8 Residential	1 to 4,000	$3.34
	4,001 to 10,000	$4.29
	Over 10,000	$5.09
3/4 Residential	1 to 6,000	$3.34
	6,001 to 9,000	$4.29
	Over 9,000	$5.09
1 Residential	1 to 10,000	$3.34
	10,001 to 25,000	$4.29
	Over 25,000	$5.09
5/8 and 3/4		
Commercial, Irrigation	1 to 10,000	$3.04
	Over 10,000	$3.99
1 Commercial, Irrigation	1 to 25,000	$3.04
	Over 25,000	$3.99
1 ½ Res., Com., Irr,	1 to 50,000	$3.04
	Over 50,000	$3.99
2 Res., Com., Irr.	1 to 80,000	$3.04
	Over 80,000	$3.99
3 Res., Com., Irr.	1 to 160,000	$3.04
	Over 160,000	$3.99
4 Res., Com., Irr.	1 to 250,000	$3.04
	Over 250,000	$3.99
6 Res., Com., Irr.	1 to 500,000	$3.04
	Over 500,000	$3.99

Standpipe (Construction)

All Meter Sizes	All gallons	$5.00

Q64. HAS THE COMPANY PROPOSED A CHANGE IN THE RATE DESIGN IN ITS PROPOSED RATES?

A64. Yes. The current rate design is a two-tier design with one break-over point of 6,000 gallons for all meter sizes. The Company has proposed a three-tier rate design for residential 5/8 inch, ¾ inch, and 1 inch residential meters and a two-tier rate design for commercial, industrial and irrigation meters from 5/8 inch up to 6 inch. This rate design is similar to the Commission Staff's recommended rate designs in recent cases.

For the 5/8 inch and ¾ inch residential meters, the first break-over point is 4,000 gallons. The second break-over point is 10,000 gallons, or 2 ½ times the first tier break-over point. For the 3/4 inch residential meters, the first break-over point is 6,000. The second break-over point is 15,000, or 2 ½ times the first tier break-over point.

For the 5/8 inch commercial and irrigation meters, the break over point is 10,000 gallons. The commercial and irrigation 3/4 inch and larger meter break-over points are scaled on the relative meter flows compared to a commercial 5/8 inch meter using the first break-over point of 10,000 gallons as the base. For example, the first break-over point for the commercial and irrigation ¾ inch meters, 1 inch meters, and 2 inch metes are 15,000 gallons, 25,000, and 80,000 gallons, respectively, based on the relative flows for the ¾ inch meter, 1 inch meter, and 2 inch meter compared to a 5/8 inch meter of 1.5, 2.5, and 8, respectively.

Q65. PLEASE EXPLAIN THE COMMODITY RATES FOR THE PROPOSED TWO TIER DESIGN OF THE COMMERCIAL AND IRRGIATION

METERS.

A65. The first tier commodity rate is 30 cents per thousand gallons below the first tier commodity rate for the residential 5/8 inch, ¾ inch, and 1 inch meters. The second tier commodity rate is 30 cent per thousand gallons below the second tier commodity rate for the residential 5/8 inch, ¾ inch, and 1 inch meters. Typically, the commodity rates for two tier designs employ the second tier commodity rates for the first tier and the third tier commodity rate for the second tier. The Company chose its rate design, rather than the typical design, to help eliminate at least some of the subsidization which would occur between the commercial and irrigation meters and the residential meters under the typical design. In other words, the residential metered customers are paying more of their fair share of the cost of service under the Company's rate design.

Q66. DOES THE COMPANY'S PROPOSED RATE DESIGN PROMOTE CONSERVATION?

A66. Yes. Inverted tier designs, like that proposed by the Company, promote conservation.

Q67. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON AN AVERAGE 5/8 INCH METERED RESIDENTIAL CUSTOMER?

A67. The present monthly bill for a 5/8 inch metered residential customer using an average of 5,424 gallons is $27.12. The proposed monthly bill for a 5/8 inch metered residential customer using an average of 5,424 gallons would be $44.22, an increase of $17.10 or 63 percent compared to the present rates.

B. <u>Miscellaneous Charges</u>

Q68. ARE THERE ANY CHANGES TO THE MISCELLANOUES SERVICE CHARGES?

A68. No.

Q69. ARE THERE ANY CHANGES TO THE METER AND SERVICE LINE INSTALLATION CHARGES?

A69. Yes. The Company has proposed meter and service line charges based on the Commission Staff's recent memo on typical meter and service line charges.

C. <u>Hook-up Fees</u>

Q70. DOES THE COMPANY HAVE AN EXISTING OFF-SITE-FACILITIES HOOK-UP-FEE?

A70. Yes. The existing off-site facilities hook-up fee ("HUF") is used, and has been used, for off-site facilities to provide water production, delivery, storage and pressure to new service connections. The current HUF charges are shown on H-3, page 6. As shown, the current HUF for a 5/8 inch meter connection is $350. No change is proposed.

D. <u>Central Arizona Ground Water Replenishment District (CAGRD) Fees</u>

Q71. THE COMPANY IS PROPOSING THAT THE CAGRD FEES BE RECOVERED AS A PASS-THROUGH TO CUSTOMERS. PLEASE EXPLAIN HOW THE PER BILL AMOUNT WOULD BE COMPUTED?

A71. The Company proposes that the recovery be made through a commodity-based charge with an annual true-up. The commodity-based charge would be computed on a per 1,000 gallon basis and billed to customers based on their usage. Using 2008 figures, for example, the commodity-based charge would be $0.489 per 1,000 gallons, computed as follows:

[1] Total 2008 CAGRD fees	$114,619
[2] 2008 Gallons Sold (in 1,000's)	411,304
[3] CAGRD fee per 1,000 gallons ([1] divided by [2])	$ 0.279

The average 5/8 inch residential customer using 5,424 would pay $1.51 for its share of CAGRD fees (5.424 units times $0.279).

Obviously, going forward, the base gallons sold for computation of the current year charge would be the prior year gallons sold. To prevent over or under recovery of the CAGRD fees, an annual true-up would be performed. Any over or under recovery would be included in the next year's computation.

Q72. WHAT WOULD BE THE IMPACT OF THE PROPOSED RATES AND THE CAGRD COMMODITY FEE ABOVE ON THE AVERAGE ¾ INCH RESIDENTIAL CUSTOMER?

A72. As discussed above, the present monthly bill for a 5/8 inch metered residential customer using an average of 5,424 gallons is $27.12. The proposed monthly bill for a 3/4 inch metered residential customer using an average of 5,424 gallons including the CAGRD commodity fee will be $45.73 ($44.22 plus $1.51) – a increase of $18.61 or 69 percent compared to the present rates.

Q73. IS THERE ANY COMMISSION PRECEDENT FOR THE RECOVERY OF CAGRD FEES IN THIS MANNER?

A73. Such a proposal is currently pending before the Commission in a rate proceeding involving Johnson Utilities, as discussed by Mr. Seamans.

E. <u>Arsenic Cost Recovery Surcharge Mechanism (ACRSM)</u>

Q74. THE COMPANY IS PROPOSING THAT THE ANNUAL DEBT SERVICE ON THE WIFA LOAN FINANCING THE ARSENIC WATER TREATMENT FACILITIES BE RECOVERED THROUGH A SURCHARGE. PLEASE EXPLAIN HOW THE SURCHARGE MECHANISM WOULD WORK AND HOW THE SURCHARGE WOULD BE COMPUTED?

A74. By way of background, in Decision 70984, dated May 5, 2009, the Commission authorized SWC to borrow up to $4,694,523 of long-term debt from WIFA to help

fund its new arsenic water treatment plant.[1] The Decision contemplates that 40 percent of the loan, or approximately $1.88 million, would be treated as forgivable principal upon the Company's compliance with the requirements of ARRA. Ultimately, if the Company receives the principal forgiveness treatment, the loan will net to approximately $2.82 million. In addition to my previous comments in this testimony, Mr. Seamans discusses the WIFA financing and need for arsenic water treatment in his prepared Direct Testimony.

The ACRSM proposed by the Company provides a framework for establishing a surcharge to service debt and related income tax expense associated with the arsenic treatment facilities currently under construction. Included in Attachment A to this testimony is the proposed methodology to calculate the incremental revenue needed to meet the interest, principal and incremental income tax obligations associated with the WIFA loan as well as to calculate the monthly surcharge per customer. The mechanism is similar to debt recovery surcharge mechanisms approved by the Commission in past cases. *e.g. Valley Utilities Water Company*, Decision 68309, dated Nov. 14, 2005; *Mountain Glen Water Service, Inc.*, Decision 76163 dated Aug. 10, 2003; and *Las Quintas Serenas Water Company, Inc.*, Decision 68718 dated March 22, 2007.

Q75. BASED ON THE PROPOSED METHODOLOGY, WHAT WOULD BE MONTHLY IMPACT PER CUSTOMER, ASSUMING A NET INTEREST-BEARING LOAN OF $2.82 MILLION, AN INTEREST RATE OF 4.2 PERCENT, AND A TERM OF 20 YEARS.

A75. The month surcharge will be $4.79 per customer. The computations are shown in Attachment B to this testimony.

[1] Expected subsidized interest rate of 4.2 percent and term of 20 years.

Q76. IS THE COMPANY PROPOSING THE ACRSM INSTEAD OF PROPOSING THE ARSENIC TREATMENT PLANT BE TREATED AS POST TEST YEAR PLANT AND INCLUDED IN RATE BASE IN THE INSTANT CASE?

A76. Yes. If the Commission determines the ACRSM is not appropriate in this case, the Company will alternatively propose the cost of the arsenic treatment plant be included in rate base and depreciation be included in operating expenses (return of and on the arsenic treatment plant). Under its ACRSM proposal, the Company would not get consideration of the full recognition of the cost of the arsenic water treatment plant in rate base and depreciation in operating expenses until its next rate proceeding -presumably several years from the final decision in the instant case. In addition, at the time of its next rate case, the Company will have known and measurable arsenic operating and maintenance expenses which will receive also consideration. At the present time, as Mr. Seamans indicates in his prepared Direct Testimony, the Company estimates that its annual arsenic operating and maintenance expenses will be $150,000.

Q77. IS THE DEBT SURCHARGE APPROACH LESS COSTLY TO RATE PAYERS THAN INCLUSION IN RATE BASE IN THE INSTANT CASE?

A77. Yes. As shown in Attachment B, the annual debt surcharge computes to approximately $268,000. If the Company were to include the arsenic water treatment plant costs in rate base and propose recovery of depreciation expense in operating expenses in the instant case, the incremental impact on the revenue requirement would be approximately $625,000 ($2.82 million times 10.66%[2] times income tax factor of 1.61 plus depreciation on $2.82 million at 5%

[2] Weighted cost of capital with debt in capital structure is 10.66 percent. *See* Schedule D-1 for projected year.

depreciation rate or $141,000). As shown, the annual savings to rate payers is $357,000 ($625,000 minus $268,000).

Q78. HOW WOULD THE ACRSM BE IMPLEMENTED?

A78. Under the Company's proposed ACRSM, the Company would be required to make a separate filing for Commission consideration before a surcharge becomes effective. Presumably, the Company would make this filing after the Company closes its loan with WIFA and the final net loan amount and annual debt service is known and measurable. The Company would follow the same methodology presented in Attachment A to this testimony to calculate the incremental revenue needed to meet its interest, principal and incremental income tax obligations on the WIFA loan using actual loan amounts and use the result to develop its ACRSM tariff application.

F. <u>Accounting Order to Defer Arsenic Media Costs for Future Consideration in a Rate Case</u>

Q79. IS THE COMPANY REQUESTING AN ACCOUNTING ORDER TO ALLOW THE COMPANY TO DEFER ARSENIC MEDIA REGENERATION COSTS FOR CONSIDERATION IN A FUTURE RATE CASE?

A79. Yes. Arsenic media regeneration is very costly. For the Company's particular arsenic treatment technology, media regeneration is projected to cost nearly $124,000. Further, media is expected to last from 12-15 months, which would require significant capital outlays between the instant case and the next rate case. Rate payers directly benefit from these costs and consideration for future recovery should be allowed. The Company is requesting an accounting order authorizing it accumulate these costs for future consideration in a rate case.

Q80. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A80. Yes.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 7,418,409
2		
3	Adjusted Operating Income	170,618
4		
5	Current Rate of Return	2.30%
6		
7	Required Operating Income	$ 890,209
8		
9	Required Rate of Return on Fair Value Rate Base	12.00%
10		
11	Operating Income Deficiency	$ 719,591
12		
13	Gross Revenue Conversion Factor	1.6151
14		
15	Increase in Gross Revenue Revenue Requirement	1,162,216
16		
17	Adjusted Test Year Revenues	$ 2,215,143
18	Increase in Gross Revenue Revenue Requirement	$ 1,162,216
19	Proposed Revenue Requirement	$ 3,377,358
20	% Increase	52.47%
21		

22	Customer		Present	Proposed	Dollar	Percent
23	Classification		Rates	Rates	Increase	Increase
24	5/8 Inch	Residential	$ 1,314,948	$ 2,126,253	$ 811,304	61.70%
25	3/4 Inch	Residential	197,019	301,935	104,917	53.25%
26	1 Inch	Residential	34,678	53,393	18,715	53.97%
27		**Subtotal**	$ 1,546,644	$ 2,481,581	$ 934,937	60.45%
28						
29	1 Inch	Commercial	$ 899	$ 1,314	$ 415	46.22%
30	2 Inch	Commercial	75,830	107,093	31,264	41.23%
31	3 Inch	Commercial	6,502	9,044	2,541	39.08%
32		**Subtotal**	$ 83,231	$ 117,451	$ 34,220	41.11%
33						
34	1 Inch	Public Authority	$ 761	$ 1,095	$ 334	43.88%
35	2 Inch	Public Authority	13,833	21,916	8,082	58.43%
36		**Subtotal**	$ 14,595	$ 23,011	$ 8,416	57.67%
37						
38	5/8 Inch	Irrigation	$ 22,472	$ 32,618	$ 10,146	45.15%
39	3/4 Inch	Irrigation	4,820	6,841	2,021	41.92%
40	1 Inch	Irrigation	51,943	73,097	21,155	40.73%
41	1.5 Inch	Irrigation	22,010	31,470	9,460	42.98%
42	2 Inch	Irrigation	243,475	344,941	101,466	41.67%
43	3 Inch	Irrigation	1,175	1,766	590	50.23%
44		**Subtotal**	$ 345,895	$ 490,733	$ 144,837	41.87%
45						
46	3 Inch	Construction	$ 27,266	$ 39,933	$ 12,668	46.46%
47						
48	**Subtotal Revenues before Annualization**		$ 2,017,631	$ 3,152,709	$ 1,135,078	56.26%
49	**Revenue Annualization**		42,639	68,228	25,589	60.01%
50	Other Water Revenues		157,242	157,242	-	0.00%
51	Reconciling Amount H-1 to C-1		(2,368)	(821)	1,547	-65.33%
52	**Total of Water Revenues**		$ 2,215,143	$ 3,377,358	$ 1,162,215	52.47%
53						

54 SUPPORTING SCHEDULES:
55 B-1
56 C-1
57 C-3
58 H-1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2006	Prior Years Ended 12/31/2007	Test Year Actual 12/31/2008	Test Year Adjusted 12/31/2008	Projected Year Present Rates 12/31/2009	Projected Year Proposed Rates 12/31/2009
1	Gross Revenues	$ 1,751,143	$ 1,986,564	$ 2,187,744	$ 2,215,143	$ 2,215,143	$ 3,377,358
2							
3	Revenue Deductions and	1,130,584	1,529,118	1,772,498	2,044,524	2,044,524	2,487,149
4	Operating Expenses						
5							
6	Operating Income	$ 620,559	$ 457,446	$ 415,246	$ 170,618	$ 170,618	$ 890,209
7							
8	Other Income and	39,151	(2,195)	9,544	-	-	-
9	Deductions						
10							
11	Interest Expense	-	-	(3,904)	-	-	-
12							
13	Net Income	$ 659,710	$ 455,251	$ 420,886	$ 170,618	$ 170,618	$ 890,209
14							
15	Earned Per Average						
16	Common Share	N/A	N/A	N/A	N/A	N/A	N/A
17							
18	Dividends Per						
19	Common Share	N/A	N/A	N/A	N/A	N/A	N/A
20							
21	Payout Ratio	N/A	N/A	N/A	N/A	N/A	N/A
22							
23	Return on Average						
24	Invested Capital	7.02%	2.64%	1.75%	0.67%	0.61%	3.20%
25							
26	Return on Year End						
27	Capital	6.04%	1.93%	1.71%	0.67%	0.56%	2.95%
28							
29	Return on Average						
30	Common Equity	27.97%	6.44%	3.44%	1.45%	1.33%	6.75%
31							
32	Return on Year End						
33	Common Equity	26.66%	3.90%	3.29%	1.44%	1.33%	6.56%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	-	-	106.36	-	-	-
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	-	-	108.81	-	-	-
41							
42							
43	SUPPORTING SCHEDULES						
44	C-1						
45	E-2						
46	F-1						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2006	Prior Years Ended 12/31/2007	Test Year 12/31/2008	Projected Year 12/31/2009
1					
2					
3	Short-term Debt	$ -	$ -	$ -	$ -
4					
5	Long-Term Debt	$ -	$ -	$ -	$ 2,814,523
6					
7	Total Debt	$ -	$ -	$ -	$ 2,814,523
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	6,331,394	15,946,721	12,688,539	13,578,748
12					
13					
14	Total Capital & Debt	$ 6,331,394	$ 15,946,721	$ 12,688,539	$ 16,393,271
15					
16					
17	Capitalization Ratios:				
18					
19	Short-term Debt	-	-	-	-
20					
21	Long-Term Debt	0.00%	0.00%	0.00%	17.17%
22					
23	Total Debt	0.00%	0.00%	0.00%	17.17%
24					
25	Preferred Stock	-	-	-	-
26					
27	Common Equity	100.00%	100.00%	100.00%	82.83%
28					
29					
30	Total Capital	100.00%	100.00%	100.00%	100.00%
31					
32	Weighted Cost of				
33	Short-Term Debt	0.00%	0.00%	0.00%	0.00%
34					
35	Weighted Cost of				
36	Long-Term Debt	0.00%	0.00%	0.00%	0.00%
37					
38	Weighted Cost of				
39	Senior Capital	0.00%	0.00%	0.00%	0.00%
40					
41					
42	SUPPORTING SCHEDULES:				
43	E-1				
44	D-1				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2006	Prior Year Ended 12/31/2007	Test Year Ended 12/31/2008	Projected Year Present Rates 12/31/2009	Projected Year Proposed Rates 12/31/2009
5	Cash Flows from Operating Activities					
6	Net Income	$ 689,415	$ 489,014	$ 539,305	$ 170,618	$ 890,209
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	165,488	341,881	503,454	610,853	610,853
10	Provision for Doubtful Accounts	(158,057)	307,360	2,344	-	-
11	Other	-	-	-	-	-
12	Changes in Certain Assets and Liabilities:					
13	Accounts Receivable	-	-	-	-	-
14	Accounts Receivable, Other	-	-	(19,809)	-	-
15	Materials and Supplies Inventory	2,255	(179)	(103,087)	-	-
16	Prepaid Expenses	-	-	(2,657)	-	-
17	Accounts Payable	33,369	(19,508)	(13,329)	-	-
18	Intercompany payable	122,715	(122,715)	-	-	-
19	Customer Deposits	(6,001)	20,383	47,279	-	-
20	Taxes Payable	36,382	(19,633)	(2,166)	-	-
21	Deferred Income Taxes	-	-	-	-	-
22	Other assets and liabilities	1,192	89,693	70,366	-	-
23	Net Cash Flow provided by Operating Activities	$ 886,758	$ 1,086,296	$ 1,021,700	$ 781,471	$ 1,501,062
24	Cash Flow From Investing Activities:					
25	Capital Expenditures	(1,849,559)	(10,056,955)	(1,697,583)	(5,389,816)	(5,389,816)
26	Plant Held for Future Use	-	-	-	-	-
27	Changes in Short-term Investments	-	-	-	-	-
28	Net Cash Flows from Investing Activities	$ (1,849,559)	$ (10,056,955)	$ (1,697,583)	$ (5,389,816)	$ (5,389,816)
29	Cash Flow From Financing Activities					
30	Change in Restricted Cash	-	-	-	-	-
31	Net Receipts of Advances-in-Aid of Contruction	1,422,620	3,232,918	(167,776)	(325,000)	(325,000)
32	Net Receipts of Contributions-in-Aid of Contruction	1,303,390	360,083	33,553	125,000	125,000
33	Repayments of Long-Term Debt	-	-	-	1,407,262	1,407,262
34	Dividends Paid	-	-	-	-	-
35	Deferred Financing Costs	-	-	-	-	-
36	Stock/Paid in Capital	(458,518)	8,695,536	591,566	-	-
37	Net Cash Flows Provided by Financing Activities	$ 2,267,492	$ 12,288,537	$ 457,343	$ 1,207,262	$ 1,207,262
38	Increase(decrease) in Cash and Cash Equivalents	1,304,691	3,317,878	(218,540)	(3,401,084)	(2,681,493)
39	Cash and Cash Equivalents at Beginning of Year	1,187,780	2,492,471	5,810,349	5,591,809	5,591,809
40	Cash and Cash Equivalents at End of Year	$ 2,492,471	$ 5,810,349	$ 5,591,809	$ 2,190,726	$ 2,910,317
41						
42						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 20,957,539	$ 20,957,539
3	Less: Accumulated Depreciation	1,680,847	1,680,847
4			
5	Net Utility Plant in Service	$ 19,276,691	$ 19,276,691
6			
7	Less:		
8	Advances in Aid of		
9	Construction	9,334,999	9,334,999
10	Contributions in Aid of		
11	Construction	2,436,455	2,436,455
12			
13	Accumulated Amortization of CIAC	(251,796)	(251,796)
14			
15			
16	Deferred Income Taxes & Credits	338,625	338,625
17			
18			
19			
20	Plus:		
21	Unamortized Debt Issuance		
22	Costs	-	-
23	Deferred Reg. Assets	-	-
24	Working capital	-	-
25			
26			
27			
28			
29	Total Rate Base	$ 7,418,409	$ 7,418,409
30			
31			
32			
33	SUPPORTING SCHEDULES:		RECAP SCHEDULES:
34	B-2		A-1
35	B-3		
36	B-5		
37	E-1		
38			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment Amount	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 19,113,269	1,844,270	$ 20,957,539
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,905,271	(224,424)	1,680,847
7				
8				
9	Net Utility Plant			
10	in Service	$ 17,207,998		$ 19,276,691
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	9,334,999	-	9,334,999
15				
16	Contributions in Aid of			
17	Construction	2,436,452	3	2,436,455
18				
19	Accumulated Amort of CIAC	(238,862)	(12,934)	(251,796)
20				
21				
22	Deferred Income Taxes & Credits	-	338,625	338,625
23				
24				
25				
26	**Plus:**			
27	Unamortized Debt Issuance			
28	Costs	-		-
29	Deferred Reg. Assets	-	-	-
30	Working capital	-	-	-
31				
32				
33				
34				
35	Total	$ 5,675,409		$ 7,418,409
36				
37				
38				
39	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
40	B-2, pages 2			B-1
41	E-1			
42				
43				
44				
45				
46				
47				
48				

Sahuarita Water Company, LLC
Test Year Ended September 30, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant	2 Accumulated Depr.	3 DIT	4 CIAC	Adjusted at end of Test Year
1	Gross Utility						
2	Plant in Service	$ 19,113,269	1,844,270				$ 20,957,539
3							
4	**Less:**						
5	Accumulated						
6	Depreciation	1,905,271		(224,424)			1,680,847
7							
8							
9	Net Utility Plant						
10	in Service	$ 17,207,998	$ 1,844,270	$ 224,424	$ -	$ -	$ 19,276,691
11							
12	**Less:**						
13	Advances in Aid of						
14	Construction	9,334,999					9,334,999
15							
16	Contributions in Aid of						
17	Construction (CIAC)	2,436,452				3	2,436,455
18							
19	Accumulated Amort of CIAC	(238,862)				(12,934)	(251,796)
20							
21							
22	Deferred Income Taxes & Credits	-			338,625		338,625
23							
24							
25	**Plus:**						
26	Unamortized Finance						
27	Charges	-					-
28							
29	Allowance for Working Capital	-					-
30							
31	Total	$ 5,675,409	$ 1,844,270	$ 224,424	$ (338,625)	$ 12,931	$ 7,418,409
32							
33							
34							
35	SUPPORTING SCHEDULES:						
36	B-2, pages 3-6						
37	E-1						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Line No.	Acct. No.	Description	Per Books Orginal Cost	A Well 23 Post Test Year Plant	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	F Intentionally Left Blank	Adjusted Original Cost
1		Plant-in-Service								
5	301	Organization Cost	7,541							7,541
6	302	Franchise Cost	350,861							350,861
7	303	Land and Land Rights	13,636							13,636
8	304	Structures and Improvements	171,671							171,671
9	305	Collecting and Impounding Res.	-							-
10	306	Lake River and Other Intakes	-							-
11	307	Wells and Springs	800,396	1,844,270						2,644,666
12	308	Infiltration Galleries and Tunnels	-							-
13	309	Supply Mains	-							-
14	310	Power Generation Equipment	335,668							335,668
15	311	Electric Pumping Equipment	43,912							43,912
16	320	Water Treatment Equipment	18,694							18,694
17	320.1	Water Treatment Plant	-							-
18	320.2	Chemical Solution Feeders	-							-
19	330	Dist. Reservoirs & Standpipe	1,811,998							1,811,998
20	330.1	Storage tanks	-							-
21	330.2	Pressure Tanks	-							-
22	331	Trans. and Dist. Mains	10,162,557							10,162,557
23	333	Services	2,081,553							2,081,553
24	334	Meters	1,222,335							1,222,335
25	336	Hydrants	672,037							672,037
26	336	Backflow Prevention Devices	816							816
27	339	Other Plant and Misc. Equip.	0							0
28	340	Office Furniture and Fixtures	283,991							283,991
29	340.1	Computers and Software	-							-
30	341	Transportation Equipment	146,129							146,129
31	342	Stores Equipment	-							-
32	343	Tools and Work Equipment	13,856							13,856
33	344	Laboratory Equipment	132							132
34	345	Power Operated Equipment	-							-
35	346	Communications Equipment	11,818							11,818
36	347	Miscellaneous Equipment	695							695
37	348	Other Tangible Plant	962,974							962,974
38										-
39		TOTALS	$ 19,113,270	$ 1,844,270	$ -	$ -	$ -	$ -	$ -	$ 20,957,540
40										
41		Plant-in-Service per Books								$ 19,113,270
42										
43		Increase (decrease) in Plant-in-Service								$ 1,844,270
44										
45		Adjustment to Plant-in-Service								$ 1,844,270
46										
47		SUPPORTING SCHEDULES								
48		B-2, pages 3.1-3.12								

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.1

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Plant At 12/31/1998	1998 Accum. Depr.	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Salvage A/D Only	1999 Plant Balance	1999 Deprec.
301	Organization Cost	0.00%	0.00%	-	-	-		-			-	-
302	Franchise Cost	0.00%	0.00%	-	-	-		-			-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-		-			-	-
304	Structures and Improvements	3.33%	3.33%	-	-	-		-			-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-	-	-		-			-	-
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-		-			-	-
309	Supply Mains	2.00%	2.00%	-	-	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-	-	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-	-	-		-			-	-
330.1	Storage tanks	2.22%	2.22%	-	-	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	-	-	-		-			-	-
333	Services	3.33%	3.33%	-	-	-		-			-	-
334	Meters	8.33%	8.33%	-	-	-		-			-	-
335	Hydrants	2.00%	2.00%	-	-	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-	-	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	-		-			-	-
340.1	Computers and Software	20.00%	20.00%	-	-	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-	-	-		-			-	-
342	Stores Equipment	4.00%	4.00%	-	-	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-	-	-		-			-	-
344	Laboratory Equipment	10.00%	10.00%	-	-	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-	-	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-	-	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%			-		-			-	-
	Rounding											
	Plant Held for Future Use											
	TOTAL WATER PLANT			-	-	-	-	-	-	-	-	-

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2000 Plant Additions	2000 Plant Adjustments	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Salvage/Adj A/D Only	2000 Plant Balance	2000 Deprec.
301	Organization Cost	0.00%	0.00%	210,753			210,753			210,753	-
302	Franchise Cost	0.00%	0.00%	-			-			-	-
303	Land and Land Rights	0.00%	0.00%	-			-			-	-
304	Structures and Improvements	3.33%	3.33%	167,307	(167,307)		-			-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-			-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-			-			-	-
307	Wells and Springs	3.33%	3.33%	217,088			217,088			217,088	3,615
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-			-			-	-
309	Supply Mains	2.00%	2.00%	-			-			-	-
310	Power Generation Equipment	5.00%	5.00%	-			-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-			-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-			-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-			-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-			-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	477,449			477,449			477,449	5,300
330.1	Storage tanks	2.22%	2.22%	-			-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-			-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	255,547	340,066		595,613			595,613	5,956
333	Services	3.33%	3.33%	172,759	(172,759)		-			-	-
334	Meters	8.33%	8.33%	22,464			22,464			22,464	936
335	Hydrants	2.00%	2.00%	-			-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-			-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-			-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	6,837			6,837			6,837	228
340.1	Computers and Software	20.00%	20.00%	-			-			-	-
341	Transportation Equipment	20.00%	20.00%	21,555			21,555			21,555	2,156
342	Stores Equipment	4.00%	4.00%	-			-			-	-
343	Tools and Work Equipment	5.00%	5.00%	4,766			4,766			4,766	119
344	Laboratory Equipment	10.00%	10.00%	-			-			-	-
345	Power Operated Equipment	5.00%	5.00%	-			-			-	-
346	Communications Equipment	10.00%	10.00%	-			-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-			-			-	-
348	Other Tangible Plant	10.00%	10.00%	-			-			-	-
	Rounding										
	Plant Held for Future Use										
	TOTAL WATER PLANT			1,556,525	-	-	1,556,525	-	-	1,556,525	18,309

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.3

Account No.	Description	Deprec Rate Before	Deprec. Rate After	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Salvage A/D Only	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.00%	0.00%		(203,211)	(203,211)			7,542	-
302	Franchise Cost	0.00%	0.00%		203,211	203,211			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			-	-
304	Structures and Improvements	3.33%	3.33%	4,215		4,215			4,215	70
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	29,843		29,843			246,931	7,726
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	184,600	(172,759)	11,841			607,454	12,031
333	Services	3.33%	3.33%	(172,759)	172,759	-			-	-
334	Meters	8.33%	8.33%	113,157		113,157			135,621	6,584
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	12,336		12,336			19,173	867
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	1,175		1,175			22,730	4,429
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			172,567	-	172,567	-	-	1,729,092	42,545

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Salvage A/D Only	2002 Plant Balance	2002 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	15,700		15,700			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,215	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-		-			246,931	8,223
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	945,147		945,147			1,552,601	21,601
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	122,534		122,534			258,155	16,401
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	2,535		2,535			21,708	1,363
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%			-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,085,916	-	1,085,916	-	-	2,815,008	63,112

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2003 Plant Adjustments	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	2003 Salvage A/D Only	2003 Plant Balance	2003 Deprec
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	3.33%	0.00%	-		-			15,700	-
304	Structures and Improvements	2.50%	3.33%	-		-			4,214	-
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	140
306	Lake River and Other Intakes	3.33%	2.50%	-	(1)	-			-	-
307	Wells and Springs	6.67%	3.33%	-		(1)			288,360	8,913
308	Infiltration Galleries and Tunnels	2.00%	6.67%	41,429		-			-	-
309	Supply Mains	5.00%	2.00%	-		-			-	-
310	Power Generation Equipment	12.50%	5.00%	-		41,429			-	-
311	Electric Pumping Equipment	3.33%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	20.00%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	2.22%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			-	-
330.1	Storage tanks	5.00%	2.22%	-		-			-	-
330.2	Pressure Tanks	2.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	3.33%	2.00%	-		-			-	-
333	Services	8.33%	3.33%	192,243		192,243			477,449	10,599
334	Meters	2.00%	8.33%	-		-			-	-
335	Hydrants	6.67%	2.00%	177,795		177,795			1,744,844	32,974
336	Backflow Prevention Devices	6.67%	6.67%	-		-			435,950	28,909
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	20.00%	6.67%	10,216		10,216			31,924	1,789
340.1	Computers and Software	20.00%	20.00%	-		-			22,730	4,546
341	Transportation Equipment	4.00%	20.00%	-		-			4,766	238
342	Stores Equipment	5.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	10.00%	5.00%	-		-			1	-
344	Laboratory Equipment	5.00%	10.00%	-		-			-	-
345	Power Operated Equipment	10.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
	Rounding			-		-			-	-
	Plant Held for Future Use			421,683	(1)	421,682	-	-	3,236,690	88,109
	TOTAL WATER PLANT									

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3 6

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	2004 Salvage A/D Only	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Inlakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	279,664		279,664			568,024	14,259
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	(1)		(1)			1,744,843	34,897
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	279,898		279,898			715,848	47,972
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	31,691		31,691			63,615	3,186
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	718		718			5,484	256
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			591,970	-	591,970	-	-	3,828,660	115,856

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Salvage A/D Only	2005 Plant Balance	2005 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	23,015		23,015			591,039	19,298
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	3,637		3,637			3,637	227
320	Water Treatment Equipment	3.33%	3.33%	6,906		6,906			6,906	115
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	5,011		5,011			482,460	10,655
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	3,076,432	(311,361)	2,765,071			4,509,914	62,548
333	Services	3.33%	3.33%	-	311,361	311,361			311,361	5,184
334	Meters	8.33%	8.33%	195,317		195,317			911,165	67,765
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	3,777		3,777			67,392	4,369
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	33,954		33,954			56,684	7,941
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	4,762		4,762			10,246	393
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			3,352,811	-	3,352,811	-	-	7,181,471	178,637

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.8

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Salvage (A/D Only)	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	(167,307)	167,307	-			4,214	105
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	6,176		6,176			597,215	14,838
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-	1,549	1,549			1,549	29
311	Electric Pumping Equipment	12.50%	12.50%	6,205		6,205			11,842	726
320	Water Treatment Equipment	3.33%	3.33%	3,657	4,865	8,522			15,426	279
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			482,460	8,033
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	(144,054)	144,054	-			4,509,914	67,649
333	Services	3.33%	3.33%	1,329,426	(311,361)	1,018,065			1,329,426	20,469
334	Meters	8.33%	8.33%	105,903		105,903			1,017,068	60,233
335	Hydrants	2.00%	2.00%	426,659		426,659			426,659	3,200
336	Backflow Prevention Devices	6.67%	6.67%	345		345			345	9
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	10,434	(10,434)	(0)			(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	4,095		4,095			71,487	3,474
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	64,591		64,591			121,275	13,347
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	2,613		2,613			12,659	433
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-	3,321	3,321			3,321	125
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-	699	699			699	26
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,650,743	0	1,650,743	-	-	8,832,214	192,994

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.9

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2007 Plant Additions	2007 Plant Adjustments	2007 Adjusted Plant Additions	2007 Plant Retirements	2007 Salvage (A/D Only)	2007 Plant Balance	2007 Deprec.
301	Organization Cost	0.00%	0.00%	(1)		(1)			7,541	-
302	Franchise Cost	0.00%	0.00%		76,475	76,475			279,686	-
303	Land and Land Rights	0.00%	0.00%	(2,064)		(2,064)			13,636	-
304	Structures and Improvements	3.33%	3.33%	116,300		116,300			120,514	2,077
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	203,181		203,181			800,396	23,270
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	155,594		155,594			157,143	3,967
311	Electric Pumping Equipment	12.50%	12.50%	30,223		30,223			42,065	3,369
320	Water Treatment Equipment	3.33%	3.33%	2,291		2,291			17,719	552
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	1,329,538		1,329,538			1,811,996	25,468
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	5,631,229	2,003	5,633,232			10,143,148	146,531
333	Services	3.33%	3.33%	752,127		752,127			2,081,553	56,793
334	Meters	8.33%	8.33%	184,973		184,973			1,202,041	92,426
335	Hydrants	2.00%	2.00%	245,378		245,378			672,037	10,987
336	Backflow Prevention Devices	6.67%	6.67%	471		471			816	39
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	141,696	(141,696)	0			(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	126,863		126,863			198,350	8,999
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	24,854		24,854			146,129	26,740
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	(1,893)		(1,893)			10,966	596
344	Laboratory Equipment	10.00%	10.00%	132		132			132	7
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	8,636		8,636			11,957	784
347	Miscellaneous Equipment	10.00%	10.00%	695		695			695	35
348	Other Tangible Plant	10.00%	10.00%	-	63,218	63,218			63,917	3,231
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			8,950,223	-	8,950,223	-		17,782,437	405,850

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.10

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2008 Plant Additions	2008 Plant Adjustments	2008 Adjusted Plant Additions	2008 Plant Retirements	2008 Salvage (A/D Only)	2008 Plant Balance	2008 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,541	-
302	Franchise Cost	0.00%	0.00%	147,650	(76,475)	71,175			350,861	-
303	Land and Land Rights	0.00%	0.00%	-		-			13,636	-
304	Structures and Improvements	3.33%	3.33%	51,157		51,157			171,671	4,865
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-		-			800,396	26,653
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	180,074	(1,549)	178,525			335,668	12,320
311	Electric Pumping Equipment	12.50%	12.50%	1,847		1,847			43,912	5,374
320	Water Treatment Equipment	3.33%	3.33%	5,840	(4,865)	976			18,694	606
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			1,811,998	40,226
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	21,414	(2,003)	19,411			10,162,557	203,057
333	Services	3.33%	3.33%	-		-			2,081,553	69,316
334	Meters	8.33%	8.33%	20,294		20,294			1,222,335	100,975
335	Hydrants	2.00%	2.00%	-		-			672,037	13,441
336	Backflow Prevention Devices	6.67%	6.67%	-		-			816	54
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	(152,130)	152,130	0			0	0
340	Office Furniture and Fixtures	6.67%	6.67%	85,641		85,641			283,991	16,086
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			146,129	29,226
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	2,890		2,890			13,856	621
344	Laboratory Equipment	10.00%	10.00%	-		-			132	13
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	3,182	(3,321)	(139)			11,618	1,189
347	Miscellaneous Equipment	10.00%	10.00%	-		-			695	70
348	Other Tangible Plant	10.00%	10.00%	962,974	(63,917)	899,057			962,974	51,345
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,330,833	-	1,330,833	-		19,113,270	575,436

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.11

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Year End Accumulated Depreciation by Account 1998	1999	2000	2001	2002	2003
301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	3.33%	3.33%	-	-	-	70	211	351
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-
307	Wells and Springs	3.33%	3.33%	-	-	3,615	11,340	19,563	28,476
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-	-	-	-
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-	-	-	-
320	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-	-	5,300	15,899	26,498	37,098
330.1	Storage tanks	2.22%	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	-	-	5,956	17,987	39,587	72,562
333	Services	3.33%	3.33%	-	-	-	-	-	-
334	Meters	8.33%	8.33%	-	-	936	7,520	23,921	52,830
335	Hydrants	2.00%	2.00%	-	-	-	-	-	-
336	Backflow Prevention Devices	6.67%	6.67%	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	228	1,095	2,459	4,247
340.1	Computers and Software	20.00%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	20.00%	20.00%	-	-	2,156	6,584	11,130	15,676
342	Stores Equipment	4.00%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	5.00%	-	-	119	357	596	834
344	Laboratory Equipment	10.00%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	5.00%	5.00%	-	-	-	-	-	-
346	Communications Equipment	10.00%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	10.00%	-	-	-	-	-	-
	Rounding								
	Plant Held for Future Use			-					
	TOTAL WATER PLANT			-	-	18,309	60,853	123,965	212,074

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.12

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Year End Accumulated Depreciation by Account 2004	2005	2006	2007	2008
301	Organization Cost	0.00%	0.00%	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-
304	Structures and Improvements	3.33%	3.33%	491	632	737	2,814	7,678
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-
307	Wells and Springs	3.33%	3.33%	42,735	62,033	76,871	100,142	126,795
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	29	3,996	16,317
311	Electric Pumping Equipment	12.50%	12.50%	-	227	953	4,322	9,696
320	Water Treatment Equipment	3.33%	3.33%	-	115	394	946	1,552
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	47,697	58,352	66,385	91,854	132,080
330.1	Storage tanks	2.22%	2.22%	-	-	-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	107,459	170,006	237,655	384,186	587,243
333	Services	3.33%	3.33%	-	5,184	25,673	82,466	151,782
334	Meters	8.33%	8.33%	100,802	168,568	226,801	321,227	422,202
335	Hydrants	2.00%	2.00%	-	-	3,200	14,187	27,628
336	Backflow Prevention Devices	6.67%	6.67%	-	-	9	47	102
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	(0)	(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	7,434	11,803	15,276	24,276	40,362
340.1	Computers and Software	20.00%	20.00%	-	-	-	-	-
341	Transportation Equipment	20.00%	20.00%	20,222	28,163	41,510	68,251	97,477
342	Stores Equipment	4.00%	4.00%	-	-	-	-	-
343	Tools and Work Equipment	5.00%	5.00%	1,090	1,484	1,917	2,512	3,133
344	Laboratory Equipment	10.00%	10.00%	-	-	-	7	20
345	Power Operated Equipment	5.00%	5.00%	-	-	-	-	-
346	Communications Equipment	10.00%	10.00%	-	-	125	888	2,077
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-	35	104
348	Other Tangible Plant	10.00%	10.00%	-	-	26	3,257	54,602
	Rounding							
	Plant Held for Future Use							
	TOTAL WATER PLANT			327,930	506,567	699,561	1,105,411	1,680,847

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Line No.	Plant-in-Service			A	B	C	D	E	
1				Difference					
2			Per Books	to	Intentionally	Intentionally	Intentionally	Intentionally	Adjusted
3	Acct.		Accum.	Computed	Left	Left	Left	Left	Accum.
4	No.	Description	Depr.	Balance	Blank	Blank	Blank	Blank	Depr.
5	301	Organization Cost	-	-					-
6	302	Franchise Cost	-	-					-
7	303	Land and Land Rights	-	-					-
8	304	Structures and Improvements	22,453	(14,775)					7,678
9	305	Collecting and Impounding Res.	-	-					-
10	306	Lake River and Other Intakes	-	-					-
11	307	Wells and Springs	173,040	(46,245)					126,795
12	308	Infiltration Galleries and Tunnels	-	-					-
13	309	Supply Mains	-	-					-
14	310	Power Generation Equipment	16,172	145					16,317
15	311	Electric Pumping Equipment	7,200	2,496					9,696
16	320	Water Treatment Equipment	1,719	(167)					1,552
17	320.1	Water Treatment Plant	-	-					-
18	320.2	Chemical Solution Feeders	-	-					-
19	330	Dist. Reservoirs & Standpipe	226,485	(94,405)					132,080
20	330.1	Storage tanks	-	-					-
21	330.2	Pressure Tanks	-	-					-
22	331	Trans. and Dist. Mains	837,512	(250,269)					587,243
23	333	Services	194,768	(42,986)					151,782
24	334	Meters	207,504	214,698					422,202
25	335	Hydrants	45,258	(17,630)					27,628
26	336	Backflow Prevention Devices	105	(3)					102
27	339	Other Plant and Misc. Equip.	-	(0)					(0)
28	340	Office Furniture and Fixtures	32,381	7,981					40,362
29	340.1	Computers and Software	-	-					-
30	341	Transportation Equipment	76,118	21,359					97,477
31	342	Stores Equipment	-	-					-
32	343	Tools and Work Equipment	3,813	(680)					3,133
33	344	*Laboratory Equipment*	17	3					20
34	345	Power Operated Equipment	-	-					-
35	346	Communications Equipment	1,603	474					2,077
36	347	Miscellaneous Equipment	133	(29)					104
37	348	Other Tangible Plant	58,990	(4,388)					54,602
38									-
39		TOTALS	$ 1,905,271	$ (224,424)	$ -	$ -	$ -	$ -	$ 1,680,847
40									
41	Accumulated Deprecaition per Books								$ 1,905,271
42									
43	Increase (decrease) in Plant-in-Service								$ (224,424)
44									
45	Adjustment to Plant-in-Service								$ (224,424)
46									
47	SUPPORTING SCHEDULES								
48	*B-2, pages 3.1 to 3.12*								
49									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Line No.											
1	**Deferred Income Tax as of December 31, 2008**										
2											
3				**Probability of Realization of Future**	**Deductible TD (Taxable TD) Expected to**						
4		**Adjusted**				**Tax**	**Future Tax Asset**		**Future Tax Liability**	
5		**Book Value[1]**	**Tax Value[2]**	**Tax Benefit**	**be Realized**	**Rate**	**Current**	**Non Current**	**Current**	**Non Current**
6	Plant-in-Service	$ 20,957,539								
7	Accum. Deprec.	(1,680,847)								
8	CIAC	(2,184,659)								
9	Fixed Assets	$ 17,092,033	$ 6,867,896	100.0%	$ (10,224,137)	38.1%		-		(3,893,820)
10	AIAC		9,334,999	100.0%	$ 9,334,999	38.1%		$ 3,555,195		
11										
12							$ -	$ 3,555,195	$ -	$ (3,893,820)
13										
14				Net Asset (Liability)			$ (338,625)			
15										
16										
17										
18										
19										
20				DIT Asset (Liability) per books			$ -			
21										
22				Adjustment to DIT			$ 338,625			
23										
24	[1] Adjusted per schedule B-1									
25	[2] Adjusted for post-test year plant. See B-2, page 2.									
26										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Line No.			
1	CIAC and Accumulated Amortization		
2			
3			
4			
5	Computed balance at 12/31/2008	$ 2,436,455	$ 251,796
6			
7	Book balance at 12/31/2008	$ 2,436,452	$ 238,862
8			
9	Increase (decrease)	$ 3	$ 12,934
10			
11			
12	Adjustment to CIAC	$ 3	$ (12,934)
13	Label	4a	4b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	B-2, page 6.1 to 6.5		
21			
22			
23			
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33			
34			
35			
36			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		Balance at 12/31/1998	1999 Activity	Balance at 12/31/1999	2000 Activity	Balance at 12/31/2000
1						
2						
3						
4	CIAC	-	-	-		-
5						
6						
7	Amortization		-		-	
8	Accum Amort.	-	-	-	-	-
9						
10	Composite Amortization Rate		0.0000%		0.0000%	
11						
12						
13						
14						
15						
16						
17						
18	**Total CIAC Water**	-		-		-
19						
20						
21	**Total Accum Amort.**	-		-		-
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 6.2
Witness: Bourassa

Line No.		2001 Activity	Balance at 12/31/2001	2002 Activity	Balance at 12/31/2002
1					
2					
3					
4	CIAC	323,873	323,873	85,324	409,197
5					
6					
7	Amortization	3,984		8,218	
8	Accum Amort.	3,984	3,984	8,218	12,202
9					
10	Composite Amortization Rate	2.4605%		2.2420%	
11					
12					
13					
14					
15					
16					
17					
18	**Total CIAC Water**		**323,873**		**409,197**
19					
20					
21	**Total Accum Amort.**		**3,984**		**12,202**
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 6.3
Witness: Bourassa

Line No.		2003 Activity	Balance at 12/31/2003	2004 Activity	Balance at 12/31/2004
1					
2					
3					
4	CIAC	590,074	999,271	103,254	1,102,525
5					
6					
7	Amortization	19,171		31,800	
8	Accum Amort.	19,171	31,373	31,800	63,173
9					
10	Composite Amortization Rate	2.7222%		3.0260%	
11					
12					
13					
14					
15					
16					
17					
18	**Total CIAC Water**		**999,271**		**1,102,525**
19					
20					
21	**Total Accum Amort.**		**31,373**		**63,173**
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 6.4
Witness: Bourassa

Line No.		2005 Activity	Balance at 12/31/2005	2006 Activity	Balance at 12/31/2006
1					
2					
3					
4	CIAC	139,201	1,241,726	801,091	2,042,817
5					
6					
7	Amortization	29,157		35,885	
8	Accum Amort.	29,157	92,330	35,885	128,215
9					
10	Composite Amortization Rate	2.4875%		2.1851%	
11					
12					
13					
14					
15					
16					
17					
18	**Total CIAC Water**		**1,241,726**		**2,042,817**
19					
20					
21	**Total Accum Amort.**		**92,330**		**128,215**
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 6.5
Witness: Bourassa

Line No.		2007 Activity	Balance at 12/31/2007	2008 Activity	Balance at 12/31/2008
1					
2					
3					
4	CIAC	360,085	2,402,902	33,553	2,436,455
5					
6					
7	Amortization	50,732		72,849	
8	Accum Amort.	50,732	178,947	72,849	251,796
9					
10	Composite Amortization Rate	2.2823%		3.0107%	
11					
12					
13					
14					
15					
16					
17					
18	**Total CIAC Water**		2,402,902		2,436,455
19					
20					
21	**Total Accum Amort.**		178,947		251,796
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	131,859
3	Pumping Power (1/24 of Pumping Power)		6,140
4	Purchased Water (1/24 of Purchased Water)		177
5	Prepaid Expenses		2,658
6	Meterials and Supplies		103,909
7			
8			
9	Total Working Capital Allowance	$	244,743
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	E-1	B-1	
17			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Label	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**						
2	Metered Water Revenues	$ 2,030,502	4/5a	$ 27,399	$ 2,057,901	$ 1,162,216	$ 3,220,116
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	157,242			157,242		157,242
5		$ 2,187,744		$ 27,399	$ 2,215,143	$ 1,162,216	$ 3,377,358
6	**Operating Expenses**						
7	Salaries and Wages	$ -			$ -		$ -
8	Purchased Water	118,875	9	(114,619)	4,256		4,256
9	Purchased Power	141,901	5b/6/7	5,463	147,364		147,364
10	Fuel for Power Production	-			-		-
11	Chemicals	11,535	8	332	11,866		11,866
12	Repairs and Maintenance	75,423			75,423		75,423
13	Materials & Supplies	30,131			30,131		30,131
14	Outside Services	730,103	10	40,500	770,603		770,603
15	Water Testing	8,750			8,750		8,750
16	Rents	13,195			13,195		13,195
17	Transportation Expenses	22,358			22,358		22,358
18	Insurance - General Liability	21,111			21,111		21,111
19	Insurance - Health and Life	-			-		-
20	Reg. Comm. Exp.	-			-		-
21	Reg. Comm. Exp. - Rate Case	-	3	75,000	75,000		75,000
22	Miscellaneous Expense	14,724			14,724		14,724
23	Bad Debt Expense	109			109		109
24	Depreciation Expense	503,454	1	107,399	610,853		610,853
25	Taxes Other Than Income	11,602			11,602		11,602
26	Property Taxes	69,226	2	53,004	122,230		122,230
27	Income Tax	-	12	104,948	104,948	442,625	547,573
28	**Total Operating Expenses**	$ 1,772,498		$ 272,027	$ 2,044,524	$ 442,625	$ 2,487,149
29	**Operating Income**	$ 415,246		$ (244,628)	$ 170,618	$ 719,591	$ 890,209
30	**Other Income (Expense)**						
31	Interest Income	123,085	11a	(123,085)	-		-
32	Other income (loss)	9,544	11b	(9,544)	-		-
33	Interest Expense	(3,904)	11c	3,904	-		-
34	Other Expense	(4,666)	11d	4,666	-		-
35		-			-		-
36	**Total Other Income (Expense)**	$ 124,059		$ (124,059)	$ -	$ -	$ -
37	**Net Profit (Loss)**	$ 539,305		$ (368,687)	$ 170,618	$ 719,591	$ 890,209
38							
39	SUPPORTING SCHEDULES:					RECAP SCHEDULES:	
40	C-2					A-1	
41	E-2						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustments to Revenues and/or Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

Line No.		1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Reclass Revenue/ Expense	6 Purchased Power Expense	Subtotal
1								
2								
3	Revenues				42,639	(15,240)		27,399
4								
5	Expenses	107,399	53,004	75,000		(15,240)	16,834	236,997
6								
7	Operating							
8	Income	(107,399)	(53,004)	(75,000)	42,639	-	(16,834)	(209,598)
9								
10	Interest							
11	Expense							-
12	Other							
13	Income /							
14	Expense							-
15								
16	Net Income	(107,399)	(53,004)	(75,000)	42,639	-	(16,834)	(209,598)
17								

Adjustments to Revenues and Expenses

18								
19								
20		7 Purchased Power Expense	8 Annualize Chemicals Expense	9 Remove CAGRD Fees	10 Management Fees	11 Remove Other Income/Expense	12 Income Taxes	Subtotal
21								
22	Revenues							
23								27,399
24	Expenses	3,869	332	(114,619)	40,500		104,948	272,027
25								
26	Operating							
27	Income	(3,869)	(332)	114,619	(40,500)	-	(104,948)	(244,628)
28								
29	Interest							
30	Expense							
31	Other							-
32	Income /					(124,059)		
33	Expense							(124,059)
34								
35	Net Income	(3,869)	(332)	114,619	(40,500)	(124,059)	(104,948)	(368,687)

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Line No.					
1	Depreciation Expense				
2					
3	Acct.		Adjusted		
4	No.	Description	Original Cost	Proposed Rates	Depreciation Expense
5	301	Organization Cost	7,541	0.00%	-
6	302	Franchise Cost	350,861	0.00%	-
7	303	Land and Land Rights	13,636	0.00%	-
8	304	Structures and Improvements	171,671	3.33%	5,717
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	2,644,666	3.33%	88,067
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	335,668	5.00%	16,783
15	311	Electric Pumping Equipment	43,912	12.50%	5,489
16	320	Water Treatment Equipment	18,694	3.33%	623
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	-	20.00%	-
19	330	*Dist Reservoirs & Standpipe*	1,811,998	2.22%	40,226
20	330.1	Storage tanks	-	2.22%	-
21	330.2	Pressure Tanks	-	5.00%	-
22	331	Trans. and Dist. Mains	10,162,557	2.00%	203,251
23	333	Services	2,081,553	3.33%	69,316
24	334	Meters	1,222,335	8.33%	101,821
25	335	Hydrants	672,037	2.00%	13,441
26	336	Backflow Prevention Devices	816	6.67%	54
27	339	Other Plant and Misc. Equip.	0	6.67%	0
28	340	Office Furniture and Fixtures	283,991	6.67%	18,942
29	340.1	Computers and Software	-	20.00%	-
30	341	*Transportation Equipment*	146,129	20.00%	29,226
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	13,856	5.00%	693
33	344	Laboratory Equipment	132	10.00%	13
34	345	Power Operated Equipment	-	5.00%	-
35	346	Communications Equipment	11,818	10.00%	1,182
36	347	Miscellaneous Equipment	695	10.00%	70
37	348	Other Tangible Plant	962,974	10.00%	96,297
38					
39		TOTALS	$ 20,957,540		$ 691,211
40					
41					
42	Less: Amortization of Contributions		$ 2,436,455	3.2981%	$ (80,358)
43					
44					
45					
46	Total Depreciation Expense				$ 610,853
47					
48	Test Year Depreciation Expense				503,454
49					
50	Increase (decrease) in Depreciation Expense				107,399
51					
52	Adjustment to Revenues and/or Expenses				$ 107,399
53					
54	SUPPORTING SCHEDULE				
55	B-2, page 3		* Fully Depreciated		
56	B-2, page 6.5				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Property Taxes:		
2			
3	Adjusted Revenues in year ended 12/31/08	$	2,215,143
4	Adjusted Revenues in year ended 12/31/08		2,215,143
5	Proposed Revenues		3,377,358
6	Average of three year's of revenue	$	2,602,548
7	Average of three year's of revenue, times 2	$	5,205,096
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		48,652
12			
13	Full Cash Value	$	5,156,443
14	Assessment Ratio		20%
15	Assessed Value		1,031,289
16	Property Tax Rate		11.8522%
17			
18	Property Tax		122,230
19	Plus: Tax on Parcels		0
20			
21	Total Property Tax at Proposed Rates	$	122,230
22	Property Taxes recorded during the test year		69,226
23	Change in Property Taxes	$	53,004
24			
25			
26	Adjustment to Revenues and/or Expenses	$	53,004
27			
28			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	Rate Case Expense		
2			
3	Estimated Rate Case Expense	$	225,000
4			
5	Rate Case Expense	$	225,000
6			
7	Estimated Amortization Period (in Years)		3.0
8			
9	Annual Rate Case Expense	$	75,000
10			
11	Test Year Rate Case Expense	$	-
12			
13	Increase(decrease) Rate Case Expense	$	75,000
14			
15	Adjustment to Revenue and/or Expense	$	75,000
16			
17			
18			
19			
20			
21			
22			
23			
24			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	Revenue Annualization		
2			
3			
4	Revenue Annualization	$	42,639
5			
6			
7			
8	Total Revenue from Annualization	$	42,639
9			
10			
11	Adjustment to Revenue and/or Expense	$	42,639
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.10		
15	H-1		
16			
17			
18			
19			
20			

Sahuarita Water Company
5/8 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	4,042	4,042	4,042	4,042	4,042	4,042	4,042
2	Actual Customers	3,731	3,707	3,770	3,814	3,897	3,958	3,963
3	Increase in Number of Customers/Bills	311	335	272	228	145	84	79
4	Average Revenue / Present Rates	$ 27.19	$ 26.14	$ 26.40	$ 28.44	$ 27.71	$ 28.88	$ 26.60
5	Revenue Annualization / Present Rates	$ 8,455	$ 8,757	$ 7,181	$ 6,485	$ 4,019	$ 2,426	$ 2,102
6								
7	*Increase in Number of Customers*	311	335	272	228	145	84	79
8	Average Revenue / Proposed Rates	$ 44.36	$ 42.18	$ 42.72	$ 46.92	$ 45.47	$ 47.59	$ 43.14
9	Revenue Annualization / Proposed Rates	$ 13,797	$ 14,129	$ 11,620	$ 10,697	$ 6,593	$ 3,998	$ 3,408
10	Additional Gallons to be Produced	1,697,121	1,657,288	1,380,129	1,379,896	828,587	521,573	408,635
11								
12								
13								
14								

Line No.		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year
15	Year End Number of Customers	4,042	4,042	4,042	4,042	4,042	
16	Actual Customers	3,985	3,994	4,049	4,041	4,042	
17	Increase in Number of Customers/Bills	57	48	(7)	1	-	1,553
18	Average Revenue / Present Rates	$ 26.49	$ 28.73	$ 26.67	$ 27.14	$ 25.34	
19	Revenue Annualization / Present Rates	$ 1,510	$ 1,379	$ (187)	$ 27	$ -	$ 42,154
20							
21	Increase in Number of Customers	57	48	(7)	1	-	
22	Average Revenue / Proposed Rates	$ 42.91	$ 47.36	$ 43.28	$ 44.25	$ 40.50	
23	Revenue Annualization / Proposed Rates	$ 1,510	$ 1,379	$ (187)	$ 27	$ -	$ 68,701
24	Additional Gallons to be Produced	291,766	295,451	(36,433)	5,432	-	8,429,445

Sahuarita Water Company
3/4 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	430	430	430	430	430	430	430
2	Actual Customers	369	367	375	428	429	436	436
3	Increase in Number of Customers/Bills	61	63	55	2	1	(6)	(6)
4	Average Revenue / Present Rates	$ 37.20	$ 35.87	$ 36.70	$ 38.62	$ 38.40	$ 40.02	$ 36.98
5	Revenue Annualization / Present Rates	$ 2,269	$ 2,260	$ 2,019	$ 77	$ 38	$ (240)	$ (222)
6								
7	Increase in Number of Customers	61	63	55	2	1	(6)	(6)
8	Average Revenue / Proposed Rates	$ 57.01	$ 54.84	$ 56.20	$ 59.23	$ 58.88	$ 61.41	$ 56.64
9	Revenue Annualization / Proposed Rates	$ 3,477	$ 3,455	$ 3,091	$ 118	$ 59	$ (368)	$ (340)
10	Additional Gallons to be Produced	363,024	334,054	314,013	12,963	6,399	(41,931)	(35,050)
11								
12								
13								
14		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08		Total Year
15	Year End Number of Customers	430	430	430	430	430		
16	Actual Customers	442	438	459	446	430		
17	Increase in Number of Customers/Bills	(12)	(8)	(29)	(16)	-		105
18	Average Revenue / Present Rates	$ 37.10	$ 40.53	$ 37.13	$ 38.46	$ 36.06		
19	Revenue Annualization / Present Rates	$ (445)	$ (324)	$ (1,077)	$ (615)	$ -		$ 3,740
20								
21	Increase in Number of Customers	(12)	(8)	(29)	(16)	-		
22	Average Revenue / Proposed Rates	$ 56.84	$ 62.21	$ 56.90	$ 58.98	$ 55.14		
23	Revenue Annualization / Proposed Rates	$ (445)	$ (324)	$ (1,077)	$ (615)	$ -		$ 5,719
24	Additional Gallons to be Produced	(70,833)	(57,406)	(171,662)	(102,744)	-		550,826

Sahuarita Water Company
1 Inch Residential
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	51	51	51	51	51	51	51
2	Actual Customers	54	52	53	53	51	51	54
3	Increase in Number of Customers/Bills	(3)	(1)	(2)	(2)	-	-	(3)
4	Average Revenue / Present Rates	$ 52.11	$ 51.87	$ 52.92	$ 56.45	$ 56.45	$ 59.04	$ 54.44
5	Revenue Annualization / Present Rates	$ (156)	$ (52)	$ (106)	$ (113)	$ -	$ -	$ (163)
6								
7	Increase in Number of Customers	(3)	(1)	(2)	(2)	-	-	(3)
8	Average Revenue / Proposed Rates	$ 81.61	$ 81.21	$ 82.68	$ 86.96	$ 86.96	$ 90.11	$ 84.52
9	Revenue Annualization / Proposed Rates	$ (245)	$ (81)	$ (165)	$ (174)	$ -	$ -	$ (254)
10	Additional Gallons to be Produced	(17,722)	(5,788)	(12,453)	(15,019)	-	-	(20,333)
11								
12								
13								
14		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08		Total Year
15	Year End Number of Customers	51	51	51	51	51		
16	Actual Customers	54	50	50	50	51		
17	Increase in Number of Customers/Bills	(3)	1	1	1	-		(11)
18	Average Revenue / Present Rates	$ 53.32	$ 59.18	$ 55.55	$ 56.87	$ 51.86		
19	Revenue Annualization / Present Rates	$ (160)	$ 59	$ 56	$ 57	$ -		$ (579)
20								
21	Increase in Number of Customers	(3)	1	1	1	-		
22	Average Revenue / Proposed Rates	$ 83.16	$ 90.27	$ 85.86	$ 87.46	$ 81.20		
23	Revenue Annualization / Proposed Rates	$ (160)	$ 59	$ 56	$ 57	$ -		$ (905)
24	Additional Gallons to be Produced	(19,111)	8,500	7,180	7,660	-		(67,087)

Sahuarita Water Company
1 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	2	2	2	2	2	2	2
2	*Actual Customers*	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	1
4	Average Revenue / Present Rates	$ 60.55	$ 60.55	$ 66.05	$ 85.30	$ 74.30	$ 63.30	$ 63.30
5	Revenue Annualization / Present Rates	$ 61	$ 61	$ 66	$ 85	$ 74	$ 63	$ 63
6								
7	Increase in Number of Customers	1	1	1	1	1	1	1
8	*Average Revenue / Proposed Rates*	$ 89.24	$ 89.24	$ 95.32	$ 116.60	$ 104.44	$ 92.28	$ 92.28
9	Revenue Annualization / Proposed Rates	$ 89	$ 89	$ 95	$ 117	$ 104	$ 92	$ 92
10	Additional Gallons to be Produced	9,000	9,000	11,000	18,000	14,000	10,000	10,000
11								
12								
13								
14								

Line No.		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year
15	Year End Number of Customers	2	2	2	2	2	
16	Actual Customers	1	1	2	2	2	
17	Increase in Number of Customers/Bills	1	1	-	-	-	9
18	Average Revenue / Present Rates	$ 57.80	$ 63.30	$ 50.25	$ 49.23	$ 49.23	
19	Revenue Annualization / Present Rates	$ 58	$ 63	$ -	$ -	$ -	$ 594
20							
21	Increase in Number of Customers	1	1	-	-	-	
22	Average Revenue / Proposed Rates	$ 86.20	$ 92.28	$ 77.08	$ 75.56	$ 75.56	
23	Revenue Annualization / Proposed Rates	$ 58	$ 63	$ -	$ -	$ -	$ 858
24	Additional Gallons to be Produced	8,000	10,000	-	-	-	99,000

Sahuarita Water Company
2 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Rejoinder Schedule C-2
Page 5.5
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	16	16	16	16	16	16	16
2	Actual Customers	14	13	12	12	12	12	12
3	Increase in Number of Customers/Bills	2	3	4	4	4	4	4
4	Average Revenue / Present Rates	$ 323.43	$ 335.38	$ 411.65	$ 556.26	$ 643.80	$ 792.99	$ 586.51
5	Revenue Annualization / Present Rates	$ 647	$ 1,006	$ 1,647	$ 2,225	$ 2,575	$ 3,172	$ 2,346
6								
7	Increase in Number of Customers	2	3	4	4	4	4	4
8	Average Revenue / Proposed Rates	$ 427.54	$ 440.75	$ 551.27	$ 761.08	$ 888.10	$ 1,104.55	$ 804.97
9	Revenue Annualization / Proposed Rates	$ 855	$ 1,322	$ 2,205	$ 3,044	$ 3,552	$ 4,418	$ 3,220
10	Additional Gallons to be Produced	151,000	239,538	430,333	640,667	768,000	985,000	684,667
11								
12								
13								
14		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08		Total Year
15	Year End Number of Customers	16	16	16	16	16		
16	Actual Customers	12	15	15	16	16		
17	Increase in Number of Customers/Bills	4	1	1	-	-		31
18	Average Revenue / Present Rates	$ 446.72	$ 361.28	$ 681.20	$ 352.13	$ 267.57		
19	Revenue Annualization / Present Rates	$ 1,787	$ 361	$ 681	$ -	$ -		$ 16,447
20								
21	Increase in Number of Customers	4	1	1	-	-		
22	Average Revenue / Proposed Rates	$ 602.15	$ 478.19	$ 942.36	$ 464.91	$ 365.79		
23	Revenue Annualization / Proposed Rates	$ 1,787	$ 361	$ 681	$ -	$ -		$ 22,446
24	Additional Gallons to be Produced	481,333	89,267	205,600	-	-		4,675,405

Sahuarita Water Company
5/8 Inch Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.6
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	11	12	11	11	11	11	11
3	Increase in Number of Customers/Bills	-	(1)	-	-	-	-	-
4	Average Revenue / Present Rates	$ 93.80	$ 114.93	$ 107.05	$ 164.30	$ 179.80	$ 265.05	$ 231.80
5	Revenue Annualization / Present Rates	$ -	$ (115)	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	(1)	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 134.23	$ 164.88	$ 153.45	$ 236.52	$ 259.00	$ 382.69	$ 334.45
9	Revenue Annualization / Proposed Rates	$ -	$ (165)	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	(37,500)	-	-	-	-	-
11								

12		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year
13							
14							
15	Year End Number of Customers	11	11	11	11	11	
16	Actual Customers	11	11	10	11	11	
17	Increase in Number of Customers/Bills	-	-	1	-	-	-
18	Average Revenue / Present Rates	$ 112.05	$ 185.80	$ 273.60	$ 176.05	$ 130.80	
19	Revenue Annualization / Present Rates	$ -	$ -	$ 274	$ -	$ -	$ 159
20							
21	Increase in Number of Customers	-	-	1	-	-	
22	Average Revenue / Proposed Rates	$ 160.71	$ 267.71	$ 395.10	$ 253.56	$ 187.91	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ 274	$ -	$ -	$ 230
24	Additional Gallons to be Produced	-	-	95,200	-	-	57,700

Sahuarita Water Company
3/4 Inch Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.7
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	10	10	10	10	10	10	10
2	Actual Customers	8	8	8	8	8	8	8
3	*Increase in Number of Customers/Bills*	2	2	2	2	2	2	2
4	Average Revenue / Present Rates	$ 37.30	$ 85.08	$ 35.25	$ 33.97	$ 44.18	$ 45.55	$ 41.08
5	Revenue Annualization / Present Rates	$ 75	$ 170	$ 71	$ 68	$ 88	$ 91	$ 82
6								
7	*Increase in Number of Customers*	2	2	2	2	2	2	2
8	Average Revenue / Proposed Rates	$ 55.37	$ 116.14	$ 52.33	$ 50.43	$ 62.97	$ 64.49	$ 59.55
9	Revenue Annualization / Proposed Rates	$ 111	$ 232	$ 105	$ 101	$ 126	$ 129	$ 119
10	Additional Gallons to be Produced	12,000	46,750	10,000	8,750	17,000	18,000	14,750
11								
12								
13								
14								

Line No.		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year
15	*Year End Number of Customers*	10	10	10	10	10	
16	Actual Customers	10	10	10	10	10	
17	Increase in Number of Customers/Bills	-	-	-	-	-	14
18	Average Revenue / Present Rates	$ 34.23	$ 35.87	$ 55.73	$ 44.45	$ 35.87	
19	*Revenue Annualization / Present Rates*	$ -	$ -	$ -	$ -	$ -	$ 645
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 50.81	$ 53.24	$ 75.74	$ 63.27	$ 53.24	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 923
24	Additional Gallons to be Produced	-	-	-	-	-	127,250

Sahuarita Water Company
1 Inch Commercial
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.8
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	42	42	42	42	42	42	42
2	Actual Customers	38	38	39	41	39	40	40
3	Increase in Number of Customers/Bills	4	4	3	1	3	2	2
4	Average Revenue / Present Rates	$ 88.41	$ 82.48	$ 92.07	$ 132.79	$ 114.35	$ 146.21	$ 120.02
5	Revenue Annualization / Present Rates	$ 354	$ 330	$ 276	$ 133	$ 343	$ 292	$ 240
6								
7	Increase in Number of Customers	4	4	3	1	3	2	2
8	Average Revenue / Proposed Rates	$ 120.04	$ 113.48	$ 124.08	$ 178.85	$ 152.10	$ 198.33	$ 160.32
9	Revenue Annualization / Proposed Rates	$ 480	$ 454	$ 372	$ 179	$ 456	$ 397	$ 321
10	Additional Gallons to be Produced	76,526	67,895	61,385	35,268	85,692	80,300	61,250
11								
12								
13								
14		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08		Total Year
15	Year End Number of Customers	42	42	42	42	42		
16	Actual Customers	40	41	41	42	42		
17	Increase in Number of Customers/Bills	2	1	1	-	-		23
18	Average Revenue / Present Rates	$ 106.61	$ 110.25	$ 103.68	$ 110.90	$ 78.88		
19	Revenue Annualization / Present Rates	$ 213	$ 110	$ 104	$ -	$ -		$ 2,395
20								
21	Increase in Number of Customers	2	1	1	-	-		
22	Average Revenue / Proposed Rates	$ 140.87	$ 146.15	$ 136.92	$ 147.10	$ 109.51		
23	Revenue Annualization / Proposed Rates	$ 213	$ 110	$ 104	$ -	$ -		$ 3,224
24	Additional Gallons to be Produced	51,500	27,073	24,683	-	-		571,572

Sahuarita Water Company
2 Inch Irrigation
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Rejoinder Schedule C-2
Page 5.9
Witness Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	38	38	38	38	38	38	38
2	Actual Customers	39	40	38	39	39	39	38
3	Increase in Number of Customers/Bills	(1)	(2)	-	(1)	(1)	(1)	-
4	Average Revenue / Present Rates	$ 338.76	$ 394.99	$ 336.89	$ 539.86	$ 1,079.08	$ 718.68	$ 639.82
5	Revenue Annualization / Present Rates	$ (339)	$ (790)	$ -	$ (540)	$ (1,079)	$ (719)	$ -
6								
7	Increase in Number of Customers	(1)	(2)	-	(1)	(1)	(1)	-
8	Average Revenue / Proposed Rates	$ 445.51	$ 527.10	$ 442.79	$ 737.29	$ 1,519.64	$ 996.75	$ 882.32
9	Revenue Annualization / Proposed Rates	$ (446)	$ (1,054)	$ -	$ (737)	$ (1,520)	$ (997)	$ -
10	Additional Gallons to be Produced	(81,077)	(203,050)	-	(154,205)	(350,282)	(219,231)	-
11								
12								
13								
14								

Line No.		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year
15	Year End Number of Customers	38	38	38	38	38	
16	Actual Customers	39	39	39	39	38	
17	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	-	(10)
18	Average Revenue / Present Rates	$ 538.17	$ 418.93	$ 558.97	$ 404.90	$ 291.73	
19	Revenue Annualization / Present Rates	$ (538)	$ (419)	$ (559)	$ (405)	$ -	$ (5,387)
20							
21	Increase in Number of Customers	(1)	(1)	(1)	(1)	-	
22	Average Revenue / Proposed Rates	$ 734.84	$ 561.84	$ 765.02	$ 541.48	$ 392.50	
23	Revenue Annualization / Proposed Rates	$ (538)	$ (419)	$ (559)	$ (405)	$ -	$ (7,357)
24	Additional Gallons to be Produced	(153,590)	(110,231)	(161,154)	(105,128)	-	(1,537,947)

Sahuarita Water Company
3 Inch Construction
Customers to Year End Levels
Test Year Ended December 31, 2008

Exhibit
Schedule C-2
Page 5.10
Witness: Bourassa

Line No.		Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	6	4	6	8	6	6	6
3	Increase in Number of Customers/Bills	(4)	(2)	(4)	(4)	(4)	(4)	(4)
4	Average Revenue / Present Rates	$ 245.25	$ 280.13	$ 240.75	$ 266.25	$ 452.25	$ 521.25	$ 249.00
5	Revenue Annualization / Present Rates	$ (981)	$ (560)	$ (963)	$ (1,065)	$ (1,809)	$ (2,085)	$ (996)
6								
7	Increase in Number of Customers	(4)	(2)	(4)	(4)	(4)	(4)	(4)
8	Average Revenue / Proposed Rates	$ 418.53	$ 457.28	$ 413.53	$ 441.87	$ 648.53	$ 725.20	$ 422.70
9	Revenue Annualization / Proposed Rates	$ (1,674)	$ (915)	$ (1,654)	$ (1,767)	$ (2,594)	$ (2,901)	$ (1,691)
10	Additional Gallons to be Produced	(18,000)	(24,500)	(14,000)	(36,667)	(202,000)	(263,333)	(21,333)
11								
12								
13								
14								

Line No.		Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year
15	Year End Number of Customers	2	2	2	2	2	
16	Actual Customers	8	6	5	5	2	
17	Increase in Number of Customers/Bills	(6)	(4)	(3)	(3)	-	(42)
18	Average Revenue / Present Rates	$ 439.31	$ 1,107.75	$ 364.50	$ 303.30	$ 398.25	
19	Revenue Annualization / Present Rates	$ (2,636)	$ (4,431)	$ (1,094)	$ (910)	$ -	$ (17,530)
20							
21	Increase in Number of Customers	(6)	(4)	(3)	(3)	-	
22	Average Revenue / Proposed Rates	$ 634.15	$ 1,376.87	$ 551.03	$ 483.03	$ 588.53	
23	Revenue Annualization / Proposed Rates	$ (2,636)	$ (4,431)	$ (1,094)	$ (910)	$ -	$ (25,611)
24	Additional Gallons to be Produced	(285,750)	(784,867)	(93,000)	(52,200)	-	(1,795,450)

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Line No.				Label
1	Reclassification Adjustment - Reimbursement for Purchased Pumping Power - Town of Sahuarita			
2				
3				
4	Decrease to Metered Revenues	$	(15,240)	5a
5				
6	~~Decerease to Purchased Power Expense~~		(15,240)	5b
7				
8	Total Net Adjustment	$	-	
9				
10				
11	Adjustment to Revenue and/or Expense	$	-	
12				
13				
14				
15				
16				
17				
18				
19				
20				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line No.			
1			
2	Increase in Purchased Power Cost (Tucson Electric Power)		
3			
4	Projected Purchased Power Expense - Tucson Electirc Power (rates approved in Dec 2008)	$	138,119
5			
6	Test Year Purchased Power Expense - Tucson Electric Power	$	121,285
7			
8	Increase in Purchased Power Expense	$	16,834
9			
10			
11			
12			
13			
14			
15	Adjustment to Revenue and/or Expense	$	16,834
16			
17			
18			
19			
20			
21			
22			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line No.			
1	Annualize Purchase Power Expense		
2			
3	Test Year Purchased Power Expense	$	141,901
4	Increase in Purchased Power Expense (Adjustment 6)		16,834
5	Remove Reimbursement from Town of Sahuarita (Adjustment 5b)		(15,240)
6			
7	Total Adjusted Purchased Power Expense	$	143,496
8			
9	Gallon Sold during Test Year (in 1,000's)		411,304
10			
11	Cost per 1,000 gallons	$	0.35
12			
13	Additional Gallons from Revenue Annualization (in 1,000's)		11,053
14			
15			
16	Increase (decrease) in Purchased Power	$	3,869
17			
18	Adjustment to Revenue and/or Expense	$	3,869
19			
20			
21			
22			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line No.			
1	Annualize Chemicals Expense		
2			
3	Test Year Chemicals Expense	$	11,535
4			
5	Gallon Sold during Test Year (in 1,000's)		411,304
6			
7	Cost per 1,000 gallons	$	0.03
8			
9	Additional Gallons from Revenue Annualization		11,053
10			
11			
12	Increase (decrease) in Purchased Power	$	332
13			
14	Adjustment to Revenue and/or Expense	$	332
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line No.			
1	Remove CAGRD costs from Purchased Water expense		
2			
3			
4	CAGRD costs recorded in test year	$	114,619
5			
6			
7			
8	Total	$	114,619
9			
10			
11	Adjustment to Revenue and/or Expense	$	(114,619)
12			
13			
14			
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line No.			
1	Increase in Management Costs		
2			
3	Expected Increase in Management Fees	$	40,500
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15	Adjustment to Revenue and/or Expense	$	40,500
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Line No.				Label
1	Remove Other Income and Expenses			
2				
3				
4	Interest Income	$	(123,085)	11a
5	Other income (loss)		(9,544)	11b
6	Interest Expense		3,904	11c
7	Other Expense		4,666	11d
8			(124,059)	
9				
10				
11				
12	Increase (decrease) in Other Income/Expense	$	(124,059)	
13				
14				
15				
16				
17	Adjustment to Revenue and/or Expense	$	(124,059)	
18				
19				
20				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase	
1	Income Tax Computation			
2				
3				
4				
5				
6				
7	Income Before Taxes	$ 275,567	$ 1,437,783	
8				
9	Arizona Income Before Taxes		$ 1,437,783	
10				
11	ARIZONA INCOME TAXES			
12	Less Than 10,000		-	
13	Less Than 25,000		-	
14	Less Than $50,000		-	
15	Less Than $150,000		-	
16	Over $150,000		65,275	
17	Less Arizona Income Tax		$ 65,275	4.54%
18				
19	Arizona Taxable Income		$ 1,372,507	
20				
21	Arizona Income Taxes		$ 65,275	
22				
23	Federal Income Before Taxes		$ 1,437,783	
24				
25	Less Arizona Income Taxes		$ 65,275	
26				
27	Federal Taxable Income		$ 1,372,507	
28				
29	FEDERAL INCOME TAXES:			
30	10% BRACKET		783	
31	15% BRACKET		3,604	
32	25% BRACKET		11,313	Federal
33	28% BRACKET		23,450	Effective
34	33% BRACKET		62,321	Tax
35	35% BRACKET		380,829	Rate
36	Federal Income Taxes		$ 482,298	33.54%
37				
38				
39	Total Income Tax		$ 547,573	
40				
41	Overall Tax Rate	38.08%	38.08%	
42				
43	Income Tax at Proposed Rates Effective Rate →	$ 104,948		
44				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	33.54%
2		
3	State Income Taxes	4.54%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.08%
9		
10	Operating Income % = 100% - Tax Percentage	61.92%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6151
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		A-1
20		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2008	Year Ended 12/31/2007	Year Ended 12/31/2006
1	**ASSETS**			
2	Plant In Service	$ 19,113,269	$ 17,782,436	$ 8,832,214
3	Non-Utility Plant	70,297		
4	Construction Work in Progress	1,602,002	1,305,549	198,816
5	Less: Accumulated Depreciation	(1,905,271)	(1,328,263)	(625,607)
	Less: Accum. Depr. Non-Utility Property	(2,344)	-	
6	Net Plant	$ 18,877,953	$ 17,759,722	$ 8,405,423
7				
8				
9	Debt Reserve Funds			
10				
11	CURRENT ASSETS			
12	Cash and Equivalents	$ 5,591,809	$ 5,810,349	$ 2,492,471
13	Restricted Cash			
14	Short-term Investments			
15	Accounts Receivable, Net			
16	Accounts Receivable -Other	19,809		
17	Materials and Supplies	103,909	822	643
18	Prepayments	2,658	4,431	20,716
19	Other Current Assets			
20	Total Current Assets	$ 5,718,185	$ 5,815,602	$ 2,513,830
21				
22	Deferred Debits			
23				
24	Other Assets			
25				
26	TOTAL ASSETS	$ 24,596,137	$ 23,575,324	$ 10,919,253
27				
28	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
29	Member Equity	$ 12,789,805	$ 11,658,933	$ 2,474,383
30				
31	Long-Term Debt, less current	$ -	$ -	$ -
32				
33	CURRENT LIABILITIES			
34	Accounts Payable	$ 23,613	$ 36,942	$ 56,450
35	Current Portion of Long-Term Debt			
36	Current Portion of AIAC			
37	Payables to Associated Companies			122,715
38	Security Deposits	96,204	48,925	28,542
39	Taxes Payable	14,583	16,749	36,382
40	Accrued Employee expenses			
41	Accrued Interest	2,257		
42	Other Current Liabilities	137,086	73,408	
43	Total Current Liabilities	$ 273,743	$ 176,024	$ 244,089
44	DEFERRED CREDITS			
45				
46	Advances in Aid of Construction	9,334,999	9,502,775	6,269,857
47	Accumulated Deferred Income Taxes			
48	Contributions In Aid of Construction	2,436,452	2,402,899	2,042,816
49	Accumulated Amortization of CIAC	(238,862)	(165,307)	(111,892)
50				
51	Total Deferred Credits	$ 11,532,589	$ 11,740,367	$ 8,200,781
52				
53	Total Liabilities & Common Equity	$ 24,596,137	$ 23,575,324	$ 10,919,253
54				
55	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
56	E-5		A-3	
57				
58				
59				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1	**Revenues**			
2	Metered Water Revenues	$ 2,030,502	$ 1,849,699	$ 1,657,151
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	157,242	136,865	93,992
5	**Total Revenues**	$ 2,187,744	$ 1,986,564	$ 1,751,143
6	**Operating Expenses**			
7	Salaries and Wages			
8	Purchased Water	118,875	74,260	
9	Purchased Power	141,901	131,471	113,453
10	Fuel For Power Production	-	-	-
11	Chemicals	11,535	5,856	238
12	Repairs and Maintenance	75,423	54,608	98,326
13	Office Supplies and Expense	30,131	-	36,823
14	Outside Services	730,103	745,563	576,560
15	Water Testing	8,750	5,750	7,292
16	Rents	13,195	19,209	19,564
17	Transportation Expenses	22,358	17,682	14,884
18	Insurance - General Liability	21,111	64,772	39,663
19	Insurance - Health and Life			
20	Reg. Comm. Exp. - Other			
21	Reg. Comm. Exp. - Rate Case			
22	Miscellaneous Expense	14,724	12,044	12,511
23	Bad Debt Expense	109		
24	Depreciation Expense	503,454	341,881	165,488
25	Taxes Other Than Income	11,602		
26	Property Taxes	69,226	56,022	45,782
27	Income Tax			
28				
29	**Total Operating Expenses**	$ 1,772,498	$ 1,529,118	$ 1,130,584
30	**Operating Income**	$ 415,246	$ 457,446	$ 620,559
31	**Other Income (Expense)**			
32	Interest Income	123,085	77,753	29,705
33	Other income (loss)	9,544	(2,195)	39,151
34	Interest Expense	(3,904)	-	-
35	Other Expense	(4,666)	(43,990)	-
36				
37	**Total Other Income (Expense)**	$ 124,059	$ 31,568	$ 68,856
38	**Net Profit (Loss)**	$ 539,305	$ 489,014	$ 689,415
39				
40				
41				
42	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
43			A-2	
44				
45				
46				
47				
48				
49				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 539,305	$ 489,014	$ 689,415
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	503,454	341,881	165,488
8	Adjustments to Depreciation and Amortization	2,344	307,360	(158,057)
9	Other			
10	Changes in Certain Assets and Liabilities:			
11	Accounts Receivable			
12	Accounts Receivable, Other	(19,809)		
13	Materials and Supplies Inventory	(103,087)	(179)	2,255
14	Prepaid Expenses	(2,657)		
15	Accounts Payable	(13,329)	(19,508)	33,369
16	Intercompany payable		(122,715)	122,715
17	Customer Meter Deposits	47,279	20,383	(6,001)
18	Taxes Payable	(2,166)	(19,633)	36,382
19	Deferred Income Taxes			
20	Other assets and liabilities	70,366	89,693	1,192
21	Net Cash Flow provided by Operating Activities	$ 1,021,700	$ 1,086,296	$ 886,758
22	Cash Flow From Investing Activities:			
23	Capital Expenditures	(1,697,583)	(10,056,955)	(1,849,559)
24	Plant Held for Future Use			
25	Change In Short-term Investments			
26	Net Cash Flows from Investing Activities	$ (1,697,583)	$ (10,056,955)	$ (1,849,559)
27	Cash Flow From Financing Activities			
28	Change in Restricted Cash			
29	Net Receipts of Advances-in-Aid of Contruction	(167,776)	3,232,918	1,422,620
30	Net Receipts of Contributions-in-Aid of Contruction	33,553	360,083	1,303,390
31	Repayments of Long-Term Debt			
32	Dividends Paid			
33	Deferred Financing Costs			
34	Member capital contributions, net	591,566	8,695,536	(458,518)
35	Net Cash Flows Provided by Financing Activities	$ 457,343	$ 12,288,537	$ 2,267,492
36	Increase(decrease) in Cash and Cash Equivalents	(218,540)	3,317,878	1,304,691
37	Cash and Cash Equivalents at Beginning of Year	5,810,349	2,492,471	1,187,780
38	Cash and Cash Equivalents at End of Year	$ 5,591,809	$ 5,810,349	$ 2,492,471
39				
40	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
41				A-5

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Member Equity	Total
1			
2			
3			
4	Balance, Dec 31, 2005	$ 2,243,486	$ 2,243,486
5	Distributions. Net	(458,518)	(458,518)
6	Net Income	689,415	689,415
7			-
8	Balance, Dec 31, 2006	$ 2,474,383	$ 2,474,383
9	Distributions. Net	8,695,537	8,695,537
10	Net Income	489,014	489,014
11			-
12	Balance, Dec 31, 2007	$ 11,658,934	$ 11,658,934
13	Distributions. Net	591,566	591,566
14	Net Income	539,305	539,305
15			-
16	Balance, Dec 31, 2008	$ 12,789,805	$ 12,789,805
17			
18			
19			
20			
21			
22			
23	SUPPORTING SCHEDULES:		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2007	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2008
1					
2	301	Organization Cost	$ 7,541	$ -	$ 7,541
3	302	Franchise Cost	279,686	71,175	350,861
4	303	Land and Land Rights	13,636	-	13,636
5	304	Structures and Improvements	120,514	51,157	171,671
6	305	Collecting and Impounding Res.	-	-	-
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	800,396	-	800,396
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	157,143	178,525	335,668
12	311	Electric Pumping Equipment	42,065	1,847	43,912
13	320	Water Treatment Equipment	17,719	976	18,694
14	320.1	Water Treatment Equipment	-	-	-
15	320.2	Checmical Solution Feeders	-	-	-
16	330	Distribution Reservoirs & Standpipe	1,811,998	-	1,811,998
17	330.1	Storage tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission and Distribution Mains	10,143,146	19,411	10,162,557
20	333	Services	2,081,553	-	2,081,553
21	334	Meters	1,202,041	20,294	1,222,335
22	335	Hydrants	672,037	-	672,037
23	336	Backflow Prevention Devices	816	-	816
24	339	Other Plant and Miscellaneous Equipment	(0)	0	0
25	340	Office Furniture and Fixtures	198,350	85,641	283,991
26	340.1	Computers and Software	-	-	-
27	341	Transportation Equipment	146,129	-	146,129
28	342	Stores Equipment	-	-	-
29	343	Tools and Work Equipment	10,966	2,890	13,856
30	344	Laboratory Equipment	132	-	132
31	345	Power Operated Equipment	-	-	-
32	346	Communications Equipment	11,957	(139)	11,818
33	347	Miscellaneous Equipment	695	-	695
34	348	Other Tangible Plant	63,917	899,057	962,974
35					
36		TOTAL WATER PLANT	$ 17,782,437	$ 1,330,833	$ 19,113,270
37					
38	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
39				A-4	
40				E-1	
41					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	411,304	401,879	331,090
6				
7				
8				
9	Water Revenues from Customers:	$ 2,187,744	$ 1,986,564	$ 1,751,143
10				
11				
12				
13				
14	Year End Number of Customers	4,664	4,306	3,729
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	88	93	89
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 469.07	$ 461.35	$ 469.60
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.3450	$ 0.3271	$ 0.3427
25	Purchased Water Cost per 1,000 Gallons	$ 0.2890	$ 0.1848	$ -

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1				
2				
3	Federal Income Taxes	$ -	$ -	$ -
4	State Income Taxes	-	-	-
5	Payroll Taxes	-	-	-
6	Property Taxes	69,226	56,022	45,782
7				
8	Totals	$ 69,226	$ 56,022	$ 45,782
9				
10				
11				
12				
13				
14				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Company does not conduct independent audits

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2009	At Proposed Rates Year Ended 12/31/2009
1	**Revenues**			
2	Metered Water Revenues	$ 2,030,502	$ 2,057,901	$ 3,220,116
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	157,242	157,242	157,242
5		$ 2,187,744	$ 2,215,143	$ 3,377,358
6	**Operating Expenses**			
7	Salaries and Wages	$ -	$ -	$ -
8	Purchased Water	118,875	4,256	4,256
9	Purchased Power	141,901	147,364	147,364
10	Fuel For Power Production	-	-	-
11	Chemicals	11,535	11,866	11,866
12	Materials and Supplies	30,131	30,131	30,131
13	Outside Services	730,103	770,603	770,603
14	Water Testing	8,750	8,750	8,750
15	Rents	13,195	13,195	13,195
16	Transportation Expenses	22,358	22,358	22,358
17	Insurance - General Liability	21,111	21,111	21,111
18	Insurance - Vehicle	-	-	-
19	Reg. Comm. Exp. - Other	-	-	-
20	Reg. Comm. Exp. - Rate Case	-	75,000	75,000
21	Miscellaneous Expense	14,724	14,724	14,724
22	Bad Debt Expense	109	109	109
23	Depreciation Expense	503,454	610,853	610,853
24	Taxes Other Than Income	11,602	11,602	11,602
25	Property Taxes	69,226	122,230	122,230
26	Income Tax	-	104,948	547,573
27				
28	**Total Operating Expenses**	$ 1,697,075	$ 1,969,101	$ 2,411,726
29	**Operating Income**	$ 490,669	$ 246,041	$ 965,632
30	**Other Income (Expense)**			
31	Interest Income	123,085	-	-
32	Other income	9,544	-	-
33	Interest Expense	(3,904)	-	-
34	Other Expense	(4,666)	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-
36	**Total Other Income (Expense)**	$ 124,059	$ -	$ -
37	**Net Profit (Loss)**	$ 614,728	$ 246,041	$ 965,632
38				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2008	At Present Rates Year Ended 12/31/2009	At Proposed Rates Year Ended 12/31/2009
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	$ 539,305	$ 170,618	$ 890,209
7	Adjustments to reconcile net income to net cash			
8	*provided by operating activities:*			
9	Depreciation and Amortization	503,454	610,853	610,853
10	Adjustment to Depreciation and Amortization	2,344		
11	Other	-		
12	Changes in Certain Assets and Liabilities:			
13	Accounts Receivable	-		
14	Accounts Receivable, Other	(19,809)		
15	Materials and Supplies Inventory	(103,087)		
16	Prepaid Expenses	(2,657)		
17	Accounts Payable	(13,329)		
18	Intercompany payable	-		
19	Customer Deposits	47,279		
20	Taxes Payable	(2,166)		
21	Deferred Income Taxes	-		
22	Other assets and liabilities	70,366		
23	Net Cash Flow provided by Operating Activities	$ 1,021,700	$ 781,471	$ 1,501,062
24	Cash Flow From Investing Activities:			
25	Capital Expenditures	(1,697,583)	(5,389,816)	(5,389,816)
26	Plant Held for Future Use	-		
27	Change In Short-term Investments	-		
28	Net Cash Flows from Investing Activities	$ (1,697,583)	$ (5,389,816)	$ (5,389,816)
29	Cash Flow From Financing Activities			
30	Change in Restricted Cash	-		
31	Net Receipts of Advances-in-Aid of Contruction	(167,776)	(325,000)	(325,000)
32	Net Receipts of Contributions-in-Aid of Contruction	33,553	125,000	125,000
33	Repayments of Long-Term Debt	-	1,407,262	1,407,262
34	Dividends Paid	-		
35	Deferred Financing Costs	-		
36	Stock/Paid in Capital	591,566		
37	Net Cash Flows Provided by Financing Activities	$ 457,343	$ 1,207,262	$ 1,207,262
38	Increase(decrease) in Cash and Cash Equivalents	(218,540)	(3,401,084)	(2,681,493)
39	Cash and Cash Equivalents at Beginning of Year	5,810,349	5,591,809	5,591,809
40	Cash and Cash Equivalents at End of Year	$ 5,591,809	$ 2,190,726	$ 2,910,317
41				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	2009	2010	2011
1					
2	Account				
3	Number	Plant Asset:	2009	2010	2011
4	301	Organization Cost			
5	302	Franchise Cost			
6	303	Land and Land Rights			
7	304	Structures and Improvements			
8	305	Collecting and Impounding Res.			
9	306	Lake River and Other Intakes			
10	307	Wells and Springs	400,000	500,000	
11	308	Infiltration Galleries and Tunnels			
12	309	Supply Mains			
13	310	Power Generation Equipment			
14	311	Electric Pumping Equipment			
15	320	Water Treatment Equipment	2,221,601		
16	320.1	Water Treatment Equipment			
17	320.2	Checmical Solution Feeders			
18	330	Distribution Reservoirs & Standpipe			
19	330.1	Storage tanks			
20	330.2	Pressure Tanks			
21	331	Transmission and Distribution Mains	2,768,215		
22	333	Services			
23	334	Meters			
24	335	Hydrants			
25	336	Backflow Prevention Devices			
26	339	Other Plant and Miscellaneous Equipment			
27	340	Office Furniture and Fixtures			
28	340.1	Computers and Software			
29	341	Transportation Equipment			
30	342	Stores Equipment			
31	343	Tools and Work Equipment			
32	344	Laboratory Equipment			
33	345	Power Operated Equipment			
34	346	Communications Equipment			
35	347	Miscellaneous Equipment			
36	348	Other Tangible Plant			
37					
38					
39	Total		$ 5,389,816	$ 500,000	$ -
40					
41					
42					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Accumulated depreciation and depreciation expense were computed at Arizona Corporation
9	Commission allowed rated in Prior Commission Decision.
10	
11	Income taxes were computed using statutory state and federal income tax rates for individuals.
12	
13	
14	
15	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Schedule G-1
Page 1
Witness: Bourassa

Line No.		Totals	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1										
2	Water Revenues	$ 2,017,631	$ 1,314,948	$ 197,019	$ 34,678	$ 899	$ 75,830	$ 6,502	$ 761	$ 13,833
3	Revenue Annualizations	42,639	42,154	3,740	(579)	594	16,447	-	-	-
4	Misc. Revenues[1]	157,242	136,272	14,497	1,719	67	539	34	34	270
5	Reconcilation H-1 to C-1[1]	(2,368)	(2,052)	(218)	(26)	(1)	(8)	(1)	(1)	(4)
6	Total Revenues	$ 2,215,143	$ 1,491,322	$ 215,037	$ 35,792	$ 1,560	$ 92,808	$ 6,536	$ 794	$ 14,099
7										
8	Operating Expenses[2]	$ 1,206,493	$ 904,131	$ 115,873	$ 18,183	$ 678	$ 28,077	$ 2,453	$ 382	$ 6,452
9	Depreciation and									
10	Amortization[2]	610,853	453,388	66,851	11,598	451	13,893	1,462	230	6,098
11	Property Tax[3]	122,230	82,290	11,866	1,975	86	5,121	361	44	778
12	Income Tax[4]	104,948	19,618	7,787	1,537	131	17,411	861	53	294
13	Total Operating Expenses	$ 2,044,524	$ 1,459,428	$ 202,377	$ 33,293	$ 1,347	$ 64,502	$ 5,136	$ 708	$ 13,622
14	Operating Income	$ 170,619	$ 31,894	$ 12,660	$ 2,499	$ 213	$ 28,306	$ 1,399	$ 86	$ 477
15	Interest Expense[5]	-	-	-	-	-	-	-	-	-
16	Net Income	$ 170,619	$ 31,894	$ 12,660	$ 2,499	$ 213	$ 28,306	$ 1,399	$ 86	$ 477
17										
18			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
19										
20	Water Revenues		$ 22,472	$ 4,820	$ 51,943	$ 22,010	$ 243,475	$ 1,175	$ 27,266	
21	Revenue Annualizations		159	645	2,395	-	(5,387)	-	(17,530)	
22	Misc. Revenues[1]		371	337	1,416	303	1,281	34	67	
23	Reconcilation H-1 to C-1[1]		(6)	(5)	(21)	(5)	(19)	(1)	(1)	
24	Total Revenues		$ 22,996	$ 6,797	$ 55,732	$ 22,309	$ 239,350	$ 1,209	$ 9,802	
25										
26	Operating Expenses[2]		$ 7,957	$ 2,816	$ 22,183	$ 8,507	$ 82,455	$ 1,473	$ 4,871	
27	Depreciation and									
28	Amortization[2]		1,848	1,568	10,357	4,079	34,758	1,352	2,919	
29	Property Tax[3]		1,269	320	3,075	1,231	13,207	67	541	
30	Income Tax[4]		4,540	416	7,661	3,234	41,485	(641)	560	
31	Total Operating Expenses		$ 15,615	$ 5,121	$ 43,277	$ 17,051	$ 171,906	$ 2,251	$ 8,892	
32	Operating Income		$ 7,381	$ 677	$ 12,455	$ 5,258	$ 67,444	$ (1,042)	$ 911	
33	Interest Expense[5]		-	-	-	-	-	-	-	
34	Net Income		$ 7,381	$ 677	$ 12,455	$ 5,258	$ 67,444	$ (1,042)	$ 911	
35										
36			Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
37										
38										
39	**Rate Base[6]**	$ 7,418,410	$ 5,794,152	$ 769,719	$ 123,484	$ 4,815	$ 124,477	$ 12,927	$ 2,441	$ 56,229
40	**Return on Rate Base[7]**	2.30%	0.55%	1.64%	2.02%	4.43%	22.74%	10.83%	3.52%	0.85%
41										
42			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
43										
44										
45	**Rate Base[6]**		$ 20,123	$ 17,997	$ 107,404	$ 38,541	$ 308,126	$ 12,150	$ 25,826	
46	**Return on Rate Base[7]**		36.68%	3.76%	11.60%	13.64%	21.89%	-8.58%	3.53%	
47										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study. Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Schedule G-1
Page 2
Witness: Bourassa

Line No.		Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
8	**Percent of Total Customers**	86.66%	9.22%	1.09%	0.04%	0.34%	0.02%	0.02%	0.17%

Line No.		Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
13		0.24%	0.21%	0.90%	0.19%	0.81%	0.02%	0.04%

[1] Allocated based on customer counts.
[2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
[3] Property Taxes allocation based on Revenues
[4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
[5] Interest Synchronized Interest Expense. Allocation based on Rate Base
[6] Rate Base computations are shown on Schedule G-3, Page 1
[7] Operating Income Divided by Rate Base

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Schedule G-2
Page 1
Witness Bourassa

Line No.		Totals	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
3	Water Revenues	$ 3,152,709	$ 2,126,253	$ 301,935	$ 53,393	$ 1,314	$ 107,093	$ 9,044	$ 1,095	$ 21,916
4	Revenue Annualizations	68,228	68,701	5,719	(905)	858	22,448	-	-	-
5	Misc. Revenues[1]	157,242	136,272	14,497	1,719	67	539	34	34	270
6	Reconcilation H-1 to C-1[1]	(821)	(712)	(76)	(9)	(0)	(3)	(0)	(0)	(1)
7	Total Revenues	$ 3,377,358	$ 2,330,514	$ 322,075	$ 54,199	$ 2,239	$ 130,076	$ 9,077	$ 1,129	$ 22,184
9	Operating Expenses[2]	$ 1,206,493	$ 904,131	$ 115,873	$ 18,183	$ 678	$ 28,077	$ 2,453	$ 382	$ 6,452
10	Depreciation and									
11	Amortization[2]	610,853	453,388	66,851	11,598	451	13,893	1,462	230	6,098
12	Property Tax[3]	122,230	84,344	11,656	1,962	81	4,708	329	41	803
13	Income Tax[4]	547,573	338,439	48,632	8,552	392	31,762	1,841	181	3,363
14	Total Operating Expenses	$ 2,487,149	$ 1,780,302	$ 243,012	$ 40,295	$ 1,602	$ 78,439	$ 6,084	$ 834	$ 16,718
15	Operating Income	$ 890,209	$ 550,212	$ 79,063	$ 13,904	$ 637	$ 51,637	$ 2,993	$ 295	$ 5,466
16	Interest Expense[5]	-	-	-	-	-	-	-	-	-
17	Net Income	$ 890,209	$ 550,212	$ 79,063	$ 13,904	$ 637	$ 51,637	$ 2,993	$ 295	$ 5,466

Line No.		Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
20	Meter Size->							
21	Water Revenues	$ 32,618	$ 6,841	$ 73,097	$ 31,470	$ 344,941	$ 1,766	$ 39,933
22	Revenue Annualizations	230	923	3,224	-	(7,357)	-	(25,611)
23	Misc. Revenues[1]	371	337	1,416	303	1,281	34	67
24	Reconcilation H-1 to C-1[1]	(2)	(2)	(7)	(2)	(7)	(0)	(0)
25	Total Revenues	$ 33,217	$ 8,099	$ 77,729	$ 31,772	$ 338,859	$ 1,799	$ 14,390
27	Operating Expenses[2]	$ 7,957	$ 2,816	$ 22,183	$ 8,507	$ 82,455	$ 1,473	$ 4,871
28	Depreciation and	0	0	0	0	0	0	0
29	Amortization[2]	1,848	1,568	10,357	4,079	34,758	1,352	2,919
30	Property Tax[3]	1,202	293	2,813	1,150	12,264	65	521
31	Income Tax[4]	8,458	1,303	16,139	6,869	79,742	(416)	2,315
32	Total Operating Expenses	$ 19,466	$ 5,981	$ 51,492	$ 20,605	$ 209,219	$ 2,475	$ 10,626
33	Operating Income	$ 13,751	$ 2,118	$ 26,237	$ 11,167	$ 129,640	$ (676)	$ 3,763
34	Interest Expense[5]	-	-	-	-	-	-	-
35	Net Income	$ 13,751	$ 2,118	$ 26,237	$ 11,167	$ 129,640	$ (676)	$ 3,763

Line No.			Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
40	**Rate Base[6]**	$ 7,418,410	$ 5,794,152	$ 769,719	$ 123,484	$ 4,815	$ 124,477	$ 12,927	$ 2,441	$ 56,229
41	**Return on Rate Base[7]**	12.00%	9.50%	10.27%	11.26%	13.23%	41.48%	23.15%	12.08%	9.72%

Line No.		Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
46		$ 20,123	$ 17,997	$ 107,404	$ 38,541	$ 308,126	$ 12,150	$ 25,826
47		68.34%	11.77%	24.43%	28.97%	42.07%	-5.56%	14.57%

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Schedule G-2
Page 2
Witness Bourassa

Line No.		Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
8	**Percent of Total Customers**	86.664%	9.220%	1.093%	0.043%	0.343%	0.021%	0.021%	0.172%

	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
	0.236%	0.214%	0.901%	0.193%	0.815%	0.021%	0.043%

[1] Allocated based on customer counts.
[2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
[3] Property Taxes allocation based on revenues.
[4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
[5] Interest Synchronized Interest Expense. Allocation based on Rate Base
[6] Rate Base computations are shown on Schedule G-3, Page 1
[7] Operating Income Divided by Rate Base

Sahuarita Water Company, LLC
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes

Exhibit
Schedule G-3
Page 1
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)										
2	Commodity	$ 262,487	C-1	$ 162,531	$ 19,814	$ 2,766	$ 81	$ 13,240	$ 894	$ 74	$ 610
3	Demand	2,913,012	D-1	2,118,459	338,052	66,824	2,621	67,086	8,386	1,310	33,543
4	Customer	1,513,008	CS-1	1,311,230	139,493	16,544	649	5,190	324	324	2,595
5	Service	1,929,771	S-1	1,646,632	175,174	23,111	906	12,157	1,067	453	6,079
6	Meter	800,133	M-1	555,300	97,187	14,239	558	26,803	2,256	279	13,401
7	Totals	$ 7,418,410		$ 5,794,152	$ 769,719	$ 123,484	$ 4,815	$ 124,477	$ 12,927	$ 2,441	$ 56,229
8											
9				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
10			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
11	Commodity		C-1	$ 4,797	$ 557	$ 7,989	$ 3,317	$ 43,938	$ 118	$ 1,761	
12	Demand		D-1	5,765	7,862	55,032	23,585	159,330	8,386	16,772	
13	Customer		CS-1	3,568	3,244	13,625	2,920	12,327	324	649	
14	Service		S-1	4,481	4,074	19,032	4,532	28,874	1,067	2,133	
15	Meter		M-1	1,511	2,260	11,726	4,188	63,657	2,256	4,511	
16				$ 20,123	$ 17,997	$ 107,404	$ 38,541	$ 308,126	$ 12,150	$ 25,826	
17											
18				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
19				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
20											
21	Net Rate Base	$ 7,418,410		$ 5,794,152	$ 769,719	$ 123,484	$ 4,815	$ 124,477	$ 12,927	$ 2,441	$ 56,229
22											
23				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
24				5/8"	3/4"	1"	1.5"	2"	3"	3"	
25											
26				$ 20,123	$ 17,997	$ 107,404	$ 38,541	$ 308,126	$ 12,150	$ 25,826	
27											
28				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
29				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
30											
31	Allocation %	100.00%		78.11%	10.38%	1.66%	0.06%	1.68%	0.17%	0.03%	0.76%
32											
33				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
34				5/8"	3/4"	1"	1.5"	2"	3"	3"	
35											
36				0.27%	0.24%	1.45%	0.52%	4.15%	0.16%	0.35%	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes

Exhibit
Schedule G-4
Page 1
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
	Operation and Maintenance Expense (from Schedule G-6, Page 1)										
1	Commodity	$ 331,358	C-1	$ 205,175	$ 25,013	$ 3,492	$ 102	$ 16,714	$ 1,129	$ 93	$ 770
2	Demand	426,623	D-1	310,257	49,509	9,787	384	9,825	1,228	192	4,913
3	Customer	448,513	CS-1	388,698	41,351	4,904	192	1,539	96	96	769
4	Service	-	S-1	-	-	-	-	-	-	-	-
5	Meter	-	M-1	-	-	-	-	-	-	-	-
6	Totals	$ 1,206,493		$ 904,131	$ 115,873	$ 18,183	$ 678	$ 28,077	$ 2,453	$ 382	$ 6,452
7											

8										
9			Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
10										
11	Commodity		C-1	$ 6,055	$ 703	$ 10,085	$ 4,188	$ 55,467	$ 149	$ 2,223
12	Demand		D-1	844	1,151	8,060	3,454	23,335	1,228	2,456
13	Customer		CS-1	1,058	962	4,039	865	3,654	96	192
14	Service		S-1	-	-	-	-	-	-	-
15	Meter		M-1	-	-	-	-	-	-	-
16	Totals			$ 7,957	$ 2,816	$ 22,183	$ 8,507	$ 82,455	$ 1,473	$ 4,871
17										

18											
19			Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
20	Depreciaton Expense on Plant (from Schedule G-6, Page 2)										
21	Commodity	$ 37,043	C-1	$ 22,937	$ 2,796	$ 390	$ 11	$ 1,868	$ 126	$ 10	$ 86
22	Demand	346,709	D-1	252,141	40,235	7,953	312	7,985	998	156	3,992
23	Customer	55,964	CS-1	48,501	5,160	612	24	192	12	12	96
24	Service	69,316	S-1	59,146	6,292	830	33	437	38	16	218
25	Meter	101,821	M-1	70,664	12,367	1,812	71	3,411	287	36	1,705
26	Totals	$ 610,853		$ 453,388	$ 66,851	$ 11,598	$ 451	$ 13,893	$ 1,462	$ 230	$ 6,098
27											

28										
29			Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
30										
31	Commodity		C-1	$ 677	$ 79	$ 1,127	$ 468	$ 6,201	$ 17	$ 248
32	Demand		D-1	686	936	6,550	2,807	18,964	998	1,996
33	Customer		CS-1	132	120	504	108	456	12	24
34	Service		S-1	161	146	684	163	1,037	38	77
35	Meter		M-1	192	288	1,492	533	8,101	287	574
36	Totals			$ 1,848	$ 1,568	$ 10,357	$ 4,079	$ 34,758	$ 1,352	$ 2,919
37										

38											
39				Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
40	Total Expenses (excluding Income Tax and										
41	Property Taxes)	$ 1,817,346		$ 1,357,519	$ 182,724	$ 29,781	$ 1,129	$ 41,970	$ 3,915	$ 612	$ 12,550
42											

43									
44		Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
45								
46		$ 1,848	$ 1,568	$ 10,357	$ 4,079	$ 34,758	$ 1,352	$ 2,919
47								

48	Property Taxes, Allocated on Schedules G-1 & G-2	$ 122,230
49	Income Tax, Allocated on Schedules G-1 & G-2	547,573
50	Total Expenses	$ 2,487,149
51		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Summary of Allocation of Expenses to Customer Classes

Exhibit
Schedule G-4
Page 2
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1	Commodity	$ 368,401	C-1	$ 228,113	$ 27,809	$ 3,882	$ 114	$ 18,582	$ 1,255	$ 104	$ 856
2	Demand	773,332	D-1	562,398	89,744	17,740	696	17,810	2,226	348	8,905
3	Customer	504,477	CS-1	437,199	46,511	5,516	216	1,731	108	108	865
4	Service	69,316	S-1	59,148	6,292	830	33	437	38	16	218
5	Meter	101,821	M-1	70,664	12,367	1,812	71	3,411	287	36	1,705
6											
7											
8	Totals	$ 1,817,346		$ 1,357,519	$ 182,724	$ 29,781	$ 1,129	$ 41,970	$ 3,915	$ 612	$ 12,550
9											
10											
11			Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
12											
13	Commodity		C-1	$ 6,732	$ 782	$ 11,212	$ 4,656	$ 61,667	$ 166	$ 2,471	
14	Demand		D-1	1,531	2,087	14,610	6,261	42,298	2,226	4,452	
15	Customer		CS-1	1,190	1,082	4,543	973	4,110	108	216	
16	Service		S-1	161	146	684	163	1,037	38	77	
17	Meter		M-1	192	288	1,492	533	8,101	287	574	
18											
19	Totals			$ 9,806	$ 4,385	$ 32,541	$ 12,586	$ 117,213	$ 2,825	$ 7,791	
20											
21											
22				Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
23	Total Expenses (excluding Income Tax and										
24	Property Taxes)	$ 1,817,346		$ 1,357,519	$ 182,724	$ 29,781	$ 1,129	$ 41,970	$ 3,915	$ 612	$ 12,550
25											
26											
27				Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
28											
29											
30				$ 9,806	$ 4,385	$ 32,541	$ 12,586	$ 117,213	$ 2,825	$ 7,791	
31											
32											
33											
34	Property Taxes, Allocated on Schedules G-1 & G	$ 122,230									
35	Income Tax, Allocated on Schedules G-1 & G-2	547,573									
36	Total Expenses	$ 2,487,149									
37											

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function

Exhibit
Schedule G-5
Page 1
Witness: Bourassa

Line No.		Adjusted	Demand	Commodity	Customer	Meter	Service
1	**Rate Base**						
2	Plant minus (Accumulated Depreciation	$ 7,418,410	$ 2,913,012	$ 262,487	$ 1,513,008	$ 800,133	$ 1,929,771
3	Contributions in Aid of Construction						
4	Advances in Aid of Construction,						
5	Meter Deposits and Deferred Income Tax)						
6							
7							
8							
9		7,418,410	2,913,012	262,487	1,513,008	800,133	1,929,771
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Factor	Demand	Commodity	Customer	Meter	Service
1	**Intangible**										
2	301	Organization	$ 7,541		$ 7,541	F-6	$ 7,541	$ -	$ -	$ -	$ -
3	302	Franchises	350,861		350,861	F-6	350,861	-	-		
4											
5	**Subtotal Intangible**		358,402		358,402		358,402	-	-	-	-
6											
7	**Source of Supply & Pumping Plant**										
8	303	Land and Land Rights	$ 13,636		$ 13,636	F-6	$ 13,636	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	171,671	7,678	163,993	F-4	163,993	-	-		
10	305	Collecting and Impounding Res.	-	-	-	F-1	-	-	-		
11	306	Lakes, Rivers, Other Intakes	-	-	-	F-1	-	-	-		
12	307	Wells and Springs	2,644,666	126,795	2,517,871	F-1	2,266,084	251,787	-		
13	308	Infiltration Galleries and Tunnels	-	-	-	F-1	-	-	-		
14	309	Supply Mains	-	0	-	F-1	-	-	-		
15	310	Power Generation Equipment	335,668	16,317	319,351	F-1	287,416	31,935	-		
16	311	Electric Pumping Equipment	43,912	9,696	34,216	F-2	30,795	3,422	-		
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,209,553	$ 160,485	$ 3,049,067		$ 2,761,923	$ 287,144	$ -	$ -	$ -
18											
19	**Water Treatment**										
20	320	Water Treatment Equipment	$ 18,694	$ 1,552	$ 17,142	F-5	$ 15,428	$ 1,714	$ -	$ -	$ -
21	**Subtotal Water Treatment**		$ 18,694	$ 1,552	$ 17,142		$ 15,428	$ 1,714	$ -	$ -	$ -
22											
23	**Transmission and Distribution Plant**										
24	330	Distribution Reservoirs & Standpipe	$ 1,811,998	$ 132,080	$ 1,679,918	F-3	$ 1,511,926	$ 167,992	$ -	$ -	$ -
25	331	Transmission and Distribution Mains	10,162,557	587,243	9,575,314	F-3	8,617,783	957,531	-	-	-
26	333	Services	2,081,553	151,782	1,929,771	F-8					1,929,771
27	334	Meters	1,222,335	422,202	800,133	F-9				800,133	
28	335	Hydrants	672,037	27,628	644,409	F-10	-	-	644,409		
29	336	Backflow Prevention Devices	816	102	714	F-1	643	71	-		
30	339	Other Plant and Miscellaneous Equip.	0	(0)	0	F-1	0	0	-		
31	**Subtotal Transmission and Distribution Plant**		$ 15,951,296	$ 1,321,036	$ 14,630,260		$ 10,130,352	$ 1,125,595	$ 644,409	$ 800,133	$ 1,929,771
32											
33	**General Plant**										
34	340	Office Furniture and Fixtures	$ 283,991	$ 40,362	$ 243,629	F-12	$ -	$ -	$ 243,629	$ -	$ -
35	304.1	Computer Equipment	-	-	-	F-12	-	-	-	-	-
36	341	Transportation Equipment	146,129	97,477	48,652	F-11	12,163	-	36,489		
37	342	Stores Equipment	-	-	-	SF-3			-		-
38	343	Tools and Work Equipment	13,856	3,133	10,723	SF-3			10,723		-
39	344	Laboratory Equipment	132	20	112	SF-3			112		
40	345	Power Operated Equipment	-	-	-	SF-3			-		
41	346	Communications Equipment	11,818	2,077	9,741	F-13	2,435	-	7,306		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values		Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**								-		
2	347	Miscellaneous Equipment	695	104	591	SF-3			591		
3	348	Other Tangible Plant	962,974	54,602	908,372	F-1			908,372		
4	**Subtotal General Plant**		$ 1,419,595	$ 197,774	$ 1,221,821		$ 14,598	$ -	$ 1,207,223	$ -	$ -
5	Total Plant		$ 20,957,540	$ 1,680,847	$ 19,276,692		$ 13,280,704	$ 1,414,453	$ 1,851,632	$ 800,133	$ 1,929,771
6											
7	Contributions in Aid of Construction, Net		(2,436,455)	251,796	(2,184,659)	F-1	$ (1,966,193)	$ (218,466)	$ -	$ -	$ -
8	Advances in Aid of Construction		(9,334,999)		(9,334,999)	F-3	(8,401,499)	(933,500)	-	-	-
9	Meter Deposits		-		-					-	
10	Deferred Income Tax		(338,625)		(338,625)	SF-3			(338,625)		
11	Deferred Reg Assets		-		-				-		
12	Unamortized Debt Service Costs		-		-				-		
13	Totals		$ 8,847,461	$ 1,932,644	$ 7,418,410		$ 2,913,012	$ 262,487	$ 1,513,008	$ 800,133	$ 1,929,771
14	Rate Bases (Plant -(AIAC, CIAC, Meter Deposits & Accum. Depr.)				$ 7,418,410		$ 2,913,012	$ 262,487	$ 1,513,008	$ 800,133	$ 1,929,771

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Functions

Exhibit
Schedule G-6
Page 1
Witness: Bourassa

Line No.	Description	Adjusted	Factor	Demand	Commodity	Customer	Meter	Service	Totals
1	Salaries and Wages[1]	$ -	E-1	$ -	$ -	$ -	$ -	$ -	$ -
2	Purchased Water[1]	4,256	E-5		4,256				4,256
3	Purchased Power[1]	147,364	E-4	-	147,364	-	-	-	147,364
4	Fuel For Power Production[1]	-	E-4	-	-	-	-	-	-
5	Chemicals[1]	11,866	E-9	-	11,866	-	-	-	11,866
6	Repairs and Maintenance[1]	75,423	E-1	67,881	7,542	-	-	-	75,423
7	Materials & Supplies	30,131	E-6	27,118	3,013	-			30,131
8	Outside Services[1]	770,603	E-3	308,241	154,121	308,241	-	-	770,603
9	Water Testing[1]	8,750	E-10	7,875	875	-	-	-	8,750
10	Rents	13,195	E-11	-	-	13,195	-	-	13,195
11	Transportation Expenses[1]	22,358	E-8	5,590	-	16,769	-	-	22,358
12	Insurance - General Liability	21,111	SE-3	5,278	-	15,833	-	-	21,111
13	Insurance - Health and Life	-	SE-3			-			-
14	Reg. Comm. Exp.	-	SE-3			-			-
15	Reg. Comm. Exp. - Rate Case	75,000	SE-3			75,000			75,000
16	Miscellaneous Expense	14,724	SE-3			14,724			14,724
17	Bad Debt Expense	109	SE-3			109			109
18									-
19	Depreciation Expense[2]	610,853		346,709	37,043	55,964	101,821	69,316	610,853
20	Taxes Other Than Income	11,602		4,641	2,320	4,641	-	-	11,602
21									-
22	Property Taxes, Allocated on Schedules G-1 & G-2	**122,230**							
23	Income Tax, Allocated on Schedules G-1 & G-2[3]	**547,573**							
24									
25	Total	$ 2,487,149		$ 773,332	$ 368,401	$ 504,477	$ 101,821	$ 69,316	$ 1,817,346
26									
27									

28 [1] Allocation factors see Schedule G-7, page 2.1.
29 [2] Depreciation allocation computed on Schedule G-6, Page 2.
30 [3] Income Taxes shown at proposed rates.
31
32

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Depreciation Expense to Functions

Exhibit
Schedule G-6
Page 2
Witness. Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Factor	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**Intangible**											
2	301	Organization	$ 7,541		$ -							
3	302	Franchises	350,861		-							
4												
5	**Subtotal Intangible**		$ 358,402		$ -		$ -	$ -	$ -	$ -	$ -	$ -
6												
7		**Source of Supply & Pumping Plant**										
8	303	Land and Land Rights	$ 13,636	0.000%	$ -		$ -	-	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	171,671	3.330%	5,717	F-4	5,717	5,717	-			
10	305	Collecting and Impounding Res.	-	2.500%	-	F-1	-	-	-			
11	306	Lakes, Rivers, Other Intakes	-	2.500%	-	F-1	-	-	-			
12	307	Wells and Springs	2,644,666	3.330%	88,067	F-1	88,067	79,261	8,807			
13	308	Infiltration Galleries and Tunnels	-	6.670%	-	F-1	-	-	-			
14	309	Supply Mains	-	2.000%	-	F-1	-	-	-			
15	310	Power Generation Equipment	335,668	5.000%	16,783	F-1	16,783	15,105	1,678			
16	311	Electric Pumping Equipment	43,912	12.500%	5,489	F-2	5,489	4,940	549			
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,209,553		$ 116,056		$ 116,056	$ 105,022	$ 11,034	$ -	$ -	$ -
18												
19	**Water Treatment**											
20	320	Water Treatment Equipment	18,694	3.330%	623	F-5	623	560	62	-		
21	**Subtotal Water Treatment**		$ 18,694		$ 623		$ 623	$ 560	$ 62	$ -	$ -	$ -
22												
23	**Transmission and Distribution Plant**											
24	330	Distribution Reservoirs & Standpipe	$ 1,811,998	2.220%	$ 40,226	F-3	$ 40,226	$ 36,204	$ 4,023	$ -	$ -	$ -
25	331	Transmission and Distribution Mains	10,162,557	2.000%	203,251	F-3	203,251	182,926	20,325			
26	333	Services	2,081,553	3.330%	69,316	F-8	69,316	-	-	-		69,316
27	334	Meters	1,222,335	8.330%	101,821	F-9	101,821	-	-	-	101,821	
28	335	Hydrants	672,037	2.000%	13,441	F-10	13,441	-	-	13,441		
29	336	Backflow Prevention Devices	816	6.670%	54	F-1	54	49	5	-		
30	339	Other Plant and Miscellaneous Equipment	0	6.670%	0	F-1	0	0	0	-		
31	**Subtotal Transmission and Distribution Plant**		$ 15,951,296		$ 428,109		$ 428,109	$ 219,179	$ 24,353	$ 13,441	$ 101,821	$ 69,316
32												
33	**General Plant**											
34	340	Office Furniture and Fixtures	$ 283,991	6.670%	$ 18,942	F-12	$ 18,942	$ -	$ -	$ 18,942		
35	340.1	Computer Equipment*	-	20.000%	-	F-12	-	-	-	-		
36	341	Transportation Equipment	146,129	20.000%	29,226	F-11	29,226	7,306	-	21,919		
37	342	Stores Equipment	-	4.000%	-	SF-3	-			-		
38	343	Tools and Work Equipment	13,856	5.000%	693	SF-3	693			693		
39	344	Laboratory Equipment	132	10.000%	13	SF-3	13			13		
40	345	Power Operated Equipment	-	5.000%	-	SF-3	-			-		
41	346	Communications Equipment	11,818	10.000%	1,182	F-13	1,182	295	-	886		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Depreciation Expense to Functions

Exhibit
Schedule G-6
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Factor	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**											
2	347	Miscellaneous Equipment	695	10.00%	70	SF-3	70			70		
3	348	Other Tangible Plant	962,974	10.00%	96,297	F-1	96,297	86,668	9,630	-		
4	**Subtotal General Plant**		$ 1,419,595		$ 146,423		$ 146,423	$ 94,270	$ 9,630	$ 42,523	$ -	$ -
5	**Total Plant**		$ 20,957,540		$ 691,211		$ 691,211	$ 419,031	$ 45,079	$ 55,964	$ 101,821	$ 69,316
6												
7												
8	Less: Amortization of Contributions											
9		Gross Contributions-in-aid of construction	$ (2,436,455)	3.2981%	$ (80,358)	F-1	$ (80,358)	$ (72,322)	$ (8,036)	$ -		
10					-		-	-	-			
11					-		-					-
12					-		-				-	
13					-		-			-		
14	Total Depreciation Expense		(2,436,455)		$ 610,853		$ 610,853	$ 346,709	$ 37,043	$ 55,964	$ 101,821	$ 69,316
15												
16												
17												
18	* Fully Depreciated											
19												

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Commodity - Demand Method Functions Factors

Exhibit
Schedule G-7
Page 1
Witness: Bourassa

Line No.	Description	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1										
2	Description	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
3	Commodity	C-1	61.920%	7.649%	1.054%	0.031%	5.044%	0.341%	0.028%	0.232%
4	Demand	D-1	72.724%	11.605%	2.294%	0.090%	2.303%	0.288%	0.045%	1.151%
5	Customer	CS-1	86.664%	9.220%	1.093%	0.043%	0.343%	0.021%	0.021%	0.172%
6	Services	S-1	85.328%	9.077%	1.198%	0.047%	0.630%	0.055%	0.023%	0.315%
7	Meters	M-1	69.401%	12.146%	1.780%	0.070%	3.350%	0.282%	0.035%	1.675%
8										
9										
10										

Line No.	Description	Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	Totals
11	Description	Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	Totals
12	Commodity	C-1	1.827%	0.212%	3.043%	1.264%	16.739%	0.045%	0.671%	100.000%
13	Demand	D-1	0.198%	0.270%	1.889%	0.810%	5.470%	0.288%	0.576%	100.000%
14	Customer	CS-1	0.236%	0.214%	0.901%	0.193%	0.815%	0.021%	0.043%	100.000%
15	Services	S-1	0.232%	0.211%	0.986%	0.235%	1.496%	0.055%	0.111%	100.000%
16	Meters	M-1	0.189%	0.282%	1.466%	0.523%	7.956%	0.282%	0.564%	100.000%
17										
18										
19										
20										
21										
22										
23										
24										
25	SUPPORTING SCHEDULES									
26	G-7, page 3									
27										
28										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations Functions

Exhibit
Schedule G-7
Page 2
Witness: Bourassa

Line No.	Description	Factor	Total	Demand	Commodity	Customer	Meter	Service
1								
2	Description	Factor	Total	Demand	Commodity	Customer	Meter	Service
3	Wells	F-1	1.00	0.90	0.10			
4	Pumps & Equipment	F-2	1.00	0.90	0.10			
5	Trans. & Dist. Mains	F-3	1.00	0.90	0.10			
6	Structures & Improv.	F-4	1.00	1.00				
7	Water Treatment Equip.	F-5	1.00	0.90	0.10			
8	Land	F-6	1.00	1.00				
9	Customer	F-7	1.00			1.00		
10	Services	F-8	1.00					1.00
11	Meters	F-9	1.00				1.00	
12	Fire Hydrants	F-10	1.00			1.00		
13	Transportation Equip.	F-11	1.00	0.25		0.75		
14	Office Furniture	F-12	1.00			1.00		
15	Communication Equip.	F-13	1.00	0.25		0.75		
16	Specific	SF-1	1.00	1.00				
17	Specific	SF-2	1.00		1.00			
18	Specific	SF-3	1.00			1.00		
19								
20								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Development Of Expense Allocation Factors

Exhibit
Schedule G-7
Page 2.1
Witness: Bourassa

Line No.	Expense Type	Factor	Total	Demand	Commodity	Customer	Meters	Services
1								
2	Salaries and Wages[8]	E-1	1.00	0.40	0.20	0.40		
3	Repairs and Maintenance[1]	E-2	1.00	0.90	0.10			
4	Oustside Services[2]	E-3	1.00	0.40	0.20	0.40		
5	Purchased Power/Fuel for Power Prod.[3]	E-4	1.00		1.00			
6	Purchased Water[4]	E-5	1.00		1.00			
7	Materials and Supplies	E-6	1.00	0.90	0.10			
8	Rents	E-7	1.00			1.00		
9	Transportation[5]	E-8	1.00	0.25	-	0.75		
10	Chemicals[6]	E-9	1.00		1.00			
11	Water Testing[7]	E-10	1.00	0.90	0.10			
12	Specific	SE-1	1.00	1.00				
13	Specific	SE-2	1.00		1.00			
14	Specific	SE-3	1.00			1.00		
15	Specific	SE-4	1.00				1.00	
16	Specific	SE-5	1.00					1.00
17								
18								

19 [1] Estimated based on examination of costs in repairs and maintenance and professional judgement.
20 [2] Estimated based on examination of costs included in contractual services and professional judgement.
21 [3] 100% related to pumping and water production.
22 [4] 100% related to pumping and water production.
23 [5] Based on allocation of transportation equipment. See G-7, page 2.
24 [6] 100% related to water production.
25 [7] Based on allocation of well plant and equipment. See G-7, page 2.
26 [8] The Company does not have recorded salaries and wages expense. See allocation of contractual services.
27
28
29
30
31

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Development of Class Allocation Factors

Exhibit
Schedule G-7
Page 3
Witness: Bourassa

COMMODITY ALLOCATION FACTOR (C-1)

Meter Size	Class	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8 Inch	Res	254,678	61.92%
3/4 Inch	Res	31,048	7.55%
1 Inch	Res	4,334	1.05%
1 Inch	Com	127	0.03%
2 Inch	Com	20,746	5.04%
3 Inch	Com	1,401	0.34%
1 Inch	Public Auth	116	0.03%
2 Inch	Public Auth	956	0.23%
5/8 Inch	Irr	7,516	1.83%
3/4 Inch	Irr	873	0.21%
1 Inch	Irr	12,518	3.043%
1.5 Inch	Irr	5,198	1.264%
2 Inch	Irr	68,849	16.739%
3 Inch	Irr	185	0.045%
3 Inch	Const	2,759	0.671%
Totals		411,304	100.00%

DEMAND ALLOCATION FACTOR (D-1)

Meter Size	Class	Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8 Inch	Res	4,042	1.0	4,042	72.72%
3/4 Inch	Res	430	1.5	645	11.60%
1 Inch	Res	51	2.5	128	2.29%
1 Inch	Com	2	2.5	5	0.09%
2 Inch	Com	16	8.0	128	2.30%
3 Inch	Com	1	16.0	16	0.29%
1 Inch	Public Auth	1	2.5	3	0.04%
2 Inch	Public Auth	8	8.0	64	1.15%
5/8 Inch	Irr	11	1.0	11	0.20%
3/4 Inch	Irr	10	1.5	15	0.27%
1 Inch	Irr	42	2.5	105	1.89%
1.5 Inch	Irr	9	5.0	45	0.81%
2 Inch	Irr	38	8.0	304	5.47%
3 Inch	Irr	1	16.0	16	0.29%
3 Inch	Const	2	16.0	32	0.58%
Totals		4,664		5,556	100.00%

CUSTOMER ALLOCATION FACTOR (CS-1)

Meter Size	Class	Number of Meters	Percent of Total
5/8 Inch	Res	4,042	86.66%
3/4 Inch	Res	430	9.22%
1 Inch	Res	51	1.09%
1 Inch	Com	2	0.04%
2 Inch	Com	16	0.34%
3 Inch	Com	1	0.02%
1 Inch	Public Auth	1	0.02%
2 Inch	Public Auth	8	0.17%
5/8 Inch	Irr	11	0.24%
3/4 Inch	Irr	10	0.21%
1 Inch	Irr	42	0.90%
1.5 Inch	Irr	9	0.19%
2 Inch	Irr	38	0.81%
3 Inch	Irr	1	0.02%
3 Inch	Const	2	0.04%
Totals		4,664	100.00%

SERVICES ALLOCATION FACTOR (S-1) (b)

Meter Size	Class	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8 Inch	Res	4,042	$ 445.00	1,798,690	85.33%
3/4 Inch	Res	430	445.00	191,350	9.08%
1 Inch	Res	51	495.00	25,245	1.20%
1 Inch	Com	2	495.00	990	0.05%
2 Inch	Com	16	830.00	13,280	0.63%
3 Inch	Com	1	1,165.00	1,165	0.06%
1 Inch	Public Auth	1	495.00	495	0.02%
2 Inch	Public Auth	8	830.00	6,640	0.31%
5/8 Inch	Irr	11	445.00	4,895	0.23%
3/4 Inch	Irr	10	445.00	4,450	0.21%
1 Inch	Irr	42	495.00	20,790	0.99%
1.5 Inch	Irr	9	550.00	4,950	0.23%
2 Inch	Irr	38	830.00	31,540	1.50%
3 Inch	Irr	1	1,165.00	1,165	0.06%
3 Inch	Const	2	1,165.00	2,330	0.11%
Totals		4,664		2,107,975	100.00%

METER ALLOCATION FACTOR (M-1) (b)

Meter Size	Class	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8 Inch	Res	4,042	$ 155.00	626,510	69.40%
3/4 Inch	Res	430	255.00	109,650	12.15%
1 Inch	Res	51	315.00	16,065	1.78%
1 Inch	Com	2	315.00	630	0.07%
2 Inch	Com	16	1,890.00	30,240	3.35%
3 Inch	Com	1	2,545.00	2,545	0.28%
1 Inch	Public Auth	1	315.00	315	0.03%
2 Inch	Public Auth	8	1,890.00	15,120	1.67%
5/8 Inch	Irr	11	155.00	1,705	0.19%
3/4 Inch	Irr	10	255.00	2,550	0.28%
1 Inch	Irr	42	315.00	13,230	1.47%
1.5 Inch	Irr	9	525.00	4,725	0.52%
2 Inch	Irr	38	1,890.00	71,820	7.96%
3 Inch	Irr	1	2,545.00	2,545	0.28%
3 Inch	Const	2	2,545.00	5,090	0.56%
Totals		4,664		902,740	100.00%

(a) Includes customer and gallon sold annualization.
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Martin Scott, Jr. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Using Function Costs and Expenses

Exhibit
Schedule G-8
Page 1
Witness: Bourassa

Line No.						Customer	Service	Meter
1	Return on Rate Base	12.00%				181,561	96,016	231,572
2	Misc. Revenues					(712)		
3	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)					504,477	69,316	101,821
4	Property Taxes					122,230		
5	Income Taxes					547,573		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)					1,355,130	165,332	333,393
7								
8	**Customer Charge**							
9	Number of Bills =	4,664	times	12		55,968		
10								
11	**Charge per Bill**					$ 24.21		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)							
13								
14	**Service Line and Meter Charge**							
15	Equivalent 5/8 Meters		5,558	times	12		66,696	66,696
16								
17	**Charge per Equivalent Meter**						$ 2.48	$ 5.00
18								
19								
20	**CUSTOMER CHARGE:**							
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)							
22	Charge per Bill						$ 24.21	
23	Charge per Equivalent Service Line						2.48	
24	Charge per Equivalent Meter						5.00	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)							
26	Monthly Minimum for 5/8 Inch Meter, **WITHOUT** Demand Charge Included						$ 31.69	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Demand Charge

Exhibit
Schedule G-8
Page 2
Witness. Bourassa

Line No.	DEMAND CHARGE:		
1			
2	Return on Rate Base 12.00%		349,561
3	Demand Expenses, from Schedule G-6, Page 1		773,332
4			
5	Totals		1,122,893
6	Total Revenue Requirement / Demand Component		
7	Equivalent Number of 5/8 Meters billings		66,516
8	Demand Charge for 5/8 Inch Meter		$ 16.88
9			

Line No.	Demand Charge Per Equivalent	5/8" Demand Charge	Meter Ratio	Demand Charge
10				
11				
12	5/8 Inch Meter	$ 16.88	1.0	$ 16.88
13	3/4 Inch Meter	$ 16.88	1.5	$ 25.32
14	1 Inch Meter	$ 16.88	2.5	$ 42.20
15	1 1/2 Inch Meter	$ 16.88	5.0	$ 84.41
16	2 Inch Meter	$ 16.88	8.0	$ 135.05
17	3 Inch Meter	$ 16.88	16.0	$ 270.10
18	4 Inch Meter	$ 16.88	25.0	$ 422.04
19	6 Inch Meter	$ 16.88	50.0	$ 844.08
20				
21				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Schedule G-8
Page 3
Witness: Bourassa

Line No.			Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	12.00%	31,498	181,561	231,572	96,016	349,561
2	Less: Miscellaneous Revenues			(157,242)			
3							
4	Expenses (From Sch. G-6. Page 1)		368,401	504,477	69,316	101,821	773,332
5	Property taxes			122,230			
6	Income Taxes			547,573			
7	Total Revenue Requirement by function		399,899	1,198,599	300,888	197,836	1,122,893
8	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)		411,304				
9	Computed Commodity Rate		$ 0.9723				
10	Annualized Number of Bills			55,968			
11	Equivalent Meters and Service Lines				66,696	66,696	66,696
12	Customer Charge (line 18 divided by line 21)			$ 21.42			
13	Meter, Service Line & Demand Charge (Line 18 divided by Line 22)				$ 4.51	$ 2.97	$ 16.84
14	Total Monthly Minimum Charge for a 5/8 Inch Meter (Sum of Customer,						
15	Service Line, Meter and Demand Charge on Lines 23 & Line 24)						$ 45.73
16							
17							

	Monthly Minimum	5/8" Monthly Minimum	Meter Ratio	Demand Charge
19	5/8 Inch Meter	$ 45.73	1.0	$ 45.73
20	3/4 Inch Meter	$ 45.73	1.5	$ 68.59
21	1 Inch Meter	$ 45.73	2.5	$ 114.32
22	1 1/2 Inch Meter	$ 45.73	5.0	$ 228.65
23	2 Inch Meter	$ 45.73	8.0	$ 365.83
24	3 Inch Meter	$ 45.73	16.0	$ 731.67
25	4 Inch Meter	$ 45.73	25.0	$ 1,143.23
26	6 Inch Meter	$ 45.73	50.0	$ 2,286.47
27	8 Inch Meter	$ 45.73	80.0	$ 3,658.35

28
29
30
31

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Schedule G-8
Page 4
Witness: Bourassa

Line No.		Total Rev. Req.	%	Portion of Rev. Req.	
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
4					
5					
6	Customer, Service, and Meter Costs	$ 1,697,324	45%	$ 763,796	
7	Demand Costs	1,122,893	45%	505,302	
8	Commodity Costs	399,899	100%	399,899	
9	Total Costs to be Collected via Commodity			$ 1,668,997	
10	Gallons Sold			411,304	
11					
12	Commodity Charge (per 1,000 gallons)			$ 4.058	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 3,220,116	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,668,997)	
19	Balance to be Recovered through Monthly Minimum			$ 1,551,119	48.17%
20					
21	Number of Equivalent 5/8 Inch Meter Billings			66,696	
22					
23	Computed Monthly Minimum 5/8 Inch Meter			$ 23.26	
24					
25					
26					
27	Meter Size	5/8" Minimum	Meter Ratio	Monthly Minimum	
28	5/8 Inch Meter	$ 23.26	1.0	$ 23.26	
29	3/4 Inch Meter	$ 23.26	1.5	$ 34.88	
30	1 Inch Meter	$ 23.26	2.5	$ 58.14	
31	1 1/2 Inch Meter	$ 23.26	5.0	$ 116.28	
32	2 Inch Meter	$ 23.26	8.0	$ 186.05	
33	3 Inch Meter	$ 23.26	16.0	$ 372.10	
34	4 Inch Meter	$ 23.26	25.0	$ 581.41	
35	6 Inch Meter	$ 23.26	50.0	$ 1,162.83	
36	8 Inch Meter	$ 23.26	80.0	$ 1,860.52	
37	10 Inch Meter				
38					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 5/8 Inch Residential Meter

Exhibit
Schedule G-9
Page 1
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs
1	0	$ 24.75	$ -	$ 24.75	$ 16.84	$ 21.42	$ 4.51	$ 2.97	0	$ 45.73	$ (20.98)
2	1,000	24.75	3.34	28.09	16.84	21.42	4.51	2.97	0.972	46.70	(18.61)
3	2,000	24.75	6.68	31.43	16.84	21.42	4.51	2.97	1.945	47.67	(16.24)
4	3,000	24.75	10.02	34.77	16.84	21.42	4.51	2.97	2.917	48.65	(13.87)
5	4,000	24.75	13.36	38.11	16.84	21.42	4.51	2.97	3.889	49.62	(11.51)
6	5,000	24.75	17.65	42.40	16.84	21.42	4.51	2.97	4.861	50.59	(8.19)
7	6,000	24.75	21.94	46.69	16.84	21.42	4.51	2.97	5.834	51.56	(4.87)
8	7,000	24.75	26.23	50.98	16.84	21.42	4.51	2.97	6.806	52.54	(1.55)
9	8,000	24.75	30.52	55.27	16.84	21.42	4.51	2.97	7.778	53.51	1.76
10	9,000	24.75	34.81	59.56	16.84	21.42	4.51	2.97	8.750	54.48	5.08
11	10,000	24.75	39.10	63.86	16.84	21.42	4.51	2.97	9.723	55.45	8.40
12	12,000	24.75	49.18	73.93	16.84	21.42	4.51	2.97	11.667	57.40	16.54
13	14,000	24.75	59.26	84.01	16.84	21.42	4.51	2.97	13.612	59.34	24.67
14	16,000	24.75	69.34	94.09	16.84	21.42	4.51	2.97	15.556	61.29	32.81
15	18,000	24.75	79.42	104.17	16.84	21.42	4.51	2.97	17.501	63.23	40.94
16	20,000	24.75	89.50	114.25	16.84	21.42	4.51	2.97	19.445	65.17	49.08
17	25,000	24.75	114.70	139.45	16.84	21.42	4.51	2.97	24.307	70.04	69.42
18	30,000	24.75	139.90	164.65	16.84	21.42	4.51	2.97	29.168	74.90	89.75
19	35,000	24.75	165.10	189.85	16.84	21.42	4.51	2.97	34.030	79.76	110.09
20	40,000	24.75	190.30	215.05	16.84	21.42	4.51	2.97	38.891	84.62	130.43
21	45,000	24.75	215.50	240.25	16.84	21.42	4.51	2.97	43.752	89.48	150.77
22	50,000	24.75	240.70	265.45	16.84	21.42	4.51	2.97	48.614	94.34	171.11
23	60,000	24.75	291.10	315.85	16.84	21.42	4.51	2.97	58.336	104.07	211.79
24	70,000	24.75	341.50	366.25	16.84	21.42	4.51	2.97	68.059	113.79	252.46
25	80,000	24.75	391.90	416.65	16.84	21.42	4.51	2.97	77.782	123.51	293.14
26	90,000	24.75	442.30	467.05	16.84	21.42	4.51	2.97	87.504	133.23	333.82
27	100,000	24.75	492.70	517.45	16.84	21.42	4.51	2.97	97.227	142.96	374.50

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 3/4 Inch Residential Meter

Exhibit
Schedule G-9
Page 2
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs
1	0	$ 37.13	$ -	$ 37.13	$ 25.25	$ 32.12	$ 6.77	$ 4.45	0	$ 68.59	$ (31.47)
2	1,000	37.13	3.34	40.47	25.25	32.12	6.77	4.45	0.972	69.57	(29.10)
3	2,000	37.13	6.68	43.81	25.25	32.12	6.77	4.45	1.945	70.54	(26.73)
4	3,000	37.13	10.02	47.15	25.25	32.12	6.77	4.45	2.917	71.51	(24.36)
5	4,000	37.13	13.36	50.49	25.25	32.12	6.77	4.45	3.889	72.48	(22.00)
6	5,000	37.13	16.70	53.83	25.25	32.12	6.77	4.45	4.861	73.46	(19.63)
7	6,000	37.13	20.04	57.17	25.25	32.12	6.77	4.45	5.834	74.43	(17.26)
8	7,000	37.13	24.33	61.46	25.25	32.12	6.77	4.45	6.806	75.40	(13.94)
9	8,000	37.13	28.62	65.75	25.25	32.12	6.77	4.45	7.778	76.37	(10.62)
10	9,000	37.13	32.91	70.04	25.25	32.12	6.77	4.45	8.750	77.34	(7.31)
11	10,000	37.13	37.20	74.33	25.25	32.12	6.77	4.45	9.723	78.32	(3.99)
12	12,000	37.13	45.78	82.91	25.25	32.12	6.77	4.45	11.667	80.26	2.65
13	14,000	37.13	54.36	91.49	25.25	32.12	6.77	4.45	13.612	82.21	9.28
14	16,000	37.13	63.69	100.82	25.25	32.12	6.77	4.45	15.556	84.15	16.67
15	18,000	37.13	73.77	110.90	25.25	32.12	6.77	4.45	17.501	86.09	24.80
16	20,000	37.13	83.85	120.98	25.25	32.12	6.77	4.45	19.445	88.04	32.94
17	25,000	37.13	109.05	146.18	25.25	32.12	6.77	4.45	24.307	92.90	53.28
18	30,000	37.13	134.25	171.38	25.25	32.12	6.77	4.45	29.168	97.76	73.62
19	35,000	37.13	159.45	196.58	25.25	32.12	6.77	4.45	34.030	102.62	93.95
20	40,000	37.13	184.65	221.78	25.25	32.12	6.77	4.45	38.891	107.48	114.29
21	45,000	37.13	209.85	246.98	25.25	32.12	6.77	4.45	43.752	112.35	134.63
22	50,000	37.13	235.05	272.18	25.25	32.12	6.77	4.45	48.614	117.21	154.97
23	60,000	37.13	285.45	322.58	25.25	32.12	6.77	4.45	58.336	126.93	195.65
24	70,000	37.13	335.85	372.98	25.25	32.12	6.77	4.45	68.059	136.65	236.32
25	80,000	37.13	386.25	423.38	25.25	32.12	6.77	4.45	77.782	146.38	277.00
26	90,000	37.13	436.65	473.78	25.25	32.12	6.77	4.45	87.504	156.10	317.68
27	100,000	37.13	487.05	524.18	25.25	32.12	6.77	4.45	97.227	165.82	358.36

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 1 Inch Residential Meter

Exhibit
Schedule G-9
Page 3
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs
1	0	$ 61.88	$ -	$ 61.88	$ 42.09	$ 53.54	$ 11.28	$ 7.42	0	$ 114.32
2	1,000	61.88	3.34	65.22	42.09	53.54	11.28	7.42	0.972	115.30
3	2,000	61.88	6.68	68.56	42.09	53.54	11.28	7.42	1.945	116.27
4	3,000	61.88	10.02	71.90	42.09	53.54	11.28	7.42	2.917	117.24
5	4,000	61.88	13.36	75.24	42.09	53.54	11.28	7.42	3.889	118.21
6	5,000	61.88	16.70	78.58	42.09	53.54	11.28	7.42	4.861	119.18
7	6,000	61.88	20.04	81.92	42.09	53.54	11.28	7.42	5.834	120.16
8	7,000	61.88	23.38	85.26	42.09	53.54	11.28	7.42	6.806	121.13
9	8,000	61.88	26.72	88.60	42.09	53.54	11.28	7.42	7.778	122.10
10	9,000	61.88	30.06	91.94	42.09	53.54	11.28	7.42	8.750	123.07
11	10,000	61.88	33.40	95.28	42.09	53.54	11.28	7.42	9.723	124.05
12	12,000	61.88	41.98	103.86	42.09	53.54	11.28	7.42	11.667	125.99
13	14,000	61.88	50.56	112.44	42.09	53.54	11.28	7.42	13.612	127.94
14	16,000	61.88	59.14	121.02	42.09	53.54	11.28	7.42	15.556	129.88
15	18,000	61.88	67.72	129.60	42.09	53.54	11.28	7.42	17.501	131.82
16	20,000	61.88	76.30	138.18	42.09	53.54	11.28	7.42	19.445	133.77
17	25,000	61.88	97.75	159.63	42.09	53.54	11.28	7.42	24.307	138.63
18	30,000	61.88	122.95	184.83	42.09	53.54	11.28	7.42	29.168	143.49
19	35,000	61.88	148.15	210.03	42.09	53.54	11.28	7.42	34.030	148.35
20	40,000	61.88	173.35	235.23	42.09	53.54	11.28	7.42	38.891	153.21
21	45,000	61.88	198.55	260.43	42.09	53.54	11.28	7.42	43.752	158.08
22	50,000	61.88	223.75	285.63	42.09	53.54	11.28	7.42	48.614	162.94
23	60,000	61.88	274.15	336.03	42.09	53.54	11.28	7.42	58.336	172.66
24	70,000	61.88	324.55	386.43	42.09	53.54	11.28	7.42	68.059	182.38
25	80,000	61.88	374.95	436.83	42.09	53.54	11.28	7.42	77.782	192.11
26	90,000	61.88	425.35	487.23	42.09	53.54	11.28	7.42	87.504	201.83
27	100,000	61.88	475.75	537.63	42.09	53.54	11.28	7.42	97.227	211.55

$	(52.44)
	(50.08)
	(47.71)
	(45.34)
	(42.97)
	(40.60)
	(38.24)
	(35.87)
	(33.50)
	(31.13)
	(28.77)
	(22.13)
	(15.50)
	(8.86)
	(2.22)
	4.41
	21.00
	41.34
	61.68
	82.02
	102.35
	122.69
	163.37
	204.05
	244.72
	285.40
	326.08

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 1,314,948	$ 2,126,253	$ 811,304	61.70%	65.17%	67.44%
2	3/4 Inch	Residential	197,019	301,935	104,917	53.25%	9.76%	9.58%
3	1 Inch	Residential	34,678	53,393	18,715	53.97%	1.72%	1.69%
4								
5		Subtotal	1,546,644	2,481,581	934,937	60.45%	76.66%	78.71%
6								
7	1 Inch	Commercial	899	1,314	415	46.22%	0.04%	0.04%
8	2 Inch	Commercial	75,830	107,093	31,264	41.23%	3.76%	3.40%
9	3 Inch	Commercial	6,502	9,044	2,541	39.08%	0.32%	0.29%
10								
11		Subtotal	$ 83,231	$ 117,451	$ 34,220	41.11%	4.13%	3.73%
12								
13	1 Inch	Public Authority	$ 761	$ 1,095	$ 334	43.88%	0.04%	0.03%
14	2 Inch	Public Authority	13,833	21,916	8,082	58.43%	0.69%	0.70%
15								
16		Subtotal	14,595	23,011	8,416	57.67%	0.72%	0.73%
17								
18	5/8 Inch	Irrigation	$ 22,472	$ 32,618	$ 10,146	45.15%	1.11%	1.03%
19	3/4 Inch	Irrigation	4,820	6,841	2,021	41.92%	0.24%	0.22%
20	1 Inch	Irrigation	51,943	73,097	21,155	40.73%	2.57%	2.32%
21	1.5 Inch	Irrigation	22,010	31,470	9,460	42.98%	1.09%	1.00%
22	2 Inch	Irrigation	243,475	344,941	101,466	41.67%	12.07%	10.94%
23	3 Inch	Irrigation	1,175	1,766	590	50.23%	0.06%	0.06%
24								
25		Subtotal	345,895	490,733	144,837	41.87%	17.14%	15.57%
26								
27								
28	3 Inch	Construction	27,266	39,933	12,668	46.46%	1.35%	1.27%
29								
30		Subtotal	27,266	39,933	12,668	46.46%	1.35%	1.27%
31								
32	Total Revenues Before Annualization		$ 2,017,631	$ 3,152,709	$ 1,135,078	56.26%	100.00%	100.00%
33								
34								
35								
36								
37								
38								

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	
1				Revenue Annualization					
5	5/8 Inch	Residential	$ 42,154	$ 68,701	26,547	62.97%	1,553	8,429	C-2, pg 5.1
6	3/4 Inch	Residential	3,740	5,719	1,979	52.91%	105	551	C-2, pg. 5.2
7	1 Inch	Residential	(579)	(905)	(326)	0.00%	(11)	(67)	C-2, pg. 5.3
9		Subtotal	$ 45,315	$ 73,515	$ 28,199	62.23%	1,647	8,913	
11	1 Inch	Commercial	594	858	263	44.31%	9	99	C-2, pg. 5.4
12	2 Inch	Commercial	16,447	22,446	5,999	36.48%	31	4,675	C-2, pg. 5.5
13	3 Inch	Commercial	-	-	-	0.00%	-	-	
15		Subtotal	$ 17,042	$ 23,304	$ 62,661	367.70%	40	4,774	
17	1 Inch	Public Authority	-	-	-	0.00%	-	-	
18	2 Inch	Public Authority	-	-	-	0.00%	-	-	
20		Subtotal	$ -	$ -	$ -	0.00%	-	-	
22	5/8 Inch	Irrigation	$ 159	$ 230	72	45.09%	-	-	C-2, pg. 5.6
23	3/4 Inch	Irrigation	645	923	278	43.07%	14	127	C-2, pg. 5.7
24	1 Inch	Irrigation	2,395	3,224	828	34.58%	23	572	C-2, pg. 5.8
25	1.5 Inch	Irrigation	-	-	-	0.00%	-	-	
26	2 Inch	Irrigation	(5,387)	(7,357)	(1,969)	0.00%	(10)	(1,538)	C-2, pg. 5.9
27	3 Inch	Irrigation	-	-	-	0.00%	9	-	
29		Subtotal	(2,189)	(2,980)	(792)	0.00%	36	(839)	
32	3 Inch	Construction	(17,530)	(25,611)	(8,081)	0.00%	(42)	(1,795)	C-2, pg. 5.10
34		Subtotal	(17,530)	(25,611)	(8,081)	0.00%	(42)	(1,795)	
37	Total Revenue Annualization		$ 42,639	$ 68,228	$ 81,988	192.28%	$ 1,681	11,053	

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	$ 2,017,631	$ 3,152,709	$ 1,135,078	56.26%	100.00%	100.00%
4	*Subtotal Revenue Annualization*	42,639	68,228	25,589	60.01%	2.11%	2.16%
5	Total Metered Revenues	$ 2,060,269	$ 3,220,937	$ 1,160,668	56.34%		
6							
7	Misc. Revenues	$ 157,242	$ 157,242	-	0.00%	7.79%	4.99%
8	Reconciling Amount to GL/C-1	(2,368)	(821)	1,547	0.00%	-0.12%	-0.03%
9	Total Water Revenues	$ 2,215,143	$ 3,377,358	$ 1,162,215	52.47%	0.00%	0.00%
10							
11							
12	Revenue Reconciliation						
13							
14	Revenue per bill count before revenue annualization			$ 2,017,631			
15	Revenue per GL (metered water revenues)		2,030,502				
16	Less: Reimbursement - Town of Sahuarita		(15,240)				
17				2,015,262			
18	Difference			$ 2,369			
19	Difference %			0.12%			
20	Tolerance %			0.50%			
21	Tolerance Amount + or -			$ 10,076			
22							
23	Acceptable?			YES			
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

41
42

Sahuarita Water Company
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2008	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	3,913	5,424	$ 27.12	$ 44.22	17.10	63.06%
2	3/4 Inch	Residential	421	6,142	37.69	57.78	20.09	53.29%
3	1 Inch	Residential	52	6,957	54.93	85.12	30.18	54.95%
4								
5		Subtotal	4,386					
6								
7	1 Inch	Commercial	1	8,467	59.08	87.62	28.54	48.30%
8	2 Inch	Commercial	13	128,857	470.16	636.16	166.00	35.31%
9	3 Inch	Commercial	1	116,750	541.86	750.95	209.09	38.59%
10								
11		Subtotal	16					
12								
13	1 Inch	Public Authority	1	9,667	62.38	91.27	28.88	46.30%
14	2 Inch	Public Authority	8	9,958	143.19	228.29	85.10	59.44%
15								
16		Subtotal	9					
17								
18	5/8 Inch	Irrigation	11	56,939	$ 168.38	$ 242.44	74.06	43.98%
19	3/4 Inch	Irrigation	9	8,236	43.45	62.16	18.72	43.08%
20	1 Inch	Irrigation	40	26,025	107.37	141.97	34.60	32.23%
21	1.5 Inch	Irrigation	9	48,130	203.16	270.07	66.92	32.94%
22	2 Inch	Irrigation	39	147,745	522.10	711.52	189.42	36.28%
23	3 Inch	Irrigation	0	61,667	390.38	583.50	193.12	49.47%
24								
25		Subtotal	108					
26								
27								
28	3 Inch	Construction	6	41,803	413.11	605.05	191.93	46.46%
29								
30		Subtotal	6					
31								
32		Total	4,524					
33								

34 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Sahuarita Water Company
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2008	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	3,913	5,000	$ 26.25	$ 42.40	16.15	61.53%
2	3/4 Inch	Residential	421	5,000	35.25	53.83	18.58	52.70%
3	1 Inch	Residential	52	6,000	52.30	81.92	29.62	56.63%
4								
5								
6		Subtotal	4,386					
7								
8	1 Inch	Commercial	1	9,000	60.55	89.24	28.69	47.38%
9	2 Inch	Commercial	13	78,000	330.30	435.14	104.84	31.74%
10	3 Inch	Commercial	1	134,500	590.68	804.91	214.24	36.27%
11								
12		Subtotal	16					
13								
14	1 Inch	Public Authority	1	9,000	59.18	87.72	28.55	48.24%
15	2 Inch	Public Authority	8	13,375	132.30	216.26	83.96	63.46%
16								
17		Subtotal	9					
18								
19	5/8 Inch	Irrigation	11	5,000	$ 26.25	$ 39.95	13.70	52.20%
20	3/4 Inch	Irrigation	9	3,000	31.15	46.25	15.10	48.47%
21	1 Inch	Irrigation	40	59,000	198.05	273.54	75.49	38.12%
22	1.5 Inch	Irrigation	9	22,500	132.68	192.16	59.49	44.84%
23	2 Inch	Irrigation	39	68,000	302.80	404.74	101.94	33.66%
24	3 Inch	Irrigation	0	9,000	245.55	423.39	177.84	72.43%
25								
26		Subtotal	108					
27								
28								
29	3 Inch	Construction	6	4,500	245.25	418.53	173.28	70.66%
30								
31		Subtotal	6					
32								
33		Total	4,524					
34								

35 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
36

Sahuarita Water Company
Customer Count Summary
Test Year Ended December 31, 2008

Exhibit
Schedule H-2
Page 3
Witness: Bourassa

Meter Size	Class	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Change from Beginning of Year to Year End
5/8 Inch	Residential	3,731	3,707	3,770	3,814	3,897	3,958	3,963	3,985	3,994	4,049	4,041	4,042	46,951	311
3/4 Inch	Residential	369	367	375	428	429	436	436	442	438	459	446	430	5,055	61
1 Inch	Residential	54	52	53	53	51	51	54	54	50	50	50	51	623	(3)
	Subtotal	4,154	4,126	4,198	4,295	4,377	4,445	4,453	4,481	4,482	4,558	4,537	4,523	52,629	369
1 Inch	Commercial	1	1	1	1	1	1	1	1	1	2	2	2	15	1
2 Inch	Commercial	14	13	12	12	12	12	12	12	15	15	16	16	161	2
3 Inch	Commercial	1	1	1	1	1	1	1	1	1	1	1	1	12	-
	Subtotal	16	15	14	14	14	14	14	14	17	18	19	19	188	3
1 Inch	Public Authority	1	1	1	1	1	1	1	1	1	1	1	1	12	-
2 Inch	Public Authority	8	8	8	8	8	8	8	8	8	8	8	8	96	-
	Subtotal	9	9	9	9	9	9	9	9	9	9	9	9	108	-
5/8 Inch	Irrigation	11	12	11	11	11	11	11	11	11	10	11	11	132	-
3/4 Inch	Irrigation	8	8	8	8	8	8	8	10	10	10	10	10	106	2
1 Inch	Irrigation	38	38	39	41	39	40	40	40	41	41	42	42	481	4
1.5 Inch	Irrigation	9	9	9	9	9	9	9	9	9	9	9	9	108	-
2 Inch	Irrigation	39	40	38	39	39	39	38	39	39	39	39	38	466	(1)
3 Inch	Irrigation	-	-	-	-	-	-	-	-	-	1	1	1	3	1
	Subtotal	105	107	105	108	106	107	106	109	110	110	112	111	1,296	6
3 Inch	Construction	6	4	6	6	6	6	6	8	6	5	5	2	66	(4)
	Subtotal	6	4	6	6	6	6	6	8	6	5	5	2	66	(4)
Totals		4,290	4,261	4,332	4,432	4,512	4,581	4,588	4,621	4,624	4,700	4,682	4,664	54,287	374

Sahuarita Water Company
Gallons Sold Summary in 1,000's
Test Year Ended December 31, 2008

Exhibit
Schedule H-2
Page 4
Witness. Bourassa

Meter Size	Class	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Percent of Total Water Usage
5/8 Inch	Residential	20,360	18,339	19,129	23,083	22,269	24,576	20,499	20,398	24,584	21,074	21,950	18,417	254,678	61.92%
3/4 Inch	Residential	2,196	1,946	2,141	2,774	2,745	3,047	2,547	2,609	3,143	2,717	2,864	2,319	31,048	7.55%
1 Inch	Residential	319	301	330	398	383	431	366	344	425	359	383	295	4,334	1.05%
	Subtotal	22,875	20,586	21,600	26,255	25,397	28,054	23,412	23,351	28,152	24,150	25,197	21,031	290,060	70.52%
1 Inch	Commercial	9	9	11	18	14	10	10	8	10	10	9	9	127	0.03%
2 Inch	Commercial	1,057	1,038	1,291	1,922	2,304	2,955	2,054	1,444	1,339	3,084	1,375	883	20,746	5.04%
3 Inch	Commercial	115	92	126	143	147	194	119	117	86	111	75	76	1,401	0.34%
	Subtotal	1,181	1,139	1,428	2,083	2,465	3,159	2,183	1,569	1,435	3,205	1,459	968	22,274	5.42%
1 Inch	Public Authority	6	1	24	9	17	17	2	1	6	17	14	2	116	0.03%
2 Inch	Public Authority	90	90	74	107	91	26	38	80	107	79	95	79	956	0.23%
	Subtotal	96	91	98	116	108	43	40	81	113	96	109	81	1,072	0.26%
5/8 Inch	Irrigation	328	450	381	610	672	1,013	880	401	696	952	657	476	7,516	1.83%
3/4 Inch	Irrigation	48	187	40	35	68	72	59	45	53	127	86	53	873	0.21%
1 Inch	Irrigation	727	645	798	1,446	1,114	1,606	1,225	1,030	1,110	1,012	1,147	658	12,518	3.04%
1.5 Inch	Irrigation	398	288	327	394	410	752	373	548	462	555	384	307	5,198	1.26%
2 Inch	Irrigation	3,162	4,061	3,055	6,014	13,661	8,550	7,241	5,990	4,299	6,285	4,100	2,431	68,849	16.74%
3 Inch	Irrigation	-	-	-	-	-	-	-	-	-	-	9	176	185	0.04%
	Subtotal	4,663	5,631	4,601	8,499	15,925	11,993	9,778	8,014	6,620	8,931	6,383	4,101	95,139	23.13%
3 Inch	Construction	27	49	21	55	303	395	32	381	1,177	155	87	77	2,759	0.67%
	Subtotal	27	49	21	55	303	395	32	381	1,177	155	87	77	2,759	0.67%
Totals		28,842	27,496	27,748	37,008	44,198	43,644	35,445	33,396	37,497	36,537	33,235	26,258	411,304	100.00%

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes)				
2	5/8 Inch	$ 16.00	$ 24.75	$ 8.75	54.70%
2	3/4 Inch	25.00	37.13	12.13	48.51%
3	1 Inch	40.00	61.88	21.88	54.70%
4	1 1/2 Inch	75.00	123.76	48.76	65.01%
5	2 Inch	120.00	198.02	78.02	65.01%
6	3 Inch	225.00	396.03	171.03	76.01%
7	4 Inch	375.00	618.80	243.80	65.01%
8	6 Inch	750.00	1,237.60	487.60	65.01%
9					
10					
11					
12	Gallons in Minimum (All Classes)	-	-		
13					
14			(Per 1,000 gallons)		
15			Present	Proposed	
16	Commodity Rates	Block	Rate	Rate	
17					
18	5/8 Inch (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	[illegible]	
19		over 6,000 gallons	$ 2.75	[illegible]	
20					
21	5/8 Inch - Residential	0 gallons to 4,000 gallons	[illegible]	$ 3.34	
22		4,001 to 10,000 gallons	[illegible]	$ 4.29	
23		over 10,000 gallons	[illegible]	$ 5.04	
24					
25	5/8 Inch - Commercial/Irrigation	0 gallons to 10,000 gallons	[illegible]	$ 3.04	
26		Over 10,000 gallons	[illegible]	$ 3.99	
27					
28	3/4 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	[illegible]	
29		Over 6,000 gallons	$ 2.75	[illegible]	
30					
31	3/4 Inch Meter - Residential	0 gallons to 6,000 gallons	[illegible]	$ 3.34	
32		6,001 to 15,000 gallons	[illegible]	$ 4.29	
33		Over 15,000 gallons	[illegible]	$ 5.04	
34					
35	3/4 Inch - Commercial, Irrigation	0 gallons to 15,000 gallons	[illegible]	$ 3.04	
36		Over 15,000 gallons	[illegible]	$ 3.99	
37					
38					
39					
40					
41					
42					
43					
44					
45					

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3				
4				
5	1 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
6		Over 6,000 gallons	$ 2.75	
7				
8	1 Inch Meter Residential	0 gallons to 10,000 gallons		$ 3.34
9		10,001 to 25,000 gallons		$ 4.29
10		Over 25,000 gallons		$ 5.04
11				
12	1 Inch Meter Commercial/Irrigation	0 gallons to 25,000 gallons		$ 3.04
13		Over 25,000 gallons		$ 3.99
14				
15	1.5 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
16		over 6,000 gallons	$ 2.75	
17				
18	1.5 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 50,000 gallons		$ 3.04
19		over 50,000 gallons		$ 3.99
20				
21				
22	2 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
23		over 6,000 gallons	$ 2.75	
24				
25	2 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 80,000 gallons		$ 3.04
26		over 80,000 gallons		$ 3.99
27				
28	3 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
29		over 6,000 gallons	$ 2.75	
30				
31	3 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 160,000 gallons		$ 3.04
32		over 160,000 gallons		$ 3.99
33				
34	4 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
35		over 6,000 gallons	$ 2.75	
36				
37	4 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 250,000 gallons		$ 3.04
38		over 250,000 gallons		$ 3.99
39				
40				
41				
42				
43				
44				
45				

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3				
4	6 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
5		over 6,000 gallons	$ 2.75	
6				
7	6 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 500,000 gallons		$ 3.04
8		over 500,000 gallons		$ 3.99
9				
10				
11				
12	Standpipe (Construction)	All gallons	$ 4.50	$ 5.04
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
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42				
43				
44				
45				

Sahuarita Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2008

Exhibit
Schedule H-3
Page 4
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1			
2	Other Service Charges	Present Rates	Proposed Rates
3	Establishment	$ 25.00	$ 25.00
4	Establishment (After Hours)	$ 40.00	$ 40.00
5	Reconnection (Delinquent)	$ 25.00	$ 25.00
6	Reconnection (Delinquent) - After Hours	NT	$ 40.00
7	NSF Check	$ 15.00	$ 15.00
8	Meter test (If Correct)	$ 25.00	$ 25.00
9	Meter Reread (if Correct)	$ 25.00	$ 25.00
10	Deposit	*	*
11	Deposit Interest**	6%	6%
12	Reestablishment (within 12 months)	***	***
13	Late Payment Penalty	$ 5.00	$5.00 or 1.5% per month
14	Deferred Payment	1.5% per month	1.5% per month
15	Moving Meter at Customer Request	At Cost	At Cost
16	Main Extension & Addnl Facilities	At Cost	At Cost
17			
18			
19			
20			
21			
22			

23 * Per Commission Rule A.A.C. R-14-2-403(B)
24 ** Per Commission Rule A.A.C. R-14-2-403(B)
25 *** Per Commission Rule A.A.C. R14-2-403(D) - Months off the system times the monthly minimum.
26
27
28
29 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
30 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
31 TAX AND INCOME TAX. PER COMMISSION RULE 14-2-409D(5).
32
33
34
35
36

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter and Service Line Charges

Exhibit
Schedule H-3
Page 5
Witness: Bourassa

Refundable Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge[1]	Proposed Meter Install-ation Charge[1]	Total Proposed Charge[1]
9	5/8 x 3/4 Inch			NT	$ 445	$ 155	$ 600
10	3/4 Inch			NT	$ 445	$ 255	$ 700
11	1 Inch			NT	$ 495	$ 315	$ 810
12	1 1/2 Inch			NT	$ 550	$ 525	$ 1,075
13	2 Inch - Turbine			$ 998	$ 830	$ 1,045	$ 1,875
14	2 Inch - Compound			$ 1,488	$ 830	$ 1,890	$ 2,720
15	3 Inch - Turbine			$ 1,378	$ 1,045	$ 1,670	$ 2,715
16	3 Inch - Compound			$ 1,928	$ 1,165	$ 2,545	$ 3,710
17	4 Inch - Turbine			$ 2,208	$ 1,490	$ 2,670	$ 4,160
18	4 Inch - Compound			$ 2,823	$ 1,670	$ 3,645	$ 5,315
19	6 inch - Turbine			$ 4,218	$ 2,210	$ 5,025	$ 7,235
20	6 inch - Compound			$ 5,498	$ 2,330	$ 6,920	$ 9,250
21	8 Inch			NT	At Cost	At Cost	At Cost
22	10 Inch			NT	At Cost	At Cost	At Cost
23	12 Inch			NT	At Cost	At Cost	At Cost

Sahuarita Water Company
Test Year Ended December 31, 2008
Hook-Up Fees

Exhibit
Final Schedule H-3
Page 6
Witness: Bourassa

Off-site Facilities Hook-up Fee

	Present Charge	Proposed Charge
5/8 x 3/4 Inch	$ 350	$ 350
3/4 Inch	420	420
1 Inch	700	700
1 1/2 Inch	1,400	1,400
2 Inch	2,240	2,240
3 Inch	4,200	4,200
4 Inch	7,000	7,000
6 Inch or larger	14,000	14,000

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Residential

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 24.75	$ 8.75	54.70%
1,000	18.05	28.09	10.04	55.63%
2,000	20.10	31.43	11.33	56.38%
3,000	22.15	34.77	12.62	56.98%
4,000	24.20	38.11	13.91	57.49%
5,000	26.25	42.40	16.15	61.53%
6,000	28.30	46.69	18.39	64.99%
7,000	31.05	50.98	19.93	64.19%
8,000	33.80	55.27	21.47	63.53%
9,000	36.55	59.56	23.01	62.96%
10,000	39.30	63.85	24.55	62.47%
12,000	44.80	73.93	29.13	65.03%
14,000	50.30	84.01	33.71	67.02%
16,000	55.80	94.09	38.29	68.62%
18,000	61.30	104.17	42.87	69.94%
20,000	66.80	114.25	47.45	71.04%
25,000	80.55	139.45	58.90	73.12%
30,000	94.30	164.65	70.35	74.60%
35,000	108.05	189.85	81.80	75.71%
40,000	121.80	215.05	93.25	76.56%
45,000	135.55	240.25	104.70	77.24%
50,000	149.30	265.45	116.15	77.80%
60,000	176.80	315.85	139.05	78.65%
70,000	204.30	366.25	161.95	79.27%
80,000	231.80	416.65	184.85	79.75%
90,000	259.30	467.05	207.75	80.12%
100,000	286.80	517.45	230.65	80.42%
Average Usage				
5,424	$ 27.12	$ 44.22	$ 17.10	63.06%
Median Usage				
5,000	$ 26.25	$ 42.40	$ 16.15	61.53%

Present Rates:			
Monthly Minimum:		$	16.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	24.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	3.34
Up to	10,000	$	4.29
Over	10,000	$	5.04

Over

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 25.00	$ 37.13	$ 12.13	48.51%
1,000	27.05	40.47	13.42	49.60%
2,000	29.10	43.81	14.71	50.54%
3,000	31.15	47.15	16.00	51.36%
4,000	33.20	50.49	17.29	52.07%
5,000	35.25	53.83	18.58	52.70%
6,000	37.30	57.17	19.87	53.27%
7,000	40.05	61.46	21.41	53.45%
8,000	42.80	65.75	22.95	53.62%
9,000	45.55	70.04	24.49	53.76%
10,000	48.30	74.33	26.03	53.89%
12,000	53.80	82.91	29.11	54.10%
14,000	59.30	91.49	32.19	54.28%
16,000	64.80	100.82	36.02	55.58%
18,000	70.30	110.90	40.60	57.75%
20,000	75.80	120.98	45.18	59.60%
25,000	89.55	146.18	56.63	63.24%
30,000	103.30	171.38	68.08	65.90%
35,000	117.05	196.58	79.53	67.94%
40,000	130.80	221.78	90.98	69.56%
45,000	144.55	246.98	102.43	70.86%
50,000	158.30	272.18	113.88	71.94%
60,000	185.80	322.58	136.78	73.62%
70,000	213.30	372.98	159.68	74.86%
80,000	240.80	423.38	182.58	75.82%
90,000	268.30	473.78	205.48	76.59%
100,000	295.80	524.18	228.38	77.21%
Average Usage				
6,142	$ 37.69	$ 57.78	$ 20.09	53.29%
Median Usage				
5,000	$ 35.25	$ 53.83	$ 18.58	52.70%

Present Rates:			
Monthly Minimum:		$	25.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:			
Monthly Minimum:		$	37.13
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	3.34
Up to	15,000	$	4.29
Over	15,000	$	5.04

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 40.00	$ 61.88	$ 21.88	54.70%
1,000	42.05	65.22	23.17	55.10%
2,000	44.10	68.56	24.46	55.46%
3,000	46.15	71.90	25.75	55.80%
4,000	48.20	75.24	27.04	56.10%
5,000	50.25	78.58	28.33	56.38%
6,000	52.30	81.92	29.62	56.63%
7,000	55.05	85.26	30.21	54.88%
8,000	57.80	88.60	30.80	53.29%
9,000	60.55	91.94	31.39	51.84%
10,000	63.30	95.28	31.98	50.52%
12,000	68.80	103.86	35.06	50.96%
14,000	74.30	112.44	38.14	51.33%
16,000	79.80	121.02	41.22	51.65%
18,000	85.30	129.60	44.30	51.93%
20,000	90.80	138.18	47.38	52.18%
25,000	104.55	159.63	55.08	52.68%
30,000	118.30	184.83	66.53	56.24%
35,000	132.05	210.03	77.98	59.05%
40,000	145.80	235.23	89.43	61.34%
45,000	159.55	260.43	100.88	63.23%
50,000	173.30	285.63	112.33	64.82%
60,000	200.80	336.03	135.23	67.35%
70,000	228.30	386.43	158.13	69.26%
80,000	255.80	436.83	181.03	70.77%
90,000	283.30	487.23	203.93	71.98%
100,000	310.80	537.63	226.83	72.98%
Average Usage				
6,957	$ 54.93	$ 85.12	$ 30.18	54.95%
Median Usage				
6,000	$ 52.30	$ 81.92	$ 29.62	56.63%

Present Rates:			
Monthly Minimum:		$	40.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:			
Monthly Minimum:		$	61.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	3.34
Up to	25,000	$	4.29
Over	25,000	$	5.04

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 40.00	$ 61.88	$ 21.88	54.70%
1,000	42.05	64.92	22.87	54.39%
2,000	44.10	67.96	23.86	54.10%
3,000	46.15	71.00	24.85	53.85%
4,000	48.20	74.04	25.84	53.61%
5,000	50.25	77.08	26.83	53.39%
6,000	52.30	80.12	27.82	53.19%
7,000	55.05	83.16	28.11	51.06%
8,000	57.80	86.20	28.40	49.13%
9,000	60.55	89.24	28.69	47.38%
10,000	63.30	92.28	28.98	45.78%
12,000	68.80	98.36	29.56	42.97%
14,000	74.30	104.44	30.14	40.57%
16,000	79.80	110.52	30.72	38.50%
18,000	85.30	116.60	31.30	36.69%
20,000	90.80	122.68	31.88	35.11%
25,000	104.55	137.88	33.33	31.88%
30,000	118.30	157.83	39.53	33.42%
35,000	132.05	177.78	45.73	34.63%
40,000	145.80	197.73	51.93	35.62%
45,000	159.55	217.68	58.13	36.43%
50,000	173.30	237.63	64.33	37.12%
60,000	200.80	277.53	76.73	38.21%
70,000	228.30	317.43	89.13	39.04%
80,000	255.80	357.33	101.53	39.69%
90,000	283.30	397.23	113.93	40.22%
100,000	310.80	437.13	126.33	40.65%
Average Usage 8,467	$ 59.08	$ 87.62	$ 28.54	48.30%
Median Usage 9,000	$ 60.55	$ 89.24	$ 28.69	47.38%

Present Rates:			
Monthly Minimum:		$	40.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:			
Monthly Minimum:		$	61.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	3.04
Over	25,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 198.02	$ 78.02	65.01%
1,000	122.05	201.06	79.01	64.73%
2,000	124.10	204.10	80.00	64.46%
3,000	126.15	207.14	80.99	64.20%
4,000	128.20	210.18	81.98	63.94%
5,000	130.25	213.22	82.97	63.70%
6,000	132.30	216.26	83.96	63.46%
7,000	135.05	219.30	84.25	62.38%
8,000	137.80	222.34	84.54	61.35%
9,000	140.55	225.38	84.83	60.35%
10,000	143.30	228.42	85.12	59.40%
12,000	148.80	234.50	85.70	57.59%
14,000	154.30	240.58	86.28	55.91%
16,000	159.80	246.66	86.86	54.35%
18,000	165.30	252.74	87.44	52.90%
20,000	170.80	258.82	88.02	51.53%
25,000	184.55	274.02	89.47	48.48%
30,000	198.30	289.22	90.92	45.85%
35,000	212.05	304.42	92.37	43.56%
40,000	225.80	319.62	93.82	41.55%
45,000	239.55	334.82	95.27	39.77%
50,000	253.30	350.02	96.72	38.18%
60,000	280.80	380.42	99.62	35.48%
70,000	308.30	410.82	102.52	33.25%
80,000	335.80	441.22	105.42	31.39%
90,000	363.30	481.12	117.82	32.43%
100,000	390.80	521.02	130.22	33.32%
Average Usage				
128,857	$ 470.16	$ 636.16	$ 166.00	35.31%
Median Usage				
78,000	$ 330.30	$ 435.14	$ 104.84	31.74%

Present Rates:			
Monthly Minimum:		$	120.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	198.02
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	3.04
Over	80,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 225.00	$ 396.03	$ 171.03	76.01%
1,000	227.05	399.07	172.02	75.76%
2,000	229.10	402.11	173.01	75.52%
3,000	231.15	405.15	174.00	75.28%
4,000	233.20	408.19	174.99	75.04%
5,000	235.25	411.23	175.98	74.81%
6,000	237.30	414.27	176.97	74.58%
7,000	240.05	417.31	177.26	73.84%
8,000	242.80	420.35	177.55	73.13%
9,000	245.55	423.39	177.84	72.43%
10,000	248.30	426.43	178.13	71.74%
12,000	253.80	432.51	178.71	70.41%
14,000	259.30	438.59	179.29	69.14%
16,000	264.80	444.67	179.87	67.93%
18,000	270.30	450.75	180.45	66.76%
20,000	275.80	456.83	181.03	65.64%
25,000	289.55	472.03	182.48	63.02%
30,000	303.30	487.23	183.93	60.64%
35,000	317.05	502.43	185.38	58.47%
40,000	330.80	517.63	186.83	56.48%
45,000	344.55	532.83	188.28	54.65%
50,000	358.30	548.03	189.73	52.95%
60,000	385.80	578.43	192.63	49.93%
70,000	413.30	608.83	195.53	47.31%
80,000	440.80	639.23	198.43	45.02%
90,000	468.30	669.63	201.33	42.99%
100,000	495.80	700.03	204.23	41.19%
Average Usage 116,750	$ 541.86	$ 750.95	$ 209.09	38.59%
Median Usage 134,500	$ 590.68	$ 804.91	$ 214.24	36.27%

Present Rates:

Monthly Minimum:		$	225.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:

Monthly Minimum:		$	396.03
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	160,000	$	3.04
Over	160,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Public Authority

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 40.00	$ 61.88	$ 21.88	54.70%
1,000	42.05	64.92	22.87	54.39%
2,000	44.10	67.96	23.86	54.10%
3,000	46.15	71.00	24.85	53.85%
4,000	48.20	74.04	25.84	53.61%
5,000	50.25	77.08	26.83	53.39%
6,000	52.30	80.12	27.82	53.19%
7,000	55.05	83.16	28.11	51.06%
8,000	57.80	86.20	28.40	49.13%
9,000	60.55	89.24	28.69	47.38%
10,000	63.30	92.28	28.98	45.78%
12,000	68.80	98.36	29.56	42.97%
14,000	74.30	104.44	30.14	40.57%
16,000	79.80	110.52	30.72	38.50%
18,000	85.30	116.60	31.30	36.69%
20,000	90.80	122.68	31.88	35.11%
25,000	104.55	137.88	33.33	31.88%
30,000	118.30	157.83	39.53	33.42%
35,000	132.05	177.78	45.73	34.63%
40,000	145.80	197.73	51.93	35.62%
45,000	159.55	217.68	58.13	36.43%
50,000	173.30	237.63	64.33	37.12%
60,000	200.80	277.53	76.73	38.21%
70,000	228.30	317.43	89.13	39.04%
80,000	255.80	357.33	101.53	39.69%
90,000	283.30	397.23	113.93	40.22%
100,000	310.80	437.13	126.33	40.65%
Average Usage 9,667	$ 62.38	$ 91.27	$ 28.88	46.30%
Median Usage 8,500	$ 59.18	$ 87.72	$ 28.55	48.24%

Present Rates:

Monthly Minimum:		$	40.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:

Monthly Minimum:		$	61.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	3.04
Over	25,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Public Authority

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 198.02	$ 78.02	65.01%
1,000	122.05	201.06	79.01	64.73%
2,000	124.10	204.10	80.00	64.46%
3,000	126.15	207.14	80.99	64.20%
4,000	128.20	210.18	81.98	63.94%
5,000	130.25	213.22	82.97	63.70%
6,000	132.30	216.26	83.96	63.46%
7,000	135.05	219.30	84.25	62.38%
8,000	137.80	222.34	84.54	61.35%
9,000	140.55	225.38	84.83	60.35%
10,000	143.30	228.42	85.12	59.40%
12,000	148.80	234.50	85.70	57.59%
14,000	154.30	240.58	86.28	55.91%
16,000	159.80	246.66	86.86	54.35%
18,000	165.30	252.74	87.44	52.90%
20,000	170.80	258.82	88.02	51.53%
25,000	184.55	274.02	89.47	48.48%
30,000	198.30	289.22	90.92	45.85%
35,000	212.05	304.42	92.37	43.56%
40,000	225.80	319.62	93.82	41.55%
45,000	239.55	334.82	95.27	39.77%
50,000	253.30	350.02	96.72	38.18%
60,000	280.80	380.42	99.62	35.48%
70,000	308.30	410.82	102.52	33.25%
80,000	335.80	441.22	105.42	31.39%
90,000	363.30	481.12	117.82	32.43%
100,000	390.80	521.02	130.22	33.32%
Average Usage				
9,958	$ 143.19	$ 228.29	$ 85.10	59.44%
Median Usage				
6,000	$ 132.30	$ 216.26	$ 83.96	63.46%

Present Rates:

Monthly Minimum:		$	120.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:

Monthly Minimum:		$	198.02
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	3.04
Over	80,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Irrigation

Exhibit
Schedule H-4
Page 9
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 24.75	$ 8.75	54.70%
1,000	18.05	27.79	9.74	53.97%
2,000	20.10	30.83	10.73	53.39%
3,000	22.15	33.87	11.72	52.92%
4,000	24.20	36.91	12.71	52.53%
5,000	26.25	39.95	13.70	52.20%
6,000	28.30	42.99	14.69	51.92%
7,000	31.05	46.03	14.98	48.25%
8,000	33.80	49.07	15.27	45.18%
9,000	36.55	52.11	15.56	42.58%
10,000	39.30	55.15	15.85	40.34%
12,000	44.80	63.13	18.33	40.92%
14,000	50.30	71.11	20.81	41.38%
16,000	55.80	79.09	23.29	41.74%
18,000	61.30	87.07	25.77	42.04%
20,000	66.80	95.05	28.25	42.29%
25,000	80.55	115.00	34.45	42.77%
30,000	94.30	134.95	40.65	43.11%
35,000	108.05	154.90	46.85	43.36%
40,000	121.80	174.85	53.05	43.56%
45,000	135.55	194.80	59.25	43.71%
50,000	149.30	214.75	65.45	43.84%
60,000	176.80	254.65	77.85	44.03%
70,000	204.30	294.55	90.25	44.18%
80,000	231.80	334.45	102.65	44.28%
90,000	259.30	374.35	115.05	44.37%
100,000	286.80	414.25	127.45	44.44%
Average Usage				
56,939	$ 168.38	$ 242.44	$ 74.06	43.98%
Median Usage				
5,000	$ 26.25	$ 39.95	$ 13.70	52.20%

Present Rates:			
Monthly Minimum:		$	16.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	24.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	3.04
Over	10,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Irrigation

Exhibit
Schedule H-4
Page 10
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 25.00	$ 37.13	$ 12.13	48.51%
1,000	27.05	40.17	13.12	48.50%
2,000	29.10	43.21	14.11	48.48%
3,000	31.15	46.25	15.10	48.47%
4,000	33.20	49.29	16.09	48.46%
5,000	35.25	52.33	17.08	48.45%
6,000	37.30	55.37	18.07	48.44%
7,000	40.05	58.41	18.36	45.84%
8,000	42.80	61.45	18.65	43.57%
9,000	45.55	64.49	18.94	41.58%
10,000	48.30	67.53	19.23	39.81%
12,000	53.80	73.61	19.81	36.82%
14,000	59.30	79.69	20.39	34.38%
16,000	64.80	86.72	21.92	33.82%
18,000	70.30	94.70	24.40	34.71%
20,000	75.80	102.68	26.88	35.46%
25,000	89.55	122.63	33.08	36.94%
30,000	103.30	142.58	39.28	38.02%
35,000	117.05	162.53	45.48	38.85%
40,000	130.80	182.48	51.68	39.51%
45,000	144.55	202.43	57.88	40.04%
50,000	158.30	222.38	64.08	40.48%
60,000	185.80	262.28	76.48	41.16%
70,000	213.30	302.18	88.88	41.67%
80,000	240.80	342.08	101.28	42.06%
90,000	268.30	381.98	113.68	42.37%
100,000	295.80	421.88	126.08	42.62%
Average Usage				
8,236	$ 43.45	$ 62.16	$ 18.72	43.08%
Median Usage				
3,000	$ 31.15	$ 46.25	$ 15.10	48.47%

Present Rates:			
Monthly Minimum:		$	25.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	37.13
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	15,000	$	3.04
Over	15,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-4
Page 11
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 40.00	$ 61.88	$ 21.88	54.70%
1,000	42.05	64.92	22.87	54.39%
2,000	44.10	67.96	23.86	54.10%
3,000	46.15	71.00	24.85	53.85%
4,000	48.20	74.04	25.84	53.61%
5,000	50.25	77.08	26.83	53.39%
6,000	52.30	80.12	27.82	53.19%
7,000	55.05	83.16	28.11	51.06%
8,000	57.80	86.20	28.40	49.13%
9,000	60.55	89.24	28.69	47.38%
10,000	63.30	92.28	28.98	45.78%
12,000	68.80	98.36	29.56	42.97%
14,000	74.30	104.44	30.14	40.57%
16,000	79.80	110.52	30.72	38.50%
18,000	85.30	116.60	31.30	36.69%
20,000	90.80	122.68	31.88	35.11%
25,000	104.55	137.88	33.33	31.88%
30,000	118.30	157.83	39.53	33.42%
35,000	132.05	177.78	45.73	34.63%
40,000	145.80	197.73	51.93	35.62%
45,000	159.55	217.68	58.13	36.43%
50,000	173.30	237.63	64.33	37.12%
60,000	200.80	277.53	76.73	38.21%
70,000	228.30	317.43	89.13	39.04%
80,000	255.80	357.33	101.53	39.69%
90,000	283.30	397.23	113.93	40.22%
100,000	310.80	437.13	126.33	40.65%
Average Usage 26,025	$ 107.37	$ 141.97	$ 34.60	32.23%
Median Usage 59,000	$ 198.05	$ 273.54	$ 75.49	38.12%

Present Rates:			
Monthly Minimum:		$	40.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75

Proposed Rates:			
Monthly Minimum:		$	61.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	3.04
Over	25,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Irrigation

Exhibit
Schedule H-4
Page 12
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 75.00	$ 123.76	$ 48.76	65.01%
1,000	77.05	126.80	49.75	64.57%
2,000	79.10	129.84	50.74	64.15%
3,000	81.15	132.88	51.73	63.75%
4,000	83.20	135.92	52.72	63.37%
5,000	85.25	138.96	53.71	63.00%
6,000	87.30	142.00	54.70	62.66%
7,000	90.05	145.04	54.99	61.07%
8,000	92.80	148.08	55.28	59.57%
9,000	95.55	151.12	55.57	58.16%
10,000	98.30	154.16	55.86	56.83%
12,000	103.80	160.24	56.44	54.37%
14,000	109.30	166.32	57.02	52.17%
16,000	114.80	172.40	57.60	50.17%
18,000	120.30	178.48	58.18	48.36%
20,000	125.80	184.56	58.76	46.71%
25,000	139.55	199.76	60.21	43.15%
30,000	153.30	214.96	61.66	40.22%
35,000	167.05	230.16	63.11	37.78%
40,000	180.80	245.36	64.56	35.71%
45,000	194.55	260.56	66.01	33.93%
50,000	208.30	275.76	67.46	32.39%
60,000	235.80	315.66	79.86	33.87%
70,000	263.30	355.56	92.26	35.04%
80,000	290.80	395.46	104.66	35.99%
90,000	318.30	435.36	117.06	36.78%
100,000	345.80	475.26	129.46	37.44%
Average Usage				
48,130	$ 203.16	$ 270.07	$ 66.92	32.94%
Median Usage				
22,500	$ 132.68	$ 192.16	$ 59.49	44.84%

Present Rates:			
Monthly Minimum:		$	75.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	123.76
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	3.04
Over	50,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-4
Page 13
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 120.00	$ 198.02	$ 78.02	65.01%
1,000	122.05	201.06	79.01	64.73%
2,000	124.10	204.10	80.00	64.46%
3,000	126.15	207.14	80.99	64.20%
4,000	128.20	210.18	81.98	63.94%
5,000	130.25	213.22	82.97	63.70%
6,000	132.30	216.26	83.96	63.46%
7,000	135.05	219.30	84.25	62.38%
8,000	137.80	222.34	84.54	61.35%
9,000	140.55	225.38	84.83	60.35%
10,000	143.30	228.42	85.12	59.40%
12,000	148.80	234.50	85.70	57.59%
14,000	154.30	240.58	86.28	55.91%
16,000	159.80	246.66	86.86	54.35%
18,000	165.30	252.74	87.44	52.90%
20,000	170.80	258.82	88.02	51.53%
25,000	184.55	274.02	89.47	48.48%
30,000	198.30	289.22	90.92	45.85%
35,000	212.05	304.42	92.37	43.56%
40,000	225.80	319.62	93.82	41.55%
45,000	239.55	334.82	95.27	39.77%
50,000	253.30	350.02	96.72	38.18%
60,000	280.80	380.42	99.62	35.48%
70,000	308.30	410.82	102.52	33.25%
80,000	335.80	441.22	105.42	31.39%
90,000	363.30	481.12	117.82	32.43%
100,000	390.80	521.02	130.22	33.32%
Average Usage				
147,745	$ 522.10	$ 711.52	$ 189.42	36.28%
Median Usage				
68,000	$ 302.80	$ 404.74	$ 101.94	33.66%

Present Rates:			
Monthly Minimum:		$	120.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	198.02
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	3.04
Over	80,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Irrigation

Exhibit
Schedule H-4
Page 14
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 225.00	$ 396.03	$ 171.03	76.01%
1,000	227.05	399.07	172.02	75.76%
2,000	229.10	402.11	173.01	75.52%
3,000	231.15	405.15	174.00	75.28%
4,000	233.20	408.19	174.99	75.04%
5,000	235.25	411.23	175.98	74.81%
6,000	237.30	414.27	176.97	74.58%
7,000	240.05	417.31	177.26	73.84%
8,000	242.80	420.35	177.55	73.13%
9,000	245.55	423.39	177.84	72.43%
10,000	248.30	426.43	178.13	71.74%
12,000	253.80	432.51	178.71	70.41%
14,000	259.30	438.59	179.29	69.14%
16,000	264.80	444.67	179.87	67.93%
18,000	270.30	450.75	180.45	66.76%
20,000	275.80	456.83	181.03	65.64%
25,000	289.55	472.03	182.48	63.02%
30,000	303.30	487.23	183.93	60.64%
35,000	317.05	502.43	185.38	58.47%
40,000	330.80	517.63	186.83	56.48%
45,000	344.55	532.83	188.28	54.65%
50,000	358.30	548.03	189.73	52.95%
60,000	385.80	578.43	192.63	49.93%
70,000	413.30	608.83	195.53	47.31%
80,000	440.80	639.23	198.43	45.02%
90,000	468.30	669.63	201.33	42.99%
100,000	495.80	700.03	204.23	41.19%
Average Usage				
61,667	$ 390.38	$ 583.50	$ 193.12	49.47%
Median Usage				
9,000	$ 245.55	$ 423.39	$ 177.84	72.43%

Present Rates:			
Monthly Minimum:		$	225.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	6,000	$	2.05
Over	6,000	$	2.75
Proposed Rates:			
Monthly Minimum:		$	396.03
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	160,000	$	3.04
Over	160,000	$	3.99

Sahuarita Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Construction

Exhibit
Schedule H-4
Page 15
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 225.00	$ 396.03	$ 171.03	76.01%
1,000	229.50	401.03	171.53	74.74%
2,000	234.00	406.03	172.03	73.52%
3,000	238.50	411.03	172.53	72.34%
4,000	243.00	416.03	173.03	71.21%
5,000	247.50	421.03	173.53	70.11%
6,000	252.00	426.03	174.03	69.06%
7,000	256.50	431.03	174.53	68.04%
8,000	261.00	436.03	175.03	67.06%
9,000	265.50	441.03	175.53	66.11%
10,000	270.00	446.03	176.03	65.20%
12,000	279.00	456.03	177.03	63.45%
14,000	288.00	466.03	178.03	61.82%
16,000	297.00	476.03	179.03	60.28%
18,000	306.00	486.03	180.03	58.83%
20,000	315.00	496.03	181.03	57.47%
25,000	337.50	521.03	183.53	54.38%
30,000	360.00	546.03	186.03	51.68%
35,000	382.50	571.03	188.53	49.29%
40,000	405.00	596.03	191.03	47.17%
45,000	427.50	621.03	193.53	45.27%
50,000	450.00	646.03	196.03	43.56%
60,000	495.00	696.03	201.03	40.61%
70,000	540.00	746.03	206.03	38.15%
80,000	585.00	796.03	211.03	36.07%
90,000	630.00	846.03	216.03	34.29%
100,000	675.00	896.03	221.03	32.75%
Average Usage				
41,803	$ 413.11	$ 605.05	$ 191.93	46.46%
Median Usage				
4,500	$ 245.25	$ 418.53	$ 173.28	70.66%

Present Rates:		
Monthly Minimum:	$	225.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All gallons	$	4.50
Proposed Rates:		
Monthly Minimum:	$	396.03
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	5.00

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	219	194	227	213	256	239	262	288	211	238	208	208	2,763	2,763	-
1,000	1,000	227	262	275	243	298	351	368	359	330	346	282	354	3,695	6,458	3,695
2,000	2,000	314	351	353	311	366	312	402	396	324	421	363	476	4,389	10,847	12,473
3,000	3,000	437	531	486	413	426	365	449	510	375	478	446	605	5,521	16,368	29,036
4,000	4,000	486	538	490	387	431	419	518	509	428	542	541	611	5,900	22,268	52,636
5,000	5,000	469	500	516	424	407	418	468	442	408	474	488	531	5,545	27,813	80,361
6,000	6,000	405	435	386	352	382	346	384	360	385	381	398	418	4,632	32,445	108,153
7,000	7,000	325	284	313	329	326	312	279	286	324	313	364	317	3,772	36,217	134,557
8,000	8,000	254	202	206	276	217	228	245	214	293	235	291	164	2,825	39,042	157,157
9,000	9,000	172	117	164	212	186	200	142	163	215	159	199	110	2,039	41,081	175,508
10,000	10,000	121	87	120	168	153	147	111	118	167	136	135	73	1,536	42,617	190,868
11,000	11,000	86	53	55	107	100	125	82	68	134	90	90	53	1,043	43,660	202,341
12,000	12,000	65	35	52	84	79	102	61	65	95	53	62	37	790	44,450	211,821
13,000	13,000	32	30	32	63	55	75	40	50	60	46	43	23	549	44,999	218,958
14,000	14,000	27	16	24	65	53	59	34	35	51	41	36	16	457	45,456	225,356
15,000	15,000	19	16	18	47	32	49	24	30	31	23	20	10	319	45,775	230,141
16,000	16,000	21	14	15	23	26	40	18	25	29	18	18	8	255	46,030	234,221
17,000	17,000	11	6	8	30	30	35	20	18	26	9	10	5	208	46,238	237,757
18,000	18,000	3	6	7	12	20	26	12	12	25	9	14	5	151	46,389	240,475
19,000	19,000	8	6	4	9	10	24	8	8	12	2	7	3	101	46,490	242,394
20,000	20,000	1	7	2	12	15	20	5	5	12	8	1	2	90	46,580	244,194
21,000	21,000	3	1	3	5	5	13	5	4	13	5	8	2	67	46,647	245,601
22,000	22,000	5	3	5	4	2	10	5	4	8	2	3	4	55	46,702	246,811
23,000	23,000	1	7	1	6	3	7	6	4	5	5	1	-	46	46,748	247,869
24,000	24,000	4	-	-	2	3	6	1	2	7	2	3	1	31	46,779	248,613
25,000	25,000	1	-	2	1	3	6	3	1	5	2	2	-	26	46,805	249,263
26,000	26,000	2	1	-	2	1	4	2	1	4	1	1	-	19	46,824	249,757
27,000	27,000	3	1	1	1	1	8	2	-	3	-	2	1	23	46,847	250,378
28,000	28,000	2	-	-	1	-	1	-	-	-	-	1	1	6	46,853	250,546
29,000	29,000	-	1	-	3	1	2	-	3	1	1	1	-	13	46,866	250,923
30,000	30,000	1	-	2	1	-	1	-	-	1	1	-	-	7	46,873	251,133
31,000	31,000	-	1	-	1	-	3	-	-	2	-	-	1	8	46,881	251,381
32,000	32,000	1	-	-	-	-	1	-	-	-	1	-	1	4	46,885	251,509
33,000	33,000	1	-	-	-	-	-	-	-	1	-	-	2	4	46,889	251,641
34,000	34,000	2	-	-	-	1	-	2	1	2	-	-	-	8	46,897	251,913
35,000	35,000	1	-	-	2	2	-	1	-	-	-	1	-	7	46,904	252,158
36,000	36,000	-	-	1	-	1	-	1	-	-	-	-	-	3	46,907	252,266
37,000	37,000	-	-	1	1	-	-	-	-	-	-	-	-	2	46,909	252,340
38,000	38,000	-	-	-	-	1	-	-	1	2	-	1	-	5	46,914	252,530

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	-	1	-	-	-	-	-	1	-	1	-	-	3	46,917	252,647
40,000	40,000	-	-	-	1	1	-	-	-	-	1	-	-	3	46,920	252,767
41,000	41,000	-	-	-	-	-	2	-	-	1	-	-	-	3	46,923	252,890
42,000	42,000	-	-	-	-	-	-	1	-	-	-	-	-	1	46,924	252,932
43,000	43,000	-	-	-	-	-	-	-	-	-	1	-	-	1	46,925	252,975
44,000	44,000	-	-	1	-	-	-	-	1	-	-	-	-	2	46,927	253,063
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,927	253,063
46,000	46,000	-	-	-	-	-	-	-	-	-	-	1	-	1	46,928	253,109
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,928	253,109
48,000	48,000	-	1	-	1	-	-	-	-	-	-	-	-	2	46,930	253,205
49,000	49,000	-	-	-	-	-	-	-	-	1	-	-	-	1	46,931	253,254
50,000	50,000	-	-	-	-	-	1	-	-	-	1	-	-	2	46,933	253,354
51,000	51,000	-	-	-	-	-	1	-	-	1	-	-	-	2	46,935	253,456
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,935	253,456
53,000	53,000	-	-	-	-	1	-	-	1	-	-	-	-	2	46,937	253,562
54,000	54,000	-	-	-	-	1	-	-	-	-	-	-	-	1	46,938	253,616
55,000	55,000	-	-	-	-	-	-	-	-	-	1	-	-	1	46,939	253,671
56,000	56,000	-	-	-	-	-	-	1	-	-	-	-	-	1	46,940	253,727
57,000	57,000	-	-	-	-	-	-	-	-	-	1	-	-	1	46,941	253,784
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,941	253,784
59,000	59,000	-	-	-	-	-	-	-	-	-	1	-	-	1	46,942	253,843
60,000	60,000	-	-	-	1	-	-	-	-	-	-	-	-	1	46,943	253,903
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,943	253,903
62,000	62,000	-	-	-	1	-	-	-	-	-	-	-	-	1	46,944	253,965
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,944	253,965
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,944	253,965
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,944	253,965
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,944	253,965
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,944	253,965
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,944	253,965
69,000	69,000	-	-	-	-	1	-	-	-	-	-	-	-	1	46,945	254,035
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	1	46,946	254,106
71,000	71,000	1	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,946	254,106
81,000	81,000	1	-	-	-	-	-	-	-	-	-	-	-	1	46,947	254,187
82,000	82,000	-	-	-	-	-	-	1	-	-	-	-	-	1	46,948	254,269
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,948	254,269
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,948	254,269
85,000	85,000	-	-	-	-	1	-	-	-	-	-	-	-	1	46,949	254,354
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,949	254,354
141,000	141,000	-	-	-	-	-	-	-	-	1	-	-	-	1	46,950	254,495
183,000	183,000	-	-	-	-	-	-	-	-	1	-	-	-	1	46,951	254,678
	-													-	46,951	254,678
	-													-	46,951	254,678
Totals		3,731	3,707	3,770	3,814	3,897	3,958	3,963	3,985	3,994	4,049	4,041	4,042	46,951		

Average Usage	5,424
Median Usage	5,000
Average # Customers	3,913

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-5
Page : 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	42	38	37	65	61	58	59	50	39	48	48	28	573	573	-
1,000	1,000	34	36	29	32	30	31	26	36	22	36	19	25	356	929	356
2,000	2,000	18	23	33	25	30	27	28	37	26	39	23	32	341	1,270	1,038
3,000	3,000	32	37	31	31	30	33	44	40	30	35	26	43	412	1,682	2,274
4,000	4,000	28	41	47	33	30	43	41	44	42	44	39	60	492	2,174	4,242
5,000	5,000	33	37	35	29	41	36	46	44	30	44	44	54	473	2,647	6,607
6,000	6,000	41	30	32	33	30	27	33	36	34	42	54	46	438	3,085	9,235
7,000	7,000	23	36	22	25	23	19	24	21	47	43	43	40	366	3,451	11,797
8,000	8,000	21	28	30	31	25	19	35	26	28	29	33	32	337	3,788	14,493
9,000	9,000	29	18	19	18	16	19	24	23	25	18	23	17	249	4,037	16,734
10,000	10,000	16	8	12	17	22	15	14	12	21	22	20	19	198	4,235	18,714
11,000	11,000	14	11	13	20	22	20	9	14	18	8	17	15	181	4,416	20,705
12,000	12,000	8	3	6	16	10	11	10	13	11	8	13	7	116	4,532	22,097
13,000	13,000	10	6	5	9	15	13	10	13	12	8	11	3	115	4,647	23,592
14,000	14,000	7	2	5	5	10	9	6	8	10	4	8	3	77	4,724	24,670
15,000	15,000	1	3	4	6	5	11	8	5	6	11	6	-	66	4,790	25,660
16,000	16,000	1	-	4	5	4	9	5	3	8	5	4	2	50	4,840	26,460
17,000	17,000	3	2	1	7	4	4	-	6	5	2	8	1	43	4,883	27,191
18,000	18,000	2	2	3	3	7	4	6	-	8	1	-	2	38	4,921	27,875
19,000	19,000	-	1	1	4	3	5	3	4	3	3	2	-	29	4,950	28,426
20,000	20,000	-	2	-	3	3	2	2	1	2	1	1	-	17	4,967	28,766
21,000	21,000	-	1	2	-	2	3	1	1	2	-	-	1	13	4,980	29,039
22,000	22,000	1	-	1	1	2	5	-	1	3	2	-	-	16	4,996	29,391
23,000	23,000	-	1	-	3	-	3	-	1	1	2	1	-	12	5,008	29,667
24,000	24,000	2	-	1	3	1	1	1	1	-	1	1	-	12	5,020	29,955
25,000	25,000	1	1	-	-	1	4	-	-	2	1	-	-	10	5,030	30,205
26,000	26,000	1	-	-	1	1	2	-	-	-	-	1	-	6	5,036	30,361
27,000	27,000	-	-	-	1	1	-	-	-	1	-	-	-	3	5,039	30,442
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,039	30,442
29,000	29,000	-	-	1	-	-	1	-	-	-	1	-	-	3	5,042	30,529
30,000	30,000	-	-	-	-	-	1	-	-	-	-	1	-	2	5,044	30,589
31,000	31,000	-	-	-	1	-	-	-	-	-	-	-	-	1	5,045	30,620
32,000	32,000	-	-	1	-	-	-	-	1	1	-	-	-	3	5,048	30,716
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,048	30,716
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,048	30,716
35,000	35,000	-	-	-	-	-	1	-	-	-	-	-	-	1	5,049	30,751
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,049	30,751
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,049	30,751
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,049	30,751
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,049	30,751
40,000	40,000	1	-	-	-	-	-	-	-	-	-	-	-	1	5,050	30,791

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,050	30,791
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,050	30,791
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,050	30,791
44,000	44,000	-	-	-	1	-	-	-	-	-	-	-	-	1	5,051	30,835
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,051	30,835
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,051	30,835
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,051	30,835
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,051	30,835
49,000	49,000	-	-	-	-	-	-	-	-	-	1	-	-	1	5,052	30,884
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,052	30,884
51,000	51,000	-	-	-	-	-	-	-	1	-	-	-	-	1	5,053	30,935
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,053	30,935
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,053	30,935
54,000	54,000	-	-	-	-	-	-	1	-	-	-	-	-	1	5,054	30,989
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,054	30,989
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,054	30,989
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,054	30,989
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,054	30,989
59,000	59,000	-	-	-	-	-	-	-	-	1	-	-	-	1	5,055	31,048
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,055	31,048
	-													-	5,055	31,048
	-													-	5,055	31,048
	-													-	5,055	31,048
Totals		369	367	375	428	429	436	436	442	438	459	446	430	5,055		

Average Usage	6,142
Median Usage	5,000
Average # Customers	421

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	5	6	3	1	2	1	2	2	-	-	1	1	24	24	-
1,000	1,000	4	-	2	1	1	2	3	4	-	1	1	2	21	45	21
2,000	2,000	1	-	1	4	1	2	3	3	1	1	-	1	18	63	57
3,000	3,000	1	4	4	4	3	2	4	6	1	4	1	5	39	102	174
4,000	4,000	6	6	4	5	5	4	6	7	5	6	7	13	74	176	470
5,000	5,000	4	6	6	3	6	5	6	6	6	7	5	5	65	241	795
6,000	6,000	8	7	13	4	4	4	9	3	6	3	5	5	71	312	1,221
7,000	7,000	7	8	3	5	5	7	4	4	5	7	7	7	69	381	1,704
8,000	8,000	7	7	6	5	6	2	4	4	1	7	5	4	58	439	2,168
9,000	9,000	5	5	2	6	5	4	1	6	7	2	6	4	53	492	2,645
10,000	10,000	3	-	6	2	4	3	6	1	4	4	4	-	37	529	3,015
11,000	11,000	1	2	-	7	3	5	1	2	6	2	1	1	31	560	3,356
12,000	12,000	1	-	-	1	-	1	1	-	1	2	4	-	11	571	3,488
13,000	13,000	-	-	1	1	-	1	-	1	1	2	-	2	9	580	3,605
14,000	14,000	-	1	-	1	2	1	-	2	1	1	-	-	9	589	3,731
15,000	15,000	1	-	2	-	1	1	1	-	1	-	-	1	8	597	3,851
16,000	16,000	-	-	-	-	1	1	-	1	2	-	2	-	7	604	3,963
17,000	17,000	-	-	-	1	1	2	-	-	1	-	-	-	5	609	4,048
18,000	18,000	-	-	-	2	-	-	1	1	-	1	-	-	5	614	4,138
19,000	19,000	-	-	-	-	-	-	1	1	1	-	-	-	3	617	4,195
20,000	20,000	-	-	-	-	1	-	-	-	-	-	-	-	1	618	4,215
21,000	21,000	-	-	-	-	-	2	-	-	-	-	-	-	2	620	4,257
22,000	22,000	-	-	-	-	-	1	-	-	-	-	1	-	2	622	4,301
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	4,301
33,000	33,000	-	-	-	-	-	-	1	-	-	-	-	-	1	623	4,334
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
	-													-	623	4,334
Totals		54	52	53	53	51	51	54	54	50	50	50	51	623		

Average Usage	6,957
Median Usage	6,000
Average # Customers	52

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	1	1	1	3	3	-
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
6,000	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
8,000	8,000	-	-	-	-	-	-	-	1	-	-	-	-	1	4	8
9,000	9,000	1	1	-	-	-	-	-	-	-	-	1	1	4	8	44
10,000	10,000	-	-	-	-	-	1	1	-	1	1	-	-	4	12	84
11,000	11,000	-	-	1	-	-	-	-	-	-	-	-	-	1	13	95
12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	95
13,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	95
14,000	14,000	-	-	-	-	1	-	-	-	-	-	-	-	1	14	109
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	109
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	109
17,000	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	109
18,000	18,000	-	-	-	1	-	-	-	-	-	-	-	-	1	15	127
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
	-													-	15	127
Totals		1	1	1	1	1	1	1	1	1	2	2	2	15		

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
										Average Usage				8,467		
										Median Usage				9,000		
										Average # Customers				1		

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	2	1	2	2	1	1	1	1	2	1	3	1	18	18	-
1,000	1,000	1	1	-	1	1	1	1	1	1	1	1	2	12	30	12
2,000	2,000	1	-	-	-	-	-	-	-	2	1	1	-	5	35	22
3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	22
4,000	4,000	-	1	-	-	-	-	-	-	-	1	-	-	2	37	30
5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37	30
6,000	6,000	-	-	-	-	-	-	-	-	1	-	-	-	1	38	36
7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	36
8,000	8,000	-	-	-	-	-	-	-	1	1	1	-	1	4	42	68
9,000	9,000	-	-	-	-	-	-	-	-	-	1	-	-	1	43	77
10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	77
11,000	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	77
12,000	12,000	-	-	-	-	-	-	-	-	-	-	1	-	1	44	89
13,000	13,000	-	-	-	-	-	-	1	-	-	-	-	-	1	45	102
14,000	14,000	-	-	-	-	-	-	-	-	-	-	-	2	2	47	130
15,000	15,000	-	-	-	-	-	1	-	-	-	-	-	-	1	48	145
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	145
17,000	17,000	-	-	-	-	1	-	-	-	-	-	-	-	1	49	162
18,000	18,000	-	-	1	-	-	-	-	-	-	-	-	-	1	50	180
19,000	19,000	-	1	-	-	-	-	1	-	-	-	1	-	3	53	237
20,000	20,000	-	-	-	-	-	-	-	1	-	-	1	-	2	55	277
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	1	1	56	298
22,000	22,000	1	-	-	-	-	-	-	-	-	-	-	-	1	57	320
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	320
24,000	24,000	-	-	-	1	-	1	-	-	-	-	-	1	3	60	392
25,000	25,000	-	-	1	-	-	-	-	-	-	-	-	-	1	61	417
26,000	26,000	-	-	-	-	-	-	-	-	-	-	1	-	1	62	443
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	62	443
28,000	28,000	-	-	-	-	-	-	-	-	-	1	-	-	1	63	471
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	471
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	1	1	64	509
39,000	39,000	-	-	-	-	-	-	-	-	-	1	-	-	1	65	548
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	65	548

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
41,000	41,000	-	1	-	-	-	-	-	-	-	-	-	-	1	66	589
42,000	42,000	1	-	-	-	-	-	-	-	-	-	-	-	1	67	631
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	631
54,000	54,000	-	-	-	-	1	-	-	-	-	-	-	-	1	68	685
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	68	685
56,000	56,000	1	-	-	-	-	-	-	-	-	-	-	-	1	69	741
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	741
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	741
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	741
60,000	60,000	-	1	-	-	-	-	-	-	-	-	-	-	1	70	801
61,000	61,000	-	1	-	-	-	-	-	-	-	-	-	-	1	71	862
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	2	2	73	986
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	986
64,000	64,000	1	-	-	-	-	-	-	-	-	-	-	-	1	74	1,050
65,000	65,000	-	-	1	-	-	-	-	-	-	-	-	-	1	75	1,115
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,115
67,000	67,000	-	-	-	-	-	-	1	-	-	-	-	-	1	76	1,182
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	1,182
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	1,182
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	76	1,182
71,000	71,000	-	-	-	-	-	-	-	1	-	-	-	-	1	77	1,253
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	77	1,253
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	77	1,253
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	77	1,253
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	77	1,253
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	77	1,253
77,000	77,000	-	-	-	-	1	-	1	-	-	-	-	1	3	80	1,484
78,000	78,000	-	-	-	-	-	-	-	-	-	-	1	-	1	81	1,562
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	1,562
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	1,562
81,000	81,000	-	-	-	1	-	-	-	-	1	1	-	-	3	84	1,805

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	1	-	-	-	1	85	1,887
83,000	83,000	-	-	-	-	-	1	-	-	-	-	-	-	1	86	1,970
84,000	84,000	-	-	1	-	-	-	-	-	-	-	-	-	1	87	2,054
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	2,054
86,000	86,000	-	-	-	-	-	-	-	1	-	-	-	-	1	88	2,140
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	2,140
88,000	88,000	-	-	-	1	-	-	-	1	-	-	-	-	2	90	2,316
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	2,316
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	2,316
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	2,316
92,000	92,000	-	-	-	-	1	-	-	-	-	-	-	-	1	91	2,408
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	2,408
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	1	1	92	2,502
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,502
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,502
97,000	97,000	-	-	1	-	-	-	-	-	-	-	-	-	1	93	2,599
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,599
99,000	99,000	1	1	-	-	-	-	-	-	-	-	-	-	2	95	2,797
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,797
102,000	102,000	-	-	1	-	-	-	-	-	-	-	-	-	1	96	2,899
105,000	105,000	1	-	-	-	-	-	-	-	1	-	-	-	2	98	3,109
111,000	111,000	1	1	-	-	-	-	-	-	-	-	-	-	2	100	3,331
114,000	114,000	-	-	-	-	-	-	-	-	-	1	-	-	1	101	3,445
116,000	116,000	-	-	-	-	1	-	-	-	-	-	-	-	1	102	3,561
118,000	118,000	-	-	-	1	-	-	-	-	-	-	-	-	1	103	3,679
120,000	120,000	-	-	-	-	-	-	-	-	-	-	-	1	1	104	3,799
122,000	122,000	-	-	-	-	-	-	-	1	-	-	1	-	2	106	4,043
129,000	129,000	-	1	-	-	-	-	-	-	-	-	-	1	2	108	4,301
132,000	132,000	-	-	-	-	-	-	-	-	-	-	1	-	1	109	4,433
133,000	133,000	1	-	-	-	-	-	-	-	-	-	-	-	1	110	4,566
134,000	134,000	-	-	-	-	-	-	1	-	1	-	1	-	3	113	4,968
135,000	135,000	-	1	-	-	-	-	-	-	-	-	-	-	1	114	5,103
137,000	137,000	-	-	-	1	-	-	-	-	-	-	-	-	1	115	5,240
142,000	142,000	-	-	-	-	-	1	-	-	-	-	-	-	1	116	5,382
162,000	162,000	-	-	-	-	-	-	-	-	1	-	-	-	1	117	5,544
165,000	165,000	-	-	-	-	-	-	-	-	-	1	-	-	1	118	5,709
169,000	169,000	-	-	1	-	-	-	-	-	-	-	-	-	1	119	5,878
173,000	173,000	-	-	-	-	-	-	-	-	1	-	-	-	1	120	6,051
177,000	177,000	-	-	-	-	1	-	-	-	-	-	-	-	1	121	6,228
179,000	179,000	-	-	-	-	-	1	-	-	-	-	-	-	1	122	6,407
180,000	180,000	-	1	-	-	-	-	-	-	-	-	-	-	1	123	6,587

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
187,000	187,000	-	-	-	-	-	1	-	-	-	-	-	-	1	124	6,774
198,000	198,000	-	1	-	-	-	-	-	-	-	-	-	-	1	125	6,972
207,000	207,000	1	-	-	-	-	-	-	-	-	-	-	-	1	126	7,179
208,000	208,000	-	-	-	-	-	-	1	-	-	-	-	-	1	127	7,387
215,000	215,000	1	-	-	-	-	-	-	-	-	-	-	-	1	128	7,602
217,000	217,000	-	-	-	-	-	-	-	-	1	-	-	-	1	129	7,819
218,000	218,000	-	-	-	-	-	-	-	-	-	-	-	1	1	130	8,037
233,000	233,000	-	-	1	-	-	-	-	-	-	-	-	-	1	131	8,270
239,000	239,000	-	-	1	-	-	-	-	-	-	-	-	-	1	132	8,509
250,000	250,000	-	-	-	-	-	-	-	1	-	-	-	-	1	133	8,759
253,000	253,000	-	-	-	1	-	-	-	-	-	-	-	-	1	134	9,012
255,000	255,000	-	-	-	-	-	-	-	1	-	-	-	-	1	135	9,267
258,000	258,000	-	-	-	-	-	-	-	-	-	-	1	-	1	136	9,525
259,000	259,000	-	-	1	-	-	-	-	-	-	-	-	-	1	137	9,784
268,000	268,000	-	-	-	-	-	-	-	1	-	-	1	-	2	139	10,320
275,000	275,000	-	-	-	-	-	-	-	1	-	-	-	-	1	140	10,595
303,000	303,000	-	-	-	-	-	-	-	-	-	-	1	-	1	141	10,898
306,000	306,000	-	-	-	1	-	-	-	-	-	-	-	-	1	142	11,204
341,000	341,000	-	-	-	-	-	-	1	-	-	-	-	-	1	143	11,545
343,000	343,000	-	-	-	-	1	-	-	-	-	-	-	-	1	144	11,888
345,000	345,000	-	-	-	-	1	-	-	-	-	-	-	-	1	145	12,233
364,000	364,000	-	-	-	-	-	-	-	-	-	1	-	-	1	146	12,597
366,000	366,000	-	-	-	-	-	-	-	-	1	-	-	-	1	147	12,963
371,000	371,000	-	-	-	-	-	-	1	-	-	-	-	-	1	148	13,334
405,000	405,000	-	-	-	-	-	-	1	-	-	-	-	-	1	149	13,739
414,000	414,000	-	-	-	-	-	1	-	-	-	-	-	-	1	150	14,153
418,000	418,000	-	-	-	-	-	-	1	-	-	-	-	-	1	151	14,571
439,000	439,000	-	-	-	1	-	-	-	-	-	-	-	-	1	152	15,010
475,000	475,000	-	-	-	1	-	-	-	-	-	-	-	-	1	153	15,485
502,000	502,000	-	-	-	-	-	1	-	-	-	-	-	-	1	154	15,987
519,000	519,000	-	-	-	-	1	-	-	-	-	-	-	-	1	155	16,506
559,000	559,000	-	-	-	-	-	-	-	-	-	1	-	-	1	156	17,065
563,000	563,000	-	-	-	-	1	-	-	-	-	-	-	-	1	157	17,628
680,000	680,000	-	-	-	-	-	1	-	-	-	-	-	-	1	158	18,308
728,000	728,000	-	-	-	-	-	1	-	-	-	-	-	-	1	159	19,036
851,000	851,000	-	-	-	-	-	-	-	-	-	1	-	-	1	160	19,887
859,000	859,000	-	-	-	-	-	-	-	-	-	1	-	-	1	161	20,746
	-													-	161	20,746
	-													-	161	20,746
Totals		14	13	12	12	12	12	12	12	15	15	16	16	161		

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
										Average Usage				128,857		
										Median Usage				78,000		
										Average # Customers				13		

Sahuarita Water Company
Test Year Ended December 31, 2008

Meter Size: 3 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,000	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9,000	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11,000	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,000	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17,000	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75,000	75,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1	75
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	1	1	2	151
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	151
86,000	86,000	-	-	-	-	-	-	-	-	1	-	-	-	1	3	237
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	237
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	237
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	237
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	237
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	237
92,000	92,000	-	1	-	-	-	-	-	-	-	-	-	-	1	4	329
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	329
115,000	115,000	1	-	-	-	-	-	-	-	-	-	-	-	1	5	444
126,000	126,000	-	-	1	-	-	-	-	-	-	-	-	-	1	6	570
143,000	143,000	-	-	-	1	-	-	-	-	-	-	-	-	1	7	713
147,000	147,000	-	-	-	-	1	-	-	-	-	-	-	-	1	8	860
194,000	194,000	-	-	-	-	-	1	-	-	-	-	-	-	1	9	1,054
119,000	119,000	-	-	-	-	-	-	1	-	-	-	-	-	1	10	1,173
117,000	117,000	-	-	-	-	-	-	-	1	-	-	-	-	1	11	1,290
111,000	111,000	-	-	-	-	-	-	-	-	-	1	-	-	1	12	1,401
	-													-	12	1,401
	-													-	12	1,401
																1,401
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Average Usage	116,750
Median Usage	134,500
Average # Customers	1

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Public Authority

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,000	1,000	-	1	-	-	-	-	-	1	-	-	-	-	2	2	2
2,000	2,000	-	-	-	-	-	-	1	-	-	-	-	1	2	4	6
3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	6
4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	6
5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	6
6,000	6,000	1	-	-	-	-	-	-	-	1	-	-	-	2	6	18
7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	18
8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	18
9,000	9,000	-	-	-	1	-	-	-	-	-	-	-	-	1	7	27
10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	27
11,000	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	27
12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	27
13,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	27
14,000	14,000	-	-	-	-	-	-	-	-	-	-	1	-	1	8	41
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	41
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	41
17,000	17,000	-	-	-	-	1	1	-	-	-	1	-	-	3	11	92
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	92
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	92
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	92
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	92
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	92
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	92
24,000	24,000	-	-	1	-	-	-	-	-	-	-	-	-	1	12	116
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Public Authority

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Public Authority

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
	-													-	12	116
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Public Authority

Exhibit
Schedule H-5
Page : 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
										Average Usage				9,667		
										Median Usage				8,500		
										Average # Customers				1		

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Public Authority

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	-	-	1	-	-	-	-	-	-	1	1	-
1,000	1,000	-	2	-	1	-	2	1	1	-	-	1	1	9	10	9
2,000	2,000	-	-	1	-	1	-	2	-	1	1	-	-	6	16	21
3,000	3,000	2	-	1	-	1	1	1	1	1	1	-	1	10	26	51
4,000	4,000	-	-	-	1	-	1	-	-	-	-	1	-	3	29	63
5,000	5,000	1	2	2	1	1	1	2	1	-	1	-	2	14	43	133
6,000	6,000	1	1	-	2	2	2	1	2	2	1	1	1	16	59	229
7,000	7,000	-	-	-	-	-	-	-	-	1	-	1	-	2	61	243
8,000	8,000	-	-	1	-	-	-	-	-	-	1	1	-	3	64	267
9,000	9,000	-	-	1	-	-	-	-	-	-	-	-	-	1	65	276
10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	65	276
11,000	11,000	2	-	-	-	-	-	-	-	-	-	-	-	2	67	298
12,000	12,000	-	-	-	-	1	-	-	-	-	-	-	-	1	68	310
13,000	13,000	-	1	-	-	-	-	-	-	-	1	-	-	2	70	336
14,000	14,000	-	-	-	-	-	-	1	-	-	-	-	-	1	71	350
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	1	1	72	365
16,000	16,000	-	-	-	-	-	-	-	1	-	-	1	-	2	74	397
17,000	17,000	-	-	-	1	-	-	-	-	-	-	-	-	1	75	414
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	414
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	414
20,000	20,000	-	-	1	-	-	-	-	-	1	1	-	1	4	79	494
21,000	21,000	-	-	-	-	-	-	-	1	-	-	-	-	1	80	515
22,000	22,000	-	-	1	-	-	-	-	1	-	1	-	-	3	83	581
23,000	23,000	-	-	-	-	-	-	-	-	-	-	1	-	1	84	604
24,000	24,000	1	-	-	-	-	-	-	-	-	-	-	1	2	86	652
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	652
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	652
27,000	27,000	1	-	-	-	-	-	-	-	-	-	-	-	1	87	679
28,000	28,000	-	1	-	-	1	-	-	-	-	-	-	-	2	89	735
29,000	29,000	-	-	-	-	1	-	-	-	1	-	-	-	2	91	793
30,000	30,000	-	-	-	-	-	-	-	-	-	-	1	-	1	92	823
31,000	31,000	-	1	-	-	-	-	-	-	-	-	-	-	1	93	854
32,000	32,000	-	-	-	1	-	-	-	-	-	-	-	-	1	94	886
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	886
34,000	34,000	-	-	-	-	-	-	-	-	1	-	-	-	1	95	920
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	920
36,000	36,000	-	-	-	1	-	-	-	-	-	-	-	-	1	96	956
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Public Authority

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Public Authority

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	956
														-	96	956
Totals		8	8	8	8	8	8	8	8	8	8	8	8	96		

Average Usage	9,958
Median Usage	6,000
Average # Customers	8

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Irrigation

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	3	3	4	3	3	3	3	3	5	3	3	2	38	38	-
1,000	1,000	2	4	-	2	1	1	1	1	-	-	-	3	15	53	15
2,000	2,000	1	1	-	1	1	1	-	-	-	2	1	-	8	61	31
3,000	3,000	-	-	1	-	-	-	1	-	-	-	-	-	2	63	37
4,000	4,000	-	-	-	-	-	-	-	1	-	-	1	-	2	65	45
5,000	5,000	-	-	1	-	-	1	1	2	-	-	-	-	5	70	70
6,000	6,000	1	-	-	-	-	-	-	-	-	-	-	-	1	71	76
7,000	7,000	-	-	1	-	-	-	-	-	2	1	-	-	4	75	104
8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	104
9,000	9,000	-	-	-	-	-	1	1	-	-	-	-	-	2	77	122
10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	77	122
11,000	11,000	-	-	-	-	1	-	-	-	-	-	-	-	1	78	133
12,000	12,000	-	-	1	-	-	-	-	-	-	-	-	-	1	79	145
13,000	13,000	-	1	-	-	1	-	-	-	-	-	-	-	2	81	171
14,000	14,000	1	-	-	-	-	-	-	-	-	-	-	-	1	82	185
15,000	15,000	-	-	-	1	-	1	-	-	-	-	-	-	2	84	215
16,000	16,000	-	-	-	-	-	-	1	-	-	-	-	-	1	85	231
17,000	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	231
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	231
19,000	19,000	-	-	-	-	-	-	-	1	-	-	-	1	2	87	269
20,000	20,000	-	-	-	-	-	-	-	-	-	1	1	-	2	89	309
21,000	21,000	-	-	-	-	-	-	-	-	1	-	-	-	1	90	330
22,000	22,000	-	-	-	-	-	-	-	-	-	-	1	-	1	91	352
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	352
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	352
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	1	1	92	377
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	377
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	1	1	93	404
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	404

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Irrigation

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,000	39,000	-	-	-	-	-	-	-	-	-	-	1	-	1	94	443
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	443
54,000	54,000	-	-	1	-	-	-	-	-	-	-	-	-	1	95	497
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	497
74,000	74,000	1	-	-	-	-	-	-	-	-	-	-	-	1	96	571
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	571
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	571
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	571

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Irrigation

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	1	-	-	-	-	-	-	-	-	-	-	1	97	649
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	97	649
80,000	80,000	-	-	-	1	-	-	-	-	-	-	-	-	1	98	729
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	729
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	729
83,000	83,000	-	-	-	-	1	-	-	-	-	-	-	-	1	99	812
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	812
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	812
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	812
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	812
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	812
89,000	89,000	-	-	-	1	-	-	-	-	-	-	-	-	1	100	901
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	901
91,000	91,000	-	-	-	-	-	-	-	-	1	-	-	-	1	101	992
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	992
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	992
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	1	1	102	1,086
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,086
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,086
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,086
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,086
99,000	99,000	1	-	-	-	-	-	-	-	-	-	-	-	1	103	1,185
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	1,185
102,000	102,000	-	-	-	-	1	-	-	-	-	-	-	-	1	104	1,287
107,000	107,000	-	-	-	-	-	-	-	-	1	-	-	-	1	105	1,394
108,000	108,000	-	-	-	-	-	-	-	1	-	-	-	-	1	106	1,502
118,000	118,000	-	1	-	-	-	-	-	-	-	-	-	-	1	107	1,620
127,000	127,000	-	-	-	-	-	-	-	1	-	-	-	-	1	108	1,747
130,000	130,000	-	-	1	-	-	-	-	-	-	-	-	-	1	109	1,877
131,000	131,000	1	-	-	-	-	-	-	-	-	-	-	-	1	110	2,008
132,000	132,000	-	-	-	-	-	-	-	1	-	-	-	-	1	111	2,140
137,000	137,000	-	-	-	-	-	-	-	-	-	-	-	1	1	112	2,277
141,000	141,000	-	-	-	-	-	-	-	-	-	-	1	-	1	113	2,418
154,000	154,000	-	-	-	-	-	1	-	-	-	-	-	-	1	114	2,572
161,000	161,000	-	-	-	1	-	-	-	-	-	-	-	-	1	115	2,733
170,000	170,000	-	-	1	-	-	-	-	-	-	-	-	-	1	116	2,903
171,000	171,000	-	-	-	-	-	-	-	-	-	-	-	1	1	117	3,074
176,000	176,000	-	-	-	-	1	-	-	-	-	-	-	-	1	118	3,250
199,000	199,000	-	-	-	-	-	-	-	-	-	-	1	-	1	119	3,449

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 5/8 Inch Irrigation

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
202,000	202,000	-	-	-	-	-	-	1	-	-	-	-	-	1	120	3,651
206,000	206,000	-	-	-	-	-	-	-	-	-	1	-	-	1	121	3,857
230,000	230,000	-	-	-	-	-	-	-	-	-	-	1	-	1	122	4,087
235,000	235,000	-	1	-	-	-	-	-	-	-	-	-	-	1	123	4,322
242,000	242,000	-	-	-	-	-	-	1	-	-	-	-	-	1	124	4,564
261,000	261,000	-	-	-	1	-	-	-	-	-	-	-	-	1	125	4,825
284,000	284,000	-	-	-	-	1	-	-	-	-	-	-	-	1	126	5,109
317,000	317,000	-	-	-	-	-	1	-	-	-	-	-	-	1	127	5,426
333,000	333,000	-	-	-	-	-	-	-	-	-	1	-	-	1	128	5,759
382,000	382,000	-	-	-	-	-	-	-	-	-	1	-	-	1	129	6,141
402,000	402,000	-	-	-	-	-	-	1	-	-	-	-	-	1	130	6,543
463,000	463,000	-	-	-	-	-	-	-	-	1	-	-	-	1	131	7,006
510,000	510,000	-	-	-	-	-	1	-	-	-	-	-	-	1	132	7,516
	-													-	132	7,516
Totals		11	12	11	11	11	11	11	11	11	10	11	11	132		

Average Usage	56,939
Median Usage	5,000
Average # Customers	11

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3/4 Inch Irrigation

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	1	3	3	4	4	4	2	4	3	3	3	4	38	38	-
1,000	1,000	1	-	-	-	-	-	1	1	1	1	1	1	7	45	7
2,000	2,000	2	-	2	-	-	-	-	-	-	-	-	-	4	49	15
3,000	3,000	2	1	-	1	-	-	-	1	1	-	-	-	6	55	33
4,000	4,000	-	-	-	1	1	-	-	-	1	-	-	1	4	59	49
5,000	5,000	-	-	-	-	-	-	1	-	-	-	-	1	2	61	59
6,000	6,000	-	-	-	-	-	-	-	1	-	-	1	1	3	64	77
7,000	7,000	-	-	-	-	-	-	-	-	1	-	-	1	2	66	91
8,000	8,000	-	-	-	-	-	-	1	1	-	1	-	-	3	69	115
9,000	9,000	-	-	1	-	-	-	1	-	-	-	-	-	2	71	133
10,000	10,000	-	-	-	-	-	1	-	-	1	-	-	-	2	73	153
11,000	11,000	-	1	-	-	-	-	-	-	-	1	2	-	4	77	197
12,000	12,000	-	-	-	-	-	-	-	-	-	-	2	-	2	79	221
13,000	13,000	1	-	1	1	-	1	-	1	-	1	-	-	6	85	299
14,000	14,000	-	1	1	-	-	-	1	1	2	-	-	-	6	91	383
15,000	15,000	-	-	-	1	-	-	-	-	-	1	-	-	2	93	413
16,000	16,000	-	-	-	-	1	-	-	-	-	-	-	-	1	94	429
17,000	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	429
18,000	18,000	-	-	-	-	-	1	-	-	-	-	-	-	1	95	447
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	447
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	447
21,000	21,000	-	-	-	-	1	-	-	-	-	1	-	-	2	97	489
22,000	22,000	-	-	-	-	-	-	1	-	-	-	-	-	1	98	511
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	511
24,000	24,000	1	-	-	-	-	-	-	-	-	-	-	-	1	99	535
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	535
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	99	535
27,000	27,000	-	-	-	-	1	-	-	-	-	-	-	-	1	100	562
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	562
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100	562
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	1	1	101	592
31,000	31,000	-	-	-	-	-	1	-	-	-	-	-	-	1	102	623
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	623
33,000	33,000	-	-	-	-	-	-	-	-	-	-	1	-	1	103	656
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3/4 Inch Irrigation

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	103	656
49,000	49,000	-	1	-	-	-	-	-	-	-	-	-	-	1	104	705
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	705
58,000	58,000	-	-	-	-	-	-	-	-	-	1	-	-	1	105	763
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3/4 Inch Irrigation

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	763
110,000	110,000	-	1	-	-	-	-	-	-	-	-	-	-	1	106	873
	-													-	106	873
	-													-	106	873
Totals		8	8	8	8	8	8	8	10	10	10	10	10	106		

Average Usage	8,236
Median Usage	3,000
Average # Customers	9

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	2	3	5	5	4	2	3	4	4	4	6	6	48	48	-
1,000	1,000	1	3	-	-	-	-	1	1	1	1	1	3	12	60	12
2,000	2,000	2	-	1	1	1	-	1	1	-	2	1	-	10	70	32
3,000	3,000	1	-	-	-	-	1	-	-	1	-	-	-	3	73	41
4,000	4,000	-	-	2	-	-	-	1	-	-	2	1	-	6	79	65
5,000	5,000	1	2	2	2	2	-	2	1	1	1	1	2	17	96	150
6,000	6,000	2	3	1	1	1	2	2	2	1	-	-	1	16	112	246
7,000	7,000	-	-	-	2	1	1	1	1	1	1	1	2	11	123	323
8,000	8,000	2	2	2	1	1	-	1	1	-	-	1	1	12	135	419
9,000	9,000	2	1	1	1	-	-	-	3	1	-	-	4	13	148	536
10,000	10,000	2	2	1	-	2	1	1	1	-	3	-	1	14	162	676
11,000	11,000	2	2	1	2	-	2	3	2	2	1	3	3	23	185	929
12,000	12,000	1	2	1	2	2	2	-	-	4	3	3	-	20	205	1,169
13,000	13,000	2	4	1	-	3	2	1	1	1	-	2	1	18	223	1,403
14,000	14,000	3	2	5	4	2	-	1	1	1	2	-	2	23	246	1,725
15,000	15,000	2	1	1	1	1	-	2	1	2	1	1	-	13	259	1,920
16,000	16,000	-	1	-	-	1	5	-	-	-	1	1	1	10	269	2,080
17,000	17,000	2	2	1	2	-	2	1	-	1	2	1	2	16	285	2,352
18,000	18,000	-	1	2	1	3	-	2	-	1	1	1	2	14	299	2,604
19,000	19,000	1	-	2	-	-	1	-	1	1	1	1	2	10	309	2,794
20,000	20,000	-	-	1	-	1	1	-	3	1	2	-	-	9	318	2,974
21,000	21,000	1	-	-	2	-	-	2	1	1	1	2	-	10	328	3,184
22,000	22,000	-	-	1	1	1	-	2	-	2	1	1	1	10	338	3,404
23,000	23,000	-	-	-	1	1	2	-	-	-	1	1	1	7	345	3,565
24,000	24,000	-	-	-	-	-	-	-	-	2	-	-	1	3	348	3,637
25,000	25,000	-	-	-	1	1	-	1	1	-	-	-	2	6	354	3,787
26,000	26,000	1	1	-	1	1	3	-	-	-	-	-	-	7	361	3,969
27,000	27,000	-	-	1	1	-	1	1	1	-	-	1	-	6	367	4,131
28,000	28,000	-	-	-	1	-	-	1	1	-	-	2	-	5	372	4,271
29,000	29,000	-	-	-	-	2	-	1	-	1	-	1	-	5	377	4,416
30,000	30,000	-	-	-	-	-	-	-	1	-	1	-	-	2	379	4,476
31,000	31,000	1	-	1	-	1	1	-	-	-	-	-	-	4	383	4,600
32,000	32,000	-	2	-	-	-	-	-	1	-	1	-	-	4	387	4,728
33,000	33,000	-	-	-	-	-	-	-	-	-	1	-	-	1	388	4,761
34,000	34,000	1	-	-	-	-	-	2	-	-	-	-	-	3	391	4,863
35,000	35,000	-	-	-	-	-	1	-	-	1	-	-	-	2	393	4,933
36,000	36,000	1	-	-	-	-	-	-	-	1	-	-	-	2	395	5,005
37,000	37,000	-	-	-	-	-	-	-	-	-	-	1	-	1	396	5,042

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	1	-	-	-	-	1	-	-	-	-	-	-	2	398	5,118
39,000	39,000	-	-	-	-	-	-	-	1	-	1	-	-	2	400	5,196
40,000	40,000	-	1	-	1	-	-	-	-	1	-	1	-	4	404	5,356
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	404	5,356
42,000	42,000	-	1	-	-	-	-	-	-	-	1	-	1	3	407	5,482
43,000	43,000	-	-	-	-	-	1	-	-	1	-	-	-	2	409	5,568
44,000	44,000	-	-	-	-	1	-	-	3	-	-	-	-	4	413	5,744
45,000	45,000	1	-	1	-	-	-	-	2	-	-	-	-	4	417	5,924
46,000	46,000	-	-	-	-	-	-	-	-	1	-	-	-	1	418	5,970
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	1	1	419	6,017
48,000	48,000	1	-	-	-	1	-	-	-	-	-	-	-	2	421	6,113
49,000	49,000	-	-	-	-	1	-	-	-	-	-	-	-	1	422	6,162
50,000	50,000	-	-	-	1	-	1	-	-	-	-	1	-	3	425	6,312
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	425	6,312
52,000	52,000	-	-	-	-	-	-	1	-	-	-	1	-	2	427	6,416
53,000	53,000	-	-	-	-	-	-	-	-	-	1	-	-	1	428	6,469
54,000	54,000	-	-	-	-	-	-	-	-	-	1	-	-	1	429	6,523
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	429	6,523
56,000	56,000	-	-	2	-	-	-	1	-	-	-	-	-	3	432	6,691
57,000	57,000	-	-	-	-	-	-	-	1	-	-	-	-	1	433	6,748
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	433	6,748
59,000	59,000	-	-	-	-	-	-	1	-	1	-	1	-	3	436	6,925
60,000	60,000	-	-	1	-	-	-	-	-	-	-	-	-	1	437	6,985
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	437	6,985
62,000	62,000	-	-	-	-	-	-	-	-	-	1	-	-	1	438	7,047
63,000	63,000	-	-	-	-	-	-	-	1	-	-	-	-	1	439	7,110
64,000	64,000	-	-	-	-	-	1	-	-	-	-	-	-	1	440	7,174
65,000	65,000	-	-	-	-	-	-	-	-	1	-	-	-	1	441	7,239
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	441	7,239
67,000	67,000	-	-	-	-	-	-	-	-	1	-	-	-	1	442	7,306
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	442	7,306
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	442	7,306
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	442	7,306
71,000	71,000	-	-	-	1	-	-	-	-	-	-	-	-	1	443	7,377
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
77,000	77,000	-	-	-	-	-	1	-	-	-	-	-	-	1	444	7,454
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	7,454
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	7,454
80,000	80,000	-	-	-	-	-	-	-	-	1	-	-	-	1	445	7,534
81,000	81,000	-	-	-	-	-	-	1	-	-	-	-	-	1	446	7,615
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	1	1	447	7,697
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	1	1	448	7,780
84,000	84,000	-	-	-	1	1	-	-	-	-	-	1	-	3	451	8,032
85,000	85,000	1	1	-	-	-	-	-	-	-	-	-	-	2	453	8,202
86,000	86,000	-	-	-	-	-	1	-	-	-	-	-	-	1	454	8,288
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
93,000	93,000	-	-	-	-	1	-	-	-	-	-	-	-	1	455	8,381
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	455	8,381
95,000	95,000	-	-	1	-	-	-	-	-	-	-	-	-	1	456	8,476
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	456	8,476
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	456	8,476
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	456	8,476
99,000	99,000	1	-	-	-	-	-	-	-	-	-	-	-	1	457	8,575
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	457	8,575
103,000	103,000	-	1	-	-	-	-	-	-	-	-	-	-	1	458	8,678
113,000	113,000	-	-	1	-	-	-	-	-	-	-	-	-	1	459	8,791
105,000	105,000	-	-	-	1	-	1	-	-	-	-	-	-	2	461	9,001
136,000	136,000	-	-	-	1	-	-	-	-	-	-	-	-	1	462	9,137
181,000	181,000	-	-	-	1	-	-	-	-	-	-	-	-	1	463	9,318
368,000	368,000	-	-	-	1	-	-	-	-	-	-	-	-	1	464	9,686
111,000	111,000	-	-	-	-	1	-	-	-	-	-	-	-	1	465	9,797
251,000	251,000	-	-	-	-	1	-	-	-	-	-	-	-	1	466	10,048
157,000	157,000	-	-	-	-	-	1	-	-	-	-	-	-	1	467	10,205
359,000	359,000	-	-	-	-	-	1	-	-	-	-	-	-	1	468	10,564
153,000	153,000	-	-	-	-	-	1	-	-	-	-	-	-	1	469	10,717
138,000	138,000	-	-	-	-	-	-	2	-	-	-	-	-	2	471	10,993
241,000	241,000	-	-	-	-	-	-	1	-	-	-	-	-	1	472	11,234

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
155,000	155,000	-	-	-	-	-	-	-	1	-	-	-	-	1	473	11,389
116,000	116,000	-	-	-	-	-	-	-	1	-	-	-	-	1	474	11,505
125,000	125,000	-	-	-	-	-	-	-	-	1	-	-	-	1	475	11,630
140,000	140,000	-	-	-	-	-	-	-	-	1	-	-	-	1	476	11,770
160,000	160,000	-	-	-	-	-	-	-	-	-	1	-	-	1	477	11,930
169,000	169,000	-	-	-	-	-	-	-	-	-	1	-	-	1	478	12,099
146,000	146,000	-	-	-	-	-	-	-	-	-	-	1	-	1	479	12,245
166,000	166,000	-	-	-	-	-	-	-	-	-	-	1	-	1	480	12,411
107,000	107,000	-	-	-	-	-	-	-	-	-	-	1	-	1	481	12,518
	-													-	481	12,518
	-													-	481	12,518
Totals		38	38	39	41	39	40	40	40	41	41	42	42	481		

Average Usage	26,025
Median Usage	59,000
Average # Customers	40

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 1/2 Inch Irrigation

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	1	1	1	-	2	1	1	1	2	2	2	1	15	15	-
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	-
2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	-
3,000	3,000	-	-	-	-	-	-	-	-	-	1	-	-	1	16	3
4,000	4,000	-	-	-	-	-	-	1	-	-	-	-	1	2	18	11
5,000	5,000	-	-	-	1	-	-	-	-	-	-	-	1	2	20	21
6,000	6,000	2	-	-	1	-	-	-	-	-	-	-	-	3	23	39
7,000	7,000	-	-	-	-	1	-	-	-	-	-	-	-	1	24	46
8,000	8,000	-	1	-	-	1	-	-	-	-	-	-	-	2	26	62
9,000	9,000	-	1	1	-	-	-	-	-	-	-	-	-	2	28	80
10,000	10,000	1	1	1	-	1	-	-	-	1	1	-	-	6	34	140
11,000	11,000	-	-	-	1	-	-	1	-	-	-	2	-	4	38	184
12,000	12,000	-	1	-	-	-	-	-	-	-	1	-	1	3	41	220
13,000	13,000	-	-	-	-	-	-	-	2	-	-	1	-	3	44	259
14,000	14,000	-	-	1	-	-	-	-	-	-	-	-	-	1	45	273
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	1	1	46	288
16,000	16,000	1	-	-	-	-	1	-	-	-	-	-	-	2	48	320
17,000	17,000	-	-	-	2	-	-	-	1	1	-	-	-	4	52	388
18,000	18,000	-	-	-	-	-	-	-	-	1	-	-	-	1	53	406
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	406
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	406
21,000	21,000	-	-	-	-	1	-	-	-	-	-	-	-	1	54	427
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	427
23,000	23,000	-	-	-	-	-	-	-	-	1	-	-	-	1	55	450
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	55	450
25,000	25,000	-	-	-	-	-	-	-	1	-	-	-	-	1	56	475
26,000	26,000	-	-	1	-	-	-	-	1	-	-	-	-	2	58	527
27,000	27,000	-	-	-	-	-	-	-	-	-	1	-	-	1	59	554
28,000	28,000	-	-	-	-	-	-	2	-	-	-	-	-	2	61	610
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	61	610
30,000	30,000	-	-	-	-	-	1	-	-	-	-	-	-	1	62	640
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	1	1	63	671
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	63	671
33,000	33,000	-	-	-	1	-	-	-	-	-	-	-	-	1	64	704
34,000	34,000	-	1	1	-	-	-	-	-	-	-	-	1	3	67	806
35,000	35,000	-	-	-	-	-	-	-	-	-	-	1	-	1	68	841
36,000	36,000	-	-	-	-	-	-	-	-	-	-	1	-	1	69	877
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	877
38,000	38,000	-	-	-	-	-	1	-	-	-	-	-	-	1	70	915

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 1/2 Inch Irrigation

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
39,000	39,000	1	-	-	-	-	-	1	-	-	-	-	-	2	72	993
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	993
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	993
42,000	42,000	-	-	-	-	-	-	-	-	-	1	-	-	1	73	1,035
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	1,035
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	1,035
45,000	45,000	-	-	-	-	-	1	-	-	-	-	-	-	1	74	1,080
46,000	46,000	-	-	-	-	-	1	-	-	-	-	-	-	1	75	1,126
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,126
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,126
49,000	49,000	-	-	1	-	-	-	-	-	-	-	-	-	1	76	1,175
50,000	50,000	-	-	-	-	-	-	-	1	-	-	-	-	1	77	1,225
51,000	51,000	-	-	-	-	1	-	-	-	1	-	-	-	2	79	1,327
52,000	52,000	-	1	-	-	-	-	-	-	-	-	-	-	1	80	1,379
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	80	1,379
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	80	1,379
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	80	1,379
56,000	56,000	1	-	-	-	-	-	-	-	-	-	-	-	1	81	1,435
57,000	57,000	-	-	-	1	-	-	-	-	-	-	-	-	1	82	1,492
58,000	58,000	1	1	1	-	-	-	-	-	-	-	-	-	3	85	1,666
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	1,666
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	1	1	86	1,726
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,726
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	1,726
63,000	63,000	-	-	-	-	-	-	1	-	-	-	-	-	1	87	1,789
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	1,789
65,000	65,000	-	-	-	1	-	-	-	-	-	-	-	-	1	88	1,854
66,000	66,000	-	-	-	-	-	-	-	-	-	-	1	-	1	89	1,920
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	1,920
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	1,920
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	1,920
70,000	70,000	-	-	-	-	-	-	-	-	-	1	-	-	1	90	1,990
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 1/2 Inch Irrigation

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	1,990
80,000	80,000	-	-	-	-	-	-	1	-	-	-	-	-	1	91	2,070
81,000	81,000	-	-	-	-	-	1	-	-	-	-	-	-	1	92	2,151
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	2,151
91,000	91,000	-	-	-	-	-	-	-	-	1	-	-	-	1	93	2,242
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	2,242
102,000	102,000	-	-	-	-	-	1	-	-	-	-	-	-	1	94	2,344
105,000	105,000	-	1	-	-	-	-	-	-	-	-	-	-	1	95	2,449
117,000	117,000	-	-	-	-	1	-	-	1	-	-	-	-	2	97	2,683
120,000	120,000	-	-	-	-	-	-	1	-	-	-	-	-	1	98	2,803
127,000	127,000	-	-	1	-	-	-	-	-	-	-	-	-	1	99	2,930
146,000	146,000	-	-	-	-	-	-	-	-	-	-	-	1	1	100	3,076
183,000	183,000	-	-	-	1	-	-	-	-	-	-	-	-	1	101	3,259
196,000	196,000	-	-	-	-	1	-	-	-	-	-	-	-	1	102	3,455
207,000	207,000	1	-	-	-	-	-	-	-	-	-	-	-	1	103	3,662
212,000	212,000	-	-	-	-	-	-	-	-	-	-	1	-	1	104	3,874
252,000	252,000	-	-	-	-	-	-	-	-	1	-	-	-	1	105	4,126
287,000	287,000	-	-	-	-	-	-	-	1	-	-	-	-	1	106	4,413
391,000	391,000	-	-	-	-	-	-	-	-	-	1	-	-	1	107	4,804
394,000	394,000	-	-	-	-	-	1	-	-	-	-	-	-	1	108	5,198
	-													-	108	5,198
	-													-	108	5,198

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 1 1/2 Inch Irrigation

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
	Totals	9	9	9	9	9	9	9	9	9	9	9	9	108		
										Average Usage				48,130		
										Median Usage				22,500		
										Average # Customers				9		

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	3	2	4	2	1	1	1	2	2	1	1	1	21	21	-
1,000	1,000	1	-	2	-	-	1	1	1	-	2	-	1	9	30	9
2,000	2,000	2	2	-	2	1	-	-	2	1	-	1	2	13	43	35
3,000	3,000	-	1	-	-	-	1	1	-	-	-	1	-	4	47	47
4,000	4,000	-	1	-	1	-	-	-	1	1	1	-	-	5	52	67
5,000	5,000	1	1	2	-	1	-	-	-	1	1	1	1	9	61	112
6,000	6,000	2	1	2	1	1	1	-	1	2	1	-	1	13	74	190
7,000	7,000	-	1	-	-	1	-	1	-	2	-	1	-	6	80	232
8,000	8,000	-	-	-	1	-	-	-	1	-	-	-	-	2	82	248
9,000	9,000	1	2	-	1	-	-	-	-	-	-	1	3	8	90	320
10,000	10,000	-	-	1	-	-	-	-	-	-	1	-	1	3	93	350
11,000	11,000	-	-	-	-	-	-	-	-	1	-	-	-	1	94	361
12,000	12,000	-	2	-	-	-	-	-	-	-	-	-	1	3	97	397
13,000	13,000	1	-	-	-	-	-	-	-	-	-	-	-	1	98	410
14,000	14,000	-	-	-	-	-	-	-	-	-	-	1	1	2	100	438
15,000	15,000	1	1	1	-	-	-	-	1	-	-	1	-	5	105	513
16,000	16,000	1	-	1	-	-	-	-	-	1	-	-	1	4	109	577
17,000	17,000	-	-	1	1	1	-	-	-	-	-	-	-	3	112	628
18,000	18,000	1	2	1	-	1	-	-	1	-	-	-	-	6	118	736
19,000	19,000	1	2	-	-	-	-	2	-	-	-	-	-	5	123	831
20,000	20,000	-	-	-	1	2	-	-	1	-	-	1	-	5	128	931
21,000	21,000	2	-	-	1	-	1	1	1	1	-	-	-	7	135	1,078
22,000	22,000	1	1	2	-	-	-	-	-	-	-	1	-	5	140	1,188
23,000	23,000	-	-	-	-	1	-	-	-	-	1	-	-	2	142	1,234
24,000	24,000	-	-	-	-	-	-	-	-	1	-	-	-	1	143	1,258
25,000	25,000	-	-	-	-	-	-	-	1	-	1	-	1	3	146	1,333
26,000	26,000	2	-	-	-	1	-	-	-	1	-	2	-	6	152	1,489
27,000	27,000	-	-	-	2	-	-	1	-	-	1	-	-	4	156	1,597
28,000	28,000	-	1	-	-	-	-	-	-	-	-	-	-	1	157	1,625
29,000	29,000	-	-	-	1	-	1	-	-	-	-	-	-	2	159	1,683
30,000	30,000	-	-	-	-	-	-	1	-	-	-	-	-	1	160	1,713
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	160	1,713
32,000	32,000	-	-	-	-	1	-	-	-	1	-	-	2	4	164	1,841
33,000	33,000	-	-	-	-	-	1	-	-	-	-	-	-	1	165	1,874
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	1	1	166	1,908
35,000	35,000	-	-	-	-	-	-	-	-	1	-	-	2	3	169	2,013
36,000	36,000	-	-	1	-	-	1	1	-	1	1	-	-	5	174	2,193
37,000	37,000	-	-	-	-	-	-	-	-	1	-	-	-	1	175	2,230
38,000	38,000	-	-	-	-	-	-	-	-	-	-	1	-	1	176	2,268
39,000	39,000	-	1	-	-	1	-	-	-	-	-	-	-	2	178	2,346
40,000	40,000	-	-	-	-	1	-	-	-	-	1	-	1	3	181	2,466

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	1	-	1	1	-	-	1	-	4	185	2,630
42,000	42,000	-	1	-	-	-	-	-	-	-	-	-	-	1	186	2,672
43,000	43,000	-	-	-	-	-	-	-	-	-	2	-	-	2	188	2,758
44,000	44,000	-	-	2	-	-	-	1	-	-	-	-	-	3	191	2,890
45,000	45,000	-	1	-	1	-	-	-	-	-	-	-	-	2	193	2,980
46,000	46,000	-	-	-	-	-	1	2	1	-	-	-	1	5	198	3,210
47,000	47,000	-	-	-	-	-	-	1	1	-	1	-	-	3	201	3,351
48,000	48,000	-	-	-	-	-	1	-	1	-	1	-	-	3	204	3,495
49,000	49,000	-	-	-	1	-	-	-	1	-	1	1	1	5	209	3,740
50,000	50,000	-	-	-	-	-	-	-	-	1	-	-	2	3	212	3,890
51,000	51,000	-	-	-	-	-	-	-	1	-	-	-	-	1	213	3,941
52,000	52,000	-	-	-	1	-	-	-	-	-	-	1	-	2	215	4,045
53,000	53,000	-	1	-	-	-	1	-	-	-	-	1	-	3	218	4,204
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	218	4,204
55,000	55,000	-	1	-	1	-	-	-	-	-	-	1	1	4	222	4,424
56,000	56,000	-	-	-	-	-	-	-	1	1	1	-	-	3	225	4,592
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	225	4,592
58,000	58,000	-	-	-	-	-	-	-	2	1	-	-	-	3	228	4,766
59,000	59,000	-	-	-	-	-	1	-	-	-	-	-	-	1	229	4,825
60,000	60,000	-	-	-	-	-	1	-	-	-	-	-	-	1	230	4,885
61,000	61,000	-	-	-	-	-	-	1	1	1	-	2	-	5	235	5,190
62,000	62,000	-	1	-	-	-	-	-	-	-	-	2	-	3	238	5,376
63,000	63,000	-	1	-	-	-	-	-	-	1	-	-	1	3	241	5,565
64,000	64,000	1	-	-	-	1	-	1	-	1	-	-	-	4	245	5,821
65,000	65,000	-	1	-	-	-	-	-	-	-	-	2	-	3	248	6,016
66,000	66,000	-	1	-	1	-	1	1	-	2	-	-	-	6	254	6,412
67,000	67,000	-	-	-	-	-	-	-	-	-	2	-	-	2	256	6,546
68,000	68,000	-	-	-	-	-	-	-	-	-	-	1	-	1	257	6,614
69,000	69,000	-	-	-	1	-	1	-	-	-	-	-	-	2	259	6,752
70,000	70,000	1	-	-	-	-	-	-	-	1	-	-	-	2	261	6,892
71,000	71,000	1	-	1	-	1	-	-	-	-	-	-	-	3	264	7,105
72,000	72,000	1	-	-	-	-	-	-	-	-	-	-	-	1	265	7,177
73,000	73,000	1	-	-	-	-	-	1	-	-	-	-	-	2	267	7,323
74,000	74,000	-	2	1	-	1	-	-	-	-	-	-	-	4	271	7,619
75,000	75,000	-	-	-	-	1	-	-	1	-	-	-	-	2	273	7,769
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	1	1	274	7,845
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	1	1	275	7,922
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	275	7,922
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	275	7,922
80,000	80,000	-	-	-	-	-	1	1	-	-	-	-	-	2	277	8,082
81,000	81,000	-	-	-	-	-	1	-	-	-	-	-	-	1	278	8,163

Sahuarita Water Company
Test Year Ended December 31, 2008

Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	1	-	-	-	-	-	-	-	-	-	-	-	1	279	8,245
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	279	8,245
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	279	8,245
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	279	8,245
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	279	8,245
87,000	87,000	-	-	-	-	-	1	-	-	-	-	-	-	1	280	8,332
88,000	88,000	-	-	-	-	-	1	-	-	-	-	-	-	1	281	8,420
89,000	89,000	-	-	-	-	1	-	-	-	-	-	-	-	1	282	8,509
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	282	8,509
91,000	91,000	-	-	-	-	-	-	-	-	-	-	1	-	1	283	8,600
92,000	92,000	-	-	-	1	-	-	-	-	-	1	-	-	2	285	8,784
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	8,784
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	8,784
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	8,784
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	8,784
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	8,784
98,000	98,000	-	-	-	-	-	-	-	-	-	1	-	-	1	286	8,882
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	286	8,882
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	286	8,882
101,000	101,000	-	-	-	-	1	-	-	-	-	-	-	-	1	287	8,983
102,000	102,000	-	-	-	-	-	-	-	-	1	-	-	-	1	288	9,085
103,000	103,000	-	-	1	-	-	-	-	-	-	-	-	-	1	289	9,188
104,000	104,000	-	-	-	-	-	-	-	1	-	-	1	-	2	291	9,396
108,000	108,000	1	1	1	-	-	-	-	-	-	-	-	-	3	294	9,720
109,000	109,000	-	-	1	-	-	1	-	-	-	-	-	-	2	296	9,938
112,000	112,000	-	-	1	-	-	-	-	1	1	-	-	-	3	299	10,274
117,000	117,000	-	-	-	-	-	1	-	-	-	1	-	-	2	301	10,508
118,000	118,000	-	-	-	-	-	-	1	-	-	1	-	-	2	303	10,744
120,000	120,000	-	1	-	-	-	-	1	-	-	-	-	-	2	305	10,984
121,000	121,000	-	1	-	-	-	-	-	-	-	-	1	-	2	307	11,226
126,000	126,000	-	-	-	-	-	1	-	-	1	-	-	-	2	309	11,478
127,000	127,000	1	-	-	-	1	-	-	-	-	-	-	-	2	311	11,732
129,000	129,000	-	-	-	1	-	-	-	-	-	-	-	1	2	313	11,990
130,000	130,000	1	-	-	1	-	-	-	-	-	-	-	-	2	315	12,250
131,000	131,000	-	-	1	-	-	-	-	-	-	-	-	1	2	317	12,512
133,000	133,000	-	-	1	-	-	-	-	-	-	-	-	1	2	319	12,778
134,000	134,000	1	-	-	-	-	-	-	-	-	-	-	-	1	320	12,912
135,000	135,000	-	-	-	-	-	-	-	1	-	-	-	1	2	322	13,182
136,000	136,000	-	-	-	-	-	-	-	-	-	-	-	1	1	323	13,318
137,000	137,000	-	-	1	-	-	-	-	-	-	-	-	-	1	324	13,455
140,000	140,000	-	-	1	-	-	-	-	-	-	-	1	-	2	326	13,735

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
145,000	145,000	1	-	-	-	-	-	-	-	-	-	-	-	1	327	13,880
148,000	148,000	-	-	-	-	-	1	-	-	-	-	-	-	1	328	14,028
150,000	150,000	-	-	-	-	-	-	-	-	1	-	-	-	1	329	14,178
152,000	152,000	-	-	1	-	-	-	-	-	-	-	-	1	2	331	14,482
155,000	155,000	-	-	-	1	1	-	-	-	-	-	-	-	2	333	14,792
160,000	160,000	-	-	-	-	-	-	1	-	-	-	-	-	1	334	14,952
161,000	161,000	-	-	1	-	-	-	-	-	-	-	-	-	1	335	15,113
164,000	164,000	-	-	-	-	-	-	1	-	-	-	-	-	1	336	15,277
166,000	166,000	-	-	-	-	-	1	-	-	-	-	-	-	1	337	15,443
169,000	169,000	-	-	-	1	-	-	-	-	-	-	-	-	1	338	15,612
174,000	174,000	-	1	-	-	-	-	-	-	-	-	-	-	1	339	15,786
175,000	175,000	-	-	-	1	-	-	-	-	-	-	-	1	2	341	16,136
177,000	177,000	-	-	-	-	-	-	-	-	-	-	1	-	1	342	16,313
178,000	178,000	-	-	-	-	-	-	-	1	-	-	-	-	1	343	16,491
179,000	179,000	-	-	-	-	-	-	-	-	1	-	-	-	1	344	16,670
184,000	184,000	1	-	-	-	1	-	-	-	-	-	-	-	2	346	17,038
187,000	187,000	-	-	1	1	-	-	-	-	-	-	-	-	2	348	17,412
188,000	188,000	-	-	-	-	1	-	-	-	-	-	-	-	1	349	17,600
191,000	191,000	1	-	-	-	-	-	-	-	-	-	-	-	1	350	17,791
194,000	194,000	-	-	-	-	-	-	-	-	-	-	-	1	1	351	17,985
197,000	197,000	-	-	-	-	-	-	-	-	-	-	-	1	1	352	18,182
199,000	199,000	-	-	-	-	-	-	-	-	-	-	1	-	1	353	18,381
200,000	200,000	-	-	-	-	-	-	-	1	-	-	-	-	1	354	18,581
201,000	201,000	-	-	1	-	1	-	-	-	-	-	-	-	2	356	18,983
202,000	202,000	-	-	-	1	-	-	-	-	-	-	-	-	1	357	19,185
205,000	205,000	-	-	-	-	-	-	-	-	-	1	-	-	1	358	19,390
206,000	206,000	1	-	-	-	-	-	-	-	-	-	-	-	1	359	19,596
208,000	208,000	-	1	-	-	-	-	-	-	-	1	-	-	2	361	20,012
209,000	209,000	-	-	-	-	-	-	-	-	-	-	2	-	2	363	20,430
210,000	210,000	1	-	-	-	-	-	-	-	-	-	-	-	1	364	20,640
214,000	214,000	-	-	1	-	-	-	-	-	1	-	-	-	2	366	21,068
216,000	216,000	-	-	-	-	1	-	-	-	-	-	-	-	1	367	21,284
217,000	217,000	-	-	-	-	-	-	-	-	1	-	-	-	1	368	21,501
220,000	220,000	-	-	1	1	-	-	-	-	-	-	-	-	2	370	21,941
221,000	221,000	-	-	-	-	1	-	-	-	-	-	-	-	1	371	22,162
223,000	223,000	1	-	-	-	-	-	-	-	-	-	-	-	1	372	22,385
225,000	225,000	-	-	-	-	-	1	-	-	-	-	-	-	1	373	22,610
229,000	229,000	-	-	1	-	-	-	-	-	-	-	-	-	1	374	22,839
232,000	232,000	-	-	-	-	-	-	-	-	-	1	-	-	1	375	23,071
234,000	234,000	-	-	-	-	-	-	-	-	1	-	-	-	1	376	23,305
238,000	238,000	-	1	-	-	-	2	-	-	-	-	-	-	3	379	24,019

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
240,000	240,000	-	-	-	-	-	1	-	-	1	-	-	-	2	381	24,499
241,000	241,000	-	-	-	-	-	-	1	-	-	-	-	-	1	382	24,740
242,000	242,000	-	-	-	-	-	-	-	-	-	-	1	-	1	383	24,982
245,000	245,000	-	-	-	-	1	-	-	-	-	-	-	-	1	384	25,227
247,000	247,000	-	-	-	-	1	-	-	-	-	1	-	-	2	386	25,721
249,000	249,000	-	-	-	-	-	-	1	-	-	-	-	-	1	387	25,970
250,000	250,000	1	-	-	-	-	-	1	-	-	-	-	-	2	389	26,470
255,000	255,000	-	-	-	-	-	-	-	-	-	-	-	1	1	390	26,725
268,000	268,000	-	-	-	-	-	-	-	-	-	1	-	-	1	391	26,993
271,000	271,000	1	-	-	-	-	-	-	-	-	-	-	-	1	392	27,264
282,000	282,000	-	-	-	-	-	-	-	-	-	1	-	-	1	393	27,546
284,000	284,000	-	-	-	-	-	-	-	-	-	1	-	-	1	394	27,830
288,000	288,000	-	-	-	-	-	-	-	-	-	-	1	-	1	395	28,118
293,000	293,000	-	-	-	-	-	-	1	-	-	-	-	-	1	396	28,411
298,000	298,000	-	-	-	1	-	-	-	-	-	-	-	-	1	397	28,709
305,000	305,000	-	-	1	-	-	-	-	-	-	-	-	-	1	398	29,014
306,000	306,000	-	-	-	-	-	-	-	-	-	1	-	-	1	399	29,320
309,000	309,000	-	-	-	-	-	-	-	-	-	1	-	-	1	400	29,629
315,000	315,000	-	-	-	1	-	-	-	-	-	-	-	-	1	401	29,944
317,000	317,000	-	-	-	-	1	-	-	-	-	-	-	-	1	402	30,261
322,000	322,000	-	-	-	-	-	-	-	-	-	-	1	-	1	403	30,583
323,000	323,000	1	-	-	-	-	-	-	-	-	-	-	-	1	404	30,906
332,000	332,000	-	-	-	-	-	-	-	-	-	-	1	-	1	405	31,238
337,000	337,000	-	-	-	-	1	-	-	-	-	-	-	-	1	406	31,575
344,000	344,000	-	-	-	-	-	1	-	-	-	-	-	-	1	407	31,919
348,000	348,000	-	-	-	2	-	-	-	-	-	-	1	-	3	410	32,963
349,000	349,000	-	-	-	-	-	-	-	-	-	1	-	-	1	411	33,312
351,000	351,000	-	-	-	-	-	-	-	1	-	-	-	-	1	412	33,663
352,000	352,000	-	-	-	-	-	1	-	-	-	-	-	-	1	413	34,015
355,000	355,000	-	-	-	2	-	-	-	-	-	-	-	-	2	415	34,725
361,000	361,000	-	-	-	-	-	-	-	-	-	1	-	-	1	416	35,086
368,000	368,000	-	-	-	1	-	-	1	-	-	-	-	-	2	418	35,822
369,000	369,000	-	-	-	-	1	-	-	-	-	-	-	-	1	419	36,191
376,000	376,000	-	-	-	-	1	-	1	-	-	-	-	-	2	421	36,943
377,000	377,000	-	-	-	-	-	-	-	1	-	-	-	-	1	422	37,320
387,000	387,000	-	-	-	-	-	-	-	1	-	-	-	-	1	423	37,707
388,000	388,000	-	-	-	-	1	-	-	-	-	-	-	-	1	424	38,095
391,000	391,000	-	-	-	-	-	-	-	1	-	-	-	-	1	425	38,486
393,000	393,000	-	1	-	-	-	-	-	-	-	-	-	-	1	426	38,879
398,000	398,000	-	-	-	-	-	-	-	1	-	-	-	-	1	427	39,277
403,000	403,000	-	-	-	-	-	-	-	-	-	1	-	-	1	428	39,680

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 2 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
419,000	419,000	-	-	-	-	-	-	1	-	-	-	-	-	1	429	40,099
437,000	437,000	-	-	-	-	-	-	-	-	-	-	1	-	1	430	40,536
444,000	444,000	-	-	-	-	1	-	-	-	-	-	-	-	1	431	40,980
447,000	447,000	-	-	-	-	-	1	-	-	-	-	-	-	1	432	41,427
453,000	453,000	-	-	-	-	-	1	-	-	-	-	-	-	1	433	41,880
457,000	457,000	-	-	-	-	-	-	1	-	-	-	-	-	1	434	42,337
469,000	469,000	-	-	-	1	-	-	-	1	-	-	-	-	2	436	43,275
480,000	480,000	-	-	-	-	-	1	-	-	-	-	-	-	1	437	43,755
484,000	484,000	-	-	-	-	-	-	2	-	-	-	-	-	2	439	44,723
487,000	487,000	-	-	-	-	-	-	-	1	-	-	-	-	1	440	45,210
505,000	505,000	-	-	-	-	-	-	1	-	-	-	-	-	1	441	45,715
509,000	509,000	-	-	-	-	-	-	1	-	-	-	-	-	1	442	46,224
511,000	511,000	-	-	-	-	-	-	-	-	-	1	-	-	1	443	46,735
539,000	539,000	-	-	-	-	-	-	-	1	-	-	-	-	1	444	47,274
540,000	540,000	-	-	-	-	-	-	-	1	-	-	-	-	1	445	47,814
565,000	565,000	-	-	-	-	-	1	-	-	-	-	-	-	1	446	48,379
579,000	579,000	-	-	-	1	-	-	-	-	-	-	-	-	1	447	48,958
610,000	610,000	-	-	-	-	-	-	-	1	-	-	-	-	1	448	49,568
612,000	612,000	-	-	-	1	-	-	-	-	1	-	-	-	2	450	50,792
620,000	620,000	-	-	-	-	-	-	1	-	-	-	-	-	1	451	51,412
625,000	625,000	-	-	-	-	-	-	-	-	-	1	-	-	1	452	52,037
629,000	629,000	-	-	-	-	-	1	-	-	-	-	-	-	1	453	52,666
635,000	635,000	-	-	-	-	-	-	-	-	1	-	-	-	1	454	53,301
636,000	636,000	-	-	-	-	-	1	-	-	-	-	-	-	1	455	53,937
649,000	649,000	-	-	-	-	-	1	-	-	1	-	-	-	2	457	55,235
672,000	672,000	-	-	-	-	-	-	-	-	-	1	-	-	1	458	55,907
693,000	693,000	-	-	-	-	-	-	1	-	-	-	-	-	1	459	56,600
702,000	702,000	-	1	-	-	-	-	-	-	-	-	-	-	1	460	57,302
739,000	739,000	-	-	-	-	1	-	-	-	-	-	-	-	1	461	58,041
746,000	746,000	-	-	-	-	-	1	-	-	-	-	-	-	1	462	58,787
762,000	762,000	-	-	-	-	1	-	-	-	-	-	-	-	1	463	59,549
776,000	776,000	-	-	-	-	-	1	-	-	-	-	-	-	1	464	60,325
1,149,000	1,149,000	-	1	-	-	-	-	-	-	-	-	-	-	1	465	61,474
7,375,000	7,375,000	-	-	-	-	1	-	-	-	-	-	-	-	1	466	68,849
	-													-	466	68,849
	-													-	466	68,849
Totals		39	40	38	39	39	39	38	39	39	39	39	38	466		

Average Usage	147,745
Median Usage	68,000
Average # Customers	39

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Irrigation

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	1	-
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
6,000	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
9,000	9,000	-	-	-	-	-	-	-	-	-	-	1	-	1	2	9
10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
11,000	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
13,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
14,000	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
17,000	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Irrigation

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9

Sahuarita Water Company
Test Year Ended December 31, 2008

Meter Size: 3 Inch Irrigation

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9
176,000	176,000	-	-	-	-	-	-	-	-	-	-	-	1	1	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
	-													-	3	185
																185
Totals		-	-	-	-	-	-	-	-	-	1	1	1	3		

Average Usage	61,667
Median Usage	9,000
Average # Customers	0

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul-ative Billing	Cumul-ative Gallons (in 1,000's)
-	-	4	2	2	1	1	1	2	3	3	1	1	-	21	21	-
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	-
2,000	2,000	-	-	-	-	-	-	-	-	-	1	1	1	3	24	6
3,000	3,000	1	-	-	-	-	2	1	2	-	-	-	-	6	30	24
4,000	4,000	-	-	2	1	-	-	-	-	-	-	-	-	3	33	36
5,000	5,000	-	-	1	1	2	-	-	-	-	1	-	-	5	38	61
6,000	6,000	-	-	-	2	-	-	-	-	-	-	-	-	2	40	73
7,000	7,000	-	-	-	-	1	-	1	-	-	-	-	-	2	42	87
8,000	8,000	-	1	1	-	-	-	-	-	-	-	-	-	2	44	103
9,000	9,000	-	-	-	-	-	-	-	-	-	-	1	-	1	45	112
10,000	10,000	-	-	-	-	-	1	-	-	-	-	-	-	1	46	122
11,000	11,000	-	-	-	-	-	-	2	-	-	-	-	-	2	48	144
12,000	12,000	-	-	-	-	-	-	-	1	-	-	-	-	1	49	156
13,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	156
14,000	14,000	-	-	-	-	-	1	-	-	-	-	-	-	1	50	170
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	170
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	170
17,000	17,000	-	-	-	-	-	-	-	-	1	-	-	-	1	51	187
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	187
19,000	19,000	-	-	-	-	1	-	-	-	-	-	-	-	1	52	206
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	206
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	206
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	206
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	206
24,000	24,000	1	-	-	-	-	-	-	-	-	-	-	-	1	53	230
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	230
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	230
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	230
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	230
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53	230
30,000	30,000	-	-	-	-	-	-	-	-	-	-	1	-	1	54	260
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	260
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	54	260
33,000	33,000	-	-	-	-	-	-	-	-	-	1	-	-	1	55	293
34,000	34,000	-	-	-	1	-	-	-	-	-	-	-	-	1	56	327
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	327
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	327
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	327
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	327
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	327
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	56	327

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,000	41,000	-	1	-	-	-	-	-	-	-	-	-	-	1	57	368
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	368
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	57	368
44,000	44,000	-	-	-	-	-	-	-	1	-	-	-	-	1	58	412
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58	412
46,000	46,000	-	-	-	-	-	-	-	-	-	-	1	-	1	59	458
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	59	458
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	1	1	60	533
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter Size: 3 Inch Construction

Exhibit
Schedule H-5
Page 15
Witness Bourassa

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	60	533
														-	60	533
267,000	267,000	-	-	-	-	1	-	-	-	-	-	-	-	1	61	800
365,000	365,000	-	-	-	-	-	1	-	-	-	-	-	-	1	62	1,165
319,000	319,000	-	-	-	-	-	-	-	1	-	-	-	-	1	63	1,484
														-	63	1,484
565,000	565,000	-	-	-	-	-	-	-	-	1	-	-	-	1	64	2,049
595,000	595,000	-	-	-	-	-	-	-	-	1	-	-	-	1	65	2,644
115,000	115,000	-	-	-	-	-	-	-	-	-	1	-	-	1	66	2,759
	-													-	66	2,759
	-													-	66	2,759
Totals		6	4	6	6	6	6	6	8	6	5	5	2	66		2,759

Average Usage	41,803
Median Usage	4,500
Average # Customers	6

Plant Inventory and Water Use Data

COMPANY NAME	SAHUARITA WATER COMPANY, LLC
Name of System:	ADEQ Public Water System Number: 10-312

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-562962	3	0 (out of service)	500	8	1	1997
55-611141	(not equipped)	0	982	24	(not equipped)	1970
55-611143	300	0 (out of service)	1053	24	10	1974
55-611144	300	1395	905	20	10	1975
55-611145	(not equipped)	0	990	24	(not equipped)	1981
55-611146	(not equipped)	0	975	16	(not equipped)	1969

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
ADWR ID No. 55-611142 (Leased from Town of Sahuarita)	1950	80,778

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	1	317	0
25	2		
30	1		
40	2		
50	2		
75	2		
100	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1,000,000 gallons	1	5,000 gallons	5
350,000 gallons	1		
1,200,000 gallons	1		

COMPANY NAME	SAHUARITA WATER COMPANY, LLC

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		4,066
5		
6		27,560
8		174,700
10		
12		64,680
16		7,973

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	4,091
3/4	449
1	106
1 1/2	9
2	66
Comp. 3	2
Turbo 3	17
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

Chlorinators at wells and chlorine analyzers at boosters.

STRUCTURES:

Fences, walls, gates surrounding wells, reservoirs and boosters. Modular office building to house office.

OTHER:

COMPANY NAME	SAHUARITA WATER COMPANY, LLC
Name of System:	ADEQ Public Water System Number: 10-312

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2008

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	4,302	35,815	35,432
FEBRUARY	4,292	30,548	28,913
MARCH	4,320	31,289	32,290
APRIL	4,423	41,224	45,497
MAY	4,491	49,007	45,843
JUNE	4,539	48,746	53,151
JULY	4,581	38,199	42,399
AUGUST	4,616	38,026	40,024
SEPTEMBER	4,622	40,850	42,996
OCTOBER	4,672	40,172	41,340
NOVEMBER	4,677	36,995	38,479
DECEMBER	4,664	28,106	30,582
	TOTAL	458,977	476,946

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately.) See attached schedule

If system has fire hydrants, what is the fire flow requirement? 1750 GPM for 2 hrs

If system has chlorination treatment, does this treatments system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

ATTACHMENT A

ATTACHMENT A

Instructions to Calculate the Annual Surcharge Revenue Requirement on the Loan

Step 1. Find the Annual Payment on the Loan

Refer to Table 1, the Conversion Factor Table. Reading the table from top to bottom, find the interest rate in Column A that is equal to the stated annual interest rate of the loan. Reading across the table, find the Annual Payment Conversion Factor in Column B that corresponds with the loan interest rate (in the event that the loan interest rate is different from the interest rates in Table 1, use the next higher interest rate that can be found in Table 1). Multiply that annual payment conversion factor by the total amount of the loan to calculate the annual debt service on the loan.

Annual payment conversion factor
(*) Times total amount of the loan
(=) Equals annual debt service on the loan

Step 2. Find the Annual Interest Payment on the Loan

Refer to Table 1 and find the annual interest payment conversion factor in Column C that corresponds with the stated annual interest rate of the loan. Multiply the annual interest payment conversion factor by the total amount of the loan to calculate the annual interest expense on the loan.

Annual interest payment conversion factor
(*) Times total amount of the loan
(=) Equals annual interest expense on the loan

Step 3. Find the Annual Principal Payment on the Loan

Refer to Table 1 and find the annual principal payment conversion factor in Column D that corresponds with the stated annual interest rate of the loan. Multiply the annual principal payment conversion factor by the total amount of the loan to calculate the annual principal payment on the loan.

Annual principal payment conversion factor
(*) Times total amount of the loan
(=) Equals annual principal payment on the loan

Step 4. Find the *Gross Revenue Conversion Factor* [1] (GRCF)

[1] The gross revenue conversion factor indicates the incremental revenue required to increase operating income by one dollar.

The GRCF calculated below is used in step 5.

$$GRCF = \frac{1}{1 - \text{Effective incremental income tax rate}^{2}}$$

$$GRCF = \frac{1}{1 - 0.38} = 1.6129$$

Step 5. Find the Incremental Income Tax Factor

Incremental Income Tax Factor = GRCF - 1

= 1.6129

= .6129

Step 6. Find the Annual Income Tax Component of the Surcharge Revenue

Multiply the incremental income tax factor by the annual principal payment on the loan determined in Step 3 to calculate the income tax component of the annual surcharge revenue.

Incremental income tax factor
(*) Times the annual principal payment on the loan
(=) Equals the annual income tax component of the annual surcharge revenue

Step 7. Find the Debt Service Component of the Annual Surcharge Revenue

Add the annual interest expense on the loan determined in Step 2 to the annual principal payment determined in Step 3. The sum is the debt service component of the annual surcharge revenue.

Annual interest payment on the loan
(+) Plus annual principal payment
(=) Equals the debt service component of the annual surcharge revenue

Step 8. Find the Total Annual Surcharge Revenue Requirement Needed for the Loan.

[2] The effective income tax rate represents the effective tax rate on the incremental income. Use the effective tax rate of 38 percent or 0.38.

Add the annual income tax component determined in Step 6 to the annual debt service component determined in Step 7. The sum equals the annual surcharge revenue requirement for the loan.

Annual income tax component of the surcharge revenue
(+) Plus annual debt service component of the surcharge revenue
(=) Equals the total annual surcharge revenue requirement for the loan

Step 9. Find the monthly surcharge per customer.

Divide the Result obtained in Step 8 by the number of months in a year (12). Divide this result by the number of customers at filing time to obtain the monthly surcharge per customer.

Total annual surcharge revenue requirement needed for the loan
(/) Divided by 12
(=) Total monthly surcharge revenue requirement needed for the loan
(/) Divided number of customers at filing time
(=) Equals the monthly surcharge per customer

ATTACHMENT B

Sahuarita Water Company

ATTACHMENT B

Example Computation of Debt Surcharge

Loan Principal		$ 2,820,000
Annual Interest Rate		4.20%
Term (years)		20

Step 1 Find the Annual Payment on the Loan

Annual Payment Conversion Factor (from Table 1 Col B)		0.07489
(*) Times Total Amount of Loan	$	2,820,000
(=) Equals Annual Debt Service on the Loan	$	211,190

Step 2 Find the Annual Interest Payment on the Loan

Annual Interest Conversion Factor (from Table 1 - Col C)		0.04200
(*) Times Total Amount of Loan	$	2,820,000
(=) Equals Annual Interest Expense on the Loan	$	118,440

Step 3 *Find the Annual Principal Payment on the Loan*

Annual Principal Conversion Factor (from Table 1 - Col D)		0.03289
(*) Times Total Amount of Loan	$	2,820,000
(=) Equals Annual Principal Payment on the Loan	$	92,750

Step 4 Find the Gross Revenue Conversion Factor (GRCF)

$$\text{GRCF} = \frac{1}{1 - 0.38} = 1.6129$$

Step 5 Find the Incremental Income Tax Factor

Incremental Income Tax Factor = GRCF - 1

= 1.6129 - 1

= 0.6129

Step 6 Find the Annual Income Tax Component of the Surcharge Revenue

Incremental Income Tax Conversion		0.6129
(*) Times Annual Principal Payment on the Loan	$	92,750
(=) Equals Annual Income Tax Component of Annaul Surcharge Revenue	$	56,846

Step 7 Find the Debt Service Component of the Annual Surcharge Revenue

Annual Interest Payment on the Loan (from Step 2)	$	118,440
(+) Plus Annual Principal Payment (from Step 3)	$	92,750
(=) Equals Debt Service Component of the Annual Surcharge Revenue	$	211,190

Step 8 Find the Total Annual Surcharge Revenue Requirement Needed for the Loan

Annual Income Tax Component of the Surcharge Revenue (from Step 6)	$	56,846
(+) Plus Annual Debt Service Component of the Surcharge Revenue (from Step 7)	$	211,190
(=) Equals the Total Annual Surcharge Revenue Requirement for the Loan	$	268,036

Step 9 Find the Monthly Surcharge per Customer

Total Annual Surcharge Revenue Requirement Needed for the Loan (from Step 8)	$	268,036
(/) Divided by 12		12
(=) Equals Total Monthly Surcharge Revenue Requirement Needed for the Loan	$	22,336
(/) Divided by Number of Customers at time of filing		4,664
(=) Equals the Monthly Surcharge per Customer	$	4.79

Exhibit A-3
Thomas J. Bourassa

Prepared Direct Testimony on Cost of Capital

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A3
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	)	DOCKET NO. W-03718A-09-____ PREPARED TESTIMONY

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF SAHUARITA WATER COMPANY

(COST OF CAPITAL)

July 13, 2009

Table of Contents

I. INTRODUCTION AND QUALIFICATIONS 1

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY 1

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT 3

IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN 14

V. THE ESTIMATED COST OF EQUITY FOR SWC 15

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity 15

B. Overview of the DCF and CAPM Methodologies 25

C. Explanation of the DCF Model and Its Inputs 26

D. Explanation of the CAPM and Its Inputs 32

E. Financial Risk Adjustment 38

F. Company Specific Risk Premium 39

G. Summary and Conclusions 41

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. ARE YOU THE SAME THOMAS J. BOURASSA THAT CONCURRENTLY FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A2. Yes, and all of my background information and testimony regarding my qualifications is contained in that portion of my direct testimony.

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

Q3. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A3. This portion of my direct testimony will focus on cost of capital issues. I will testify in support of Sahuarita Water Company, L.L.C.'s ("SWC" or "the Company") proposed rate of return on its fair value rate base. I am sponsoring the Company's D Schedules, which are attached to this testimony. As noted above, I am also sponsoring direct testimony that addresses the Company's rate base, income statement (revenue and operating expenses), required increase in revenue, and its rate design and proposed rates and charges for service, including (i) a proposed Arsenic Cost Recovery Surcharge Mechanism, and (ii) a proposed Central Arizona Groundwater Replenishment District ("CAGRD") fees pass-through tariff. For the convenience of the Commission and the parties, that testimony and my related schedules are prepared in separate volumes.

Q4. HAVE YOU PREPARED ANY SCHEDULES AND ATTACHMENTS TO

ACCOMPANY YOUR COST OF CAPITAL TESTIMONY?

A4. Yes. I have prepared 20 schedules that support my testimony and 2 attachments.

Q5. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.

A5. I determined that the Company's cost of equity falls in the range of 10.0 percent to 15.9 percent with the midpoint of the range at 13.0 percent. Even though my analysis justifies a 13.0 percent return on equity ("ROE"), I am recommending a ROE of only 12.0 percent, primarily due to the Company's willingness to minimize the necessary impact on rate payers.

My recommendation is based on (i) cost of equity estimates using constant growth and multi-stage growth discounted cash flow ("DCF") models and the capital asset pricing model ("CAPM") for the sample group of publicly traded utilities, (ii) my review of the economic conditions expected to prevail during the period in which new rates will be in effect, (iii) my judgments about the risks associated with small utilities like SWC not captured by the market data for publicly-traded water utilities used in my study, (iv) the financial risk associated with the level of debt in SWC's capital structure, and (v) additional specific business and operational risks faced by SWC.

Q6. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE THE COST OF EQUITY FOR THE COMPANY.

A6. The cost of equity for SWC cannot be estimated directly because SWC's equity is not in the form of a publicly-traded security and thus there is no market data for SWC. Consequently, I applied the DCF and CAPM models using data from a sample of water utilities selected from the Value Line Investment Survey. There are six water utilities in my sample: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. As explained later in my testimony, these companies aren't really comparable to SWC,

but they are water utilities for which market data are available and because the Commission's Utilities Division Staff has relied on data for these water utilities in a number of recent water and sewer utility rate cases.

My DCF analyses indicate ROE's in the range of 11.2 percent to 12.7 percent with a midpoint of 12.0 percent. The CAPM analysis, again using the same sample group, indicates ROE's in the range of 10.3 percent to 20.4 percent is appropriate with a midpoint of 15.4 percent. Both the DCF and CAPM ranges are before consideration of company-specific risks.

My ROE estimates after consideration of company-specific risks are in the range of 10.0 percent to 15.9 percent with a midpoint of 13.0 percent. Given SWC's relatively small size compared to the larger publicly-traded utilities used in my sample, the regulatory methods and policies used in this jurisdiction, and other company-specific factors, it is my opinion that at the present time, a cost of equity of 13.0 percent is warranted.

However, my recommendation of a 12.0 percent ROE balances my judgment about the degree of financial and business risk associated with an investment in SWC as well as consideration of the current economic environment and the Company's desire to help reduce the impact on rate payers. A summary of my cost of equity analysis result is shown on Schedule D-4.1.

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

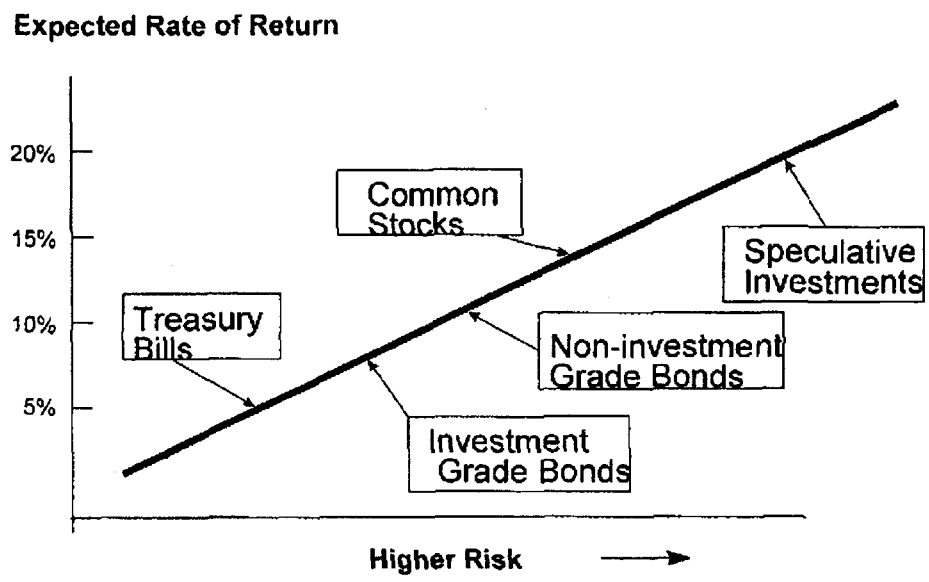
Q7. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A7. The cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose to invest in many types of assets, not simply publicly traded stock. Each investment will have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk

corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models that are used to estimate the cost of equity often rely on this basic concept.

Q8. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A8. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases moving upward and to the right along the CML. Again, the return required by investors increases with the risk.

Q9. HOW DOES THE RISK-RETURN TRADE-OFF CONCEPT WORK IN THE CAPITAL MARKET?

A9. As indicated by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate them for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum because they are exposed to more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation as well as market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment versus another. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms. This means that these returns must be estimated from market data. Estimating the cost of equity capital is a matter of informed judgment

about the relative risk of the company in question and the expected rate of return characteristics of other alternative investments.

Q10. HOW IS THE COST OF EQUITY FOR A PARTICULAR UTILITY DETERMINED?

A10. The estimation of a utility's cost of equity is complex. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long- and short-term) from banks and other financial institutions. In the capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest; and,
2) The uncertainty or risk premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to additional risk).

Q11. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.

A11. The pure rate of interest essentially reflects both the time preference for and the productivity of capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forgo present consumption and offer the funds thus saved to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time

period. In reality, investments without any risk do not exist. Every commitment of funds involves some degree of uncertainty.

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded as risk adverse and require that the rate of return increase as the risk(s) (uncertainty) associated with an investment increase(s).

Q12. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A12. Yes. Conceptually,

[1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium

where the risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML above. As I will discuss later in this testimony, this concept is the basis of risk premium methods, such as the CAPM, that are used to estimate the cost of equity.

Q13. WHAT HAS BEEN THE RECENT EXPERIENCE IN THE U.S. CAPITAL MARKETS?

A13. In the past 10 years, inflation and capital market costs have generally declined. Interest rates have been lower than in previous decades. Past inflation, as measured by the Consumer Price Index, has been at relatively low levels in the past 10 years.

The roughly 6 year span of economic expansion after the 2001 recession began to wane in 2007. Year-over-year Gross Domestic Product ("GDP") growth[1]

[1] GDP percentage change based on current dollars (1930-2008).

for 2004, 2005, and 2006 was 3.6 percent, 2.9 percent, and 2.8 percent, respectively. GDP growth was, in part, spurred on by low interest rates during this period. The Federal Reserve, having lowered the target Federal Funds rate to 1.0 percent by the end of 2003, began raising interest rates in 2004 to help keep the economy from overheating and to help keep inflation in check. By mid-2006, the target Federal Funds rate had been raised to 5.25 percent.

The economic expansion was broad, taking in the major consumer and industrial sectors for much of its span. However, the economic expansion also brought excesses, particularly in the areas of housing, lending practices, and the financial markets.

Economic growth slowed in 2007. For 2007, the year-over-year GDP growth had dropped to 2.0 percent with the last quarter of 2007 at a negative 0.2 percent. The slow economic growth, combined with the excesses during the economic expansion of the previous 6 years, has created turmoil in the credit, financial, and housing markets. This turmoil continues to have a significant drag on the economy. Federal Reserve Chairman Ben Bernanke noted in Congressional testimony late last year that financial markets are currently under considerable stress and that broader retrenchment in the willingness of investors to bear risk, troubles in the credit markets and a weaker outlook of economic growth have each added to the stresses on economic growth.

In order to address the weakening economy, the Federal Reserve, starting in September 2007, has undertaken a series of Federal Funds rate cut actions (525 total basis points). The reductions in interest rates by the Federal Open Market Committee ("FMOC") were taken in order to promote economic growth and to mitigate risks to economic activity. The target Federal Funds rate currently stands at zero to .25 percent.

GDP growth for the four quarters of 2008 was 0.9 percent, 2.8 percent, a negative 0.5 percent, and a negative 6.3 percent, respectively. GDP growth for the first quarter of 2009 was a negative 6.1 percent. According to a recent Blue Chip Financial forecast (February 1, 2009), many economists assume the current recession will be the longest and deepest recession in Post-World War II history. The Blue Chip Financial Forecast ("Blue Chip") consensus forecasts (June 1, 2009) of real GDP growth for the second and third quarter of 2009 are expected to be a negative 2.0 percent and a positive 0.4 percent, respectively. Growth for the fourth quarter of 2009 is expected to be a sluggish 1 to 2 percent. While economic growth is expected to turn positive by second half of 2009, recovery is expected to be slow as there are risks to the U.S. economy from a far more serious worldwide recession, the predicted inability of the housing market to stabilize in the year ahead, and continued weakness in business and consumer spending.

Q14. WHAT ABOUT THE STATUS OF THE CREDIT MARKETS?

A14. One of the biggest risks to the economy stems from the conditions in the credit markets. Without increased access to and more affordable credit for consumers and businesses, the prospects for a meaningful economic recovery are dim. The stock market has had the worst year since 1931 and 1926 and this has produced a massive safe haven bid for Treasury debt. Recently, the three month Treasury bill yields dropped to near zero, and yields on the two, five, ten and thirty year yield treasuries fell to the lowest levels since the Treasury began regular sales of the securities. More recently, yields on longer dated Treasury yields have begun to rise better than 100-200 basis points over their December 2008 levels. Some analysts attribute the run up in yields (i) to rising jitters among investors about the tidal wave of Federal debt issued earlier this year, (ii) to the expected debt to be issued to fund the massive $800 billion "stimulus" package recently enacted by

Congress and signed by the President and (iii) to the expected additional billions of dollars above the already authorized $750 billion Trouble Asset Repurchase Program ("TARP") passed last year to address the weaknesses in the credit markets. Jitters among some investors suggest the rising federal deficits could jeopardize the U.S's AAA credit rating. According to the Blue Chip Financial Forecasts, the recent decision by Standard & Poor's to cut its outlook on the U.K.'s AAA credit rating appears to have served as a wake-up call for the markets.

In short, the current capital markets reflect the uncertainty and low confidence of investors in the financial markets and in the future prospects of economic growth and concerns over higher inflation over the next several years. Naturally, despite relatively low U.S. Treasury yields over the past several years, the premiums required for investors to hold and buy private securities is much higher than in the recent past due to this uncertainty.

Q15. IS THERE A RELATIONSHIP BETWEEN THE COST OF EQUITY AND INTEREST RATES?

A15. Yes. All things being equal, the cost of equity moves in the same direction as interest rates. Lower interest rates on U.S Treasuries ("risk-free" rate) imply lower equity returns and visa versa. However, as indicated by Equation [1] above, the risk premium required to compensate investors also impacts the cost of equity. Higher risk premiums required by investors imply higher equity costs and visa versa. Risk premiums are impacted by uncertainty in future interest rates, business and economic conditions, expected inflation, and other risk factors including business risk, regulatory risk, financial risk, construction risk, and liquidity risk.

Q16. EVERYDAY WE SEEM TO HEAR MORE NEGATIVE ECONOMIC NEWS. HOW DOES ALL THIS BAD NEWS IMPACT INVESTORS?

A16. It makes investors want to hold on to their money and put it in low risk investments. The flight to quality and low risk investments as the stock market began to tumble last year drove treasury yields to very low levels. But, as noted earlier, the federal government has and is expected to significantly increase its borrowing in order to "stimulate" the economy and address systemic problems in the credit markets. This in turn, has resulted in investors requiring higher yields on Treasuries as investors get jittery about the risks of the massive debt load the federal government is taking on.

Q17. IS SWC AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND CONCERNS?

A17. Yes, in general, all investors are impacted by bad economic news, and the Company's investors are not immune to uncertainty. In the current economic environment, even large publicly traded companies are feeling the impact. Investment grade bond (Baa) yields rose to over 9 percent towards the end of last year and are currently at around 7.5 percent (June 16, 2009). Recent yields on investment grade bonds have been similar to the yields during the 2001 recession. Utilities are not immune to the higher capital costs of the current economic environment either. Yields on Baa/BBB utility bonds have risen by nearly 100 basis points over the June 2008 levels. The average beta (a measurement of market risk) for the water utility sample companies has risen significantly over the past couple of years. Long-term borrowing costs for utilities have also risen sharply. In November 2008, American Water Capital Corp., the credit facility for American Water (AWK), issued $75 million of senior debt at 10%.

As discussed above, capital costs have risen significantly over the past year or so. And, smaller utilities like SWC generally feel the impact worse because of their size, with a small customer base and an inability to attract capital.

Q18. WHAT ARE RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY AFFECTING UTILITY INVESTMENTS AND THE MARKET?

A18. On the whole, the water and wastewater utility industry is expected to continue to confront increasing infrastructure demand. According to the *Value Line Investment Survey*, many utilities have facilities that are decades old and in need of significant maintenance and, in some cases, massive renovation and replacement. In addition, the EPA and state and local regulators continue to impose more stringent environmental quality and operational standards. Additional operational requirements have also been imposed to address the threat of bio-terrorism on U.S. water systems. As infrastructure costs continue to climb, many smaller companies are at a serious disadvantage. Without sufficient resources to fund improvements to meet new and more stringent requirements, many smaller companies are being forced to sell to larger utilities, which have greater operational flexibility and resources, as well as access to capital.

Q19. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS.

A19. With reference to specific utilities, risk is often discussed as consisting of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. For utilities, business risk also includes the volatility of revenues due to abnormal weather conditions, degree of

operational leverage, regulation, and regulatory climate. Regulation, for example, can compound the business risk if it is unpredictable in reacting to cost increases both in terms of the time lag and magnitude. Regulatory lag makes it difficult to earn a reasonable return, particularly in an inflationary environment and/or when there is significant lag between the timing of investment in capital projects and its recognition in rates. Put simply, the greater the degree of uncertainty regarding the various factors affecting a company's business, the greater the risk of an investment in a company and the greater the compensation required by the investor.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. As I discussed earlier, permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility in the common equity owners.

An important component of financial risk is construction risk. Construction risk refers to the magnitude of a company's capital budget. If a company has a large construction budget relative to internally generated cash flows it will require external financing. It is important that companies have access to capital funds on reasonable terms and conditions. Utilities are more susceptible to construction risk for two reasons. First, utilities generally have high capital requirements to build plant to serve customers. Second, utilities have a mandated obligation to serve leaving less flexibility both in the timing and discretion of scheduling capital

projects. This is compounded by the limited ability to wait for more favorable market conditions to raise the capital necessary to fund the capital projects.

Although often discussed separately, the two types of risks (business and financial) are interrelated. Specifically, a common equity investor may seek to offset exposure to high financial risk by investing in a firm perceived to have a low degree of business risk. In other words, the total risk to an investor would be high if the enterprise was characterized as a high business risk with a large portion of its permanent capital financed with senior debt. To attract capital under these circumstances, the firm would have to offer higher rates of return to its common equity investors.

IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN

Q20. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A20. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertakings which are attended by corresponding risks and uncertainties .... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

In summary, under *Bluefield Water Works*:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

Q21. HOW HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A21. Yes, but the application of the "reasonableness" criteria laid down by the Supreme Court has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity) used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. However, there is no consensus regarding the best method of estimating the cost of equity capital. The increasing regulatory emphasis on objectivity in determining the rate of return has resulted in a proliferation of market-based finance models that are used in equity return determination. As will be discussed more fully below, however, none of these models are universally accepted as the "correct" means of estimating the ROE.

V. THE ESTIMATED COST OF EQUITY FOR SWC

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity.

Q22. PLEASE BRIEFLY DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR SWC.

A22. As I have stated, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves a determination of the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ various techniques that provide a link to actual capital market data and assist in defining the various relationships that underlie the equity cost estimation process.

Since SWC is not publicly traded, the information required to directly estimate its cost of equity is not available. Accordingly, as previously noted, I used a sample group of water utilities as a starting point to develop an appropriate cost of equity for SWC. There are six water utilities included in the sample group: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. All these companies are followed by the *Value Line Investment Survey*.

Q23. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO SWC?

A23. No, but they are utilities for which market data is available. All of them are regulated, they primarily provide water service, although some provide both water and wastewater services, and their primary source of revenues is from regulated services. Therefore, they provide a useful <u>starting point</u> for developing a cost of equity for the Company. I emphasized "starting point" because SWC is not publicly traded. Additionally, there is no market data available for smaller utilities, like SWC, that can be used to directly develop cost of equity estimates.

Q24. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY SAMPLE CAPTURE ALL OF THE MARKET RISKS THAT SWC MIGHT FACE IF IT WERE PUBLICLY TRADED?

A24. In my opinion, no. As I stated, there is no comparable market data for utility companies the size of SWC. The average revenue of the water utility sample companies is over 130 times that of SWC, and the average net plant of the water utility sample companies is over 47 times that of SWC. Even the smallest company in the sample group, Connecticut Water, has over 13 times the net plant of SWC, and over 30 times the revenues.

Q25. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE.

A25. Schedule D-4.2 lists the operating revenues and net plant for the six water utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports) and SWC, respectively. The six (6) sample companies may be generally described as follows:

(1) American States Water (AWR) primarily serves the California market through Golden State Water Company, which provides water services to over 254,000 customers within 75 communities in 10 counties in the State of California, primarily in Los Angeles, San Bernardino, and Orange counties. It has one subsidiary serving the Arizona market with approximately 13,000 customers in Fountain Hills and Scottsdale. AWR also owns an electric utility service provider with over 23,000 customers, but approximately 91 percent of its revenues were derived from commercial and residential water customers. Revenues for AWR were $318.7 million in 2008 and net plant nearly $724 million at the end of 2008.

(2) Aqua America (WTR) owns regulated utilities in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York, and South Carolina, serving

over 945,000 customers at the end of 2008. WTR's utility base is diversified among residential water, commercial water, fire protection, industrial water, other water, and wastewater customers. Total revenues for WTR were nearly $627 million in 2008 and net plant was nearly $2.58 billion at the end of 2008.

(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii serving over 180,000 customers. The California operations account for over 95 percent of customers and over 96 percent of operating revenues. Revenues for CWT were over $410 million in 2008 and net plant nearly $1 billion at the end of 2008.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut and Massachusetts serving over 87,000 customers. Revenues for CTWS were over $61 million in 2008 and net plant over $250 million at the end of 2008.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey and Delaware serving over 105,000 customers and provides water service under contract to municipalities in central New Jersey serving a population of over 267,000. Revenues for MSEX were over $91 million in 2008 and net plant was over $312 million at the end of 2008.

(6) SJW Corp. (SJW) owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities. Revenues for SJW were over $220 million in 2008 and net plant was over $492 million at the end of 2008.

Q26. HOW DOES SWC COMPARE TO THE SAMPLE WATER UTILITIES?

A26. It is smaller. At the end of the test year, SWC had approximately 4,700 customers. Its revenues totaled under $2.2 million, and net plant-in-service was approximately $19.3 million. SWC is located in Pinal County, Arizona, and has a relatively small service territory compared to the sample water companies.

Q27. ARE THERE ANY OTHER CHARACTERISTICS WHICH DISTINGUISH SWC FROM THE SAMPLE WATER UTILITIES?

A27. Yes. SWC has less debt in its capital structure than the sample water utilities. At the end of the test year, SWC had 100 percent equity in its capital structure. Recently, the Company was authorized to borrow up to approximately $4.7 million from the Water Infrastructure and Finance Authority ("WIFA") to help fund its new arsenic treatment facilities. At this time, the Company expects to have approximately $1.88 million of loan obligation forgiven which would translate to the Company having long-term debt of approximately $2.8 million in 2009. Based on the projected year 2009, and the aforesaid assumption as to partial loan principal forgiveness, SWC's capital structure will be approximately 17 percent debt and 83 percent equity. However, the amount of debt in SWC's capital structure will still be substantially lower than the sample publicly traded water utilities whose current level of debt is about 47 percent; implying a lower level of financial risk for SWC.

While the level of debt for SWC is lower, the proportion of zero cost capital (advances-in-aid of construction ("AIAC") and contributions-in-aid of construction ("CIAC")) in SWC total capitalization is higher at over 41 percent compared to the publicly traded water utilities at an average 25 percent. Clearly, SWC has relied on more zero cost capital to fund its utility plant. This is not surprising as smaller utilities generally rely more heavily on zero cost capital as sources of capital due to their general lack of access to the capital markets.

Q28. DOES HIGH PROPORTION OF ZERO COST CAPITAL CONTRIBUTE TO RISK?

A28. In my opinion, yes. The reasons are quite straight forward. Neither AIAC nor CIAC receive recognition in rate base and thus do not contribute to earnings. AIAC is refundable and is an obligation of the Company. Like debt payments, they have priority claims on the cash flows of the Company. Granted, the depreciation recovery in rates help cash flow the refunds, but the refunds themselves consume cash flow that might otherwise be available to help pay operating expenses or fund plant replacement and plant improvements. CIAC is non-refundable, but there is also no depreciation recovery in rates and therefore no cash flow. This plant will eventually have to be replaced but will have no prior cash flow to help fund the plant replacement, thus requiring greater amounts and new sources of capital in the future.

As I stated, smaller utilities with limited or no access to capital often rely heavily on zero cost capital to fund plant. This is understandable but not good for the long-term financial health of the utility.

Q29. ARE THERE OTHER CHARACTERISTICS OF SMALLER UTILITIES, LIKE SWC, WHICH INCREASE RISK?

A29. Yes. Because smaller utilities, like SWC, are not publicly traded they have less financial flexibility which in turn increases risk. The Company does not have access to the public equity markets and this lack of financial flexibility increases risk because it has no choice but to rely on retained earnings, short-term debt, privately-placed bonds and, to a limited extent, WIFA loans, in order to provide capital for plant improvements and additions necessary to ensure safe and reliable water service to its customers. Further, the Company does not have a market to issue common stock to the public to raise capital.

Water utilities are capital intensive and typically have large construction budgets. SWC's construction budget for the next three years is over $5.8 million. As I have previously discussed in this testimony, firms with large capital budgets face construction risk (a form of financial risk). The size of a utility's capital budget relative to the size of the utility itself often increases construction risk. Larger utilities may be able to fund large capital budgets from earnings and short-term borrowings. For smaller utilities, like SWC, the ability to fund relatively large capital budgets from earnings and short-term debt is difficult and requires that additional capital be raised. However, the ability to raise additional capital is in and of itself challenging and compounded by a limited ability to access capital, an obligation to serve, and a limited ability wait for more favorable market conditions to raise the capital to fund necessary capital projects.

Q30. WHAT OTHER RISK FACTORS DISTINGUISH SWC FROM THE LARGER SAMPLE WATER UTILITIES?

A30. There are a number of state specific factors that increase the risk to Arizona water (and wastewater) utilities.

First, the regulatory environment in which the Company operates is much different than that of the sample water utilities. Arizona water (and wastewater) utilities face legal constraints that limit their ability to obtain rate relief outside of a general rate case in which the "fair value" of the utility's property is determined and used to set rates. Also, the Commission limits the ability of Arizona utilities to utilize adjustment mechanisms, advice letter filings and other streamlined procedures to obtain recovery of costs outside a general rate case, in contrast to many other jurisdictions.

Second, the Commission requires the use of an historic test year with limitations on the amount of out-of-period adjustments. This process creates

another state-specific factor that increases risk and thus the required ROEs for utilities in Arizona. In fact, three out of the six sample water companies operate primarily in California – AWR, CWT and SJW. California uses future test years to help better match plant investment and revenues and expenses going forward - the period in which rates will be in effect. California also allows the use of balancing accounts on major operating expenses like purchased power and purchased water, which help utilities recover expenses that are beyond their control.

A fourth utility in the sample group, WTR, has regulatory mechanisms available to it to help lessen risk. In six states in which WTR operates water utilities, and two states in which WTR operates wastewater utilities, regulatory bodies permit it to add a surcharge to water or wastewater bills to offset the additional depreciation and capital costs associated with certain capital expenditures related to replacing and rehabilitating infrastructure systems. WTR also operates in jurisdictions in which it may bill utility customers in accordance with a rate filing that is pending before the respective regulatory commission, as well as jurisdictions that authorize the use of expense deferrals and amortization in order to provide for recognition in its operating income of an amount that approximates the requested amount in a rate request. In addition, certain states in which WTR operates use a surcharge or credit on bills to reflect changes in certain costs, such as changes in state tax rates, other taxes and purchased water, until such time as the costs are incorporated into base rates.

Q31. IT DOESN'T APPEAR THAT SWC IS ACTUALLY COMPARABLE TO THE SAMPLE WATER UTILITIES.

A31. It really isn't, for the reasons I have stated. Constraints on the rate making process in Arizona make it difficult to obtain approval of rates that allow Arizona water and wastewater utilities to recover the costs of service they will actually incur

during the period when new rates are put in place, which can be several years beyond the test year. Risks are thus higher for SWC and the required return on equity should be above the level required by water and wastewater utilities that operate in states that do not have such limitations, whether imposed by law or by agency policy, on the rate-setting system. Unfortunately, as I have testified, the approaches commonly used to estimate a utility's cost of equity require market data, which is not available for smaller companies and utilities operating exclusively in Arizona, like SWC. As a result, much larger, public companies must be used as proxies.

But the emphasis on proxy is very important. The criteria established by the Supreme Court in decisions such as *Bluefield Water Works* require the use of comparable companies, i.e., companies that would be viewed by investors as having similar risks. A rational investor would not regard SWC as having the same level of risk as WTR or even CTWS- even with SWC's lower financial risk- because of the previously mentioned regulatory constraints in Arizona. Consequently, the results produced by the DCF and CAPM methodologies, utilizing data for the sample utilities, often understate the appropriate return on equity for a regulated water and wastewater utility provider such as SWC.

Q32. YOU PREVIOUSLY DISCUSSED FINANCIAL RISK, WHICH IS RELATED TO A FIRM'S CAPITAL STRUCTURE. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO SWC?

A32. Schedule D-4.3 shows that the capital structure of SWC at December 31, 2008 contains 100 percent equity and 0 percent debt, compared to the average of the water utility sample of 46.9 percent debt and 53.1 percent equity.

Q33. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A33. Yes. Generally speaking, when a firm engages in debt financing, it exposes itself to greater risk. Once debt becomes significant relative to the total capital structure, the risk increases in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects on the equity investor. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity protection for debt falls. A decline in the protection afforded debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method. For a firm already perceived as being over-leveraged, this additional borrowing would cause the marginal cost of both equity and debt to increase. On the other hand, if the same firm instead successfully employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

Having significantly less debt in its capital structure implies that SWC has less financial risk than the sample water utilities. However, smaller utilities cannot support the same level of debt as larger utilities and smaller utilities face higher business and operational risk, as compared to larger utilities, which magnify the financial risk of higher debt levels in their capital structures.

B. **Overview of the DCF and CAPM Methodologies**

Q34. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A34. There two broad approaches:

1) identify comparable-risk sample companies and estimate the cost of capital directly, or,

2) find the location of the CML and estimate the relative risk of the company, which jointly determines the cost of capital.

The DCF model is an example of a method falling into the first general approach. It is a direct method, but uses only a subset of the total capital market evidence. The DCF model rests on the premise that the fundamental value of an asset (stock) is its ability to generate future cash flows to the owner of that asset (stock). I will explain the DCF model in detail in a moment, but for now, the DCF is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are not.

The CAPM is an example of a method falling into the second general approach. It uses information on all securities rather than a small subset. I will explain the CAPM in more detail later. For now, the CAPM is a risk-return relationship, often depicted graphically as the CML. The CAPM is the sum of a risk-free return and a risk premium.

Each of these two methods has its own way of measuring investor expectations. In the final analysis, ROE estimates are subjective and should be based on sound, informed judgment rationally articulated and supported by competent evidence. I have applied several versions of the DCF, and two versions

of the CAPM to "bracket" the fair cost of equity capital for SWC, but without taking into account the additional risks that SWC possesses.

C. Explanation of the DCF Model and Its Inputs

Q35. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A35. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model is an attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. It rests on the assumption that investors rely on the expected returns (i.e., cash flow they expect to receive) to set the price of a security. The DCF model in its most general form is:

$$[2] \quad P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + CF_n/(1+k)^n$$

where k is the cost of equity; n is a very large number; P_0 is the current stock price; and, $CF_1, CF_2, \ldots CF_n$ are all the expected future cash flows expected to be received in periods 1, 2, … n.

Equation (2) can be written to show that the current price (P_0) is also equal to

$$[3] \quad P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + P_t/(1+k)^t$$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or capital gain), the price the investor would pay today (in anticipation of receiving that premium) would increase. In other words, by estimating the cash flows from the purchase of a stock in the form of dividends and capital gains, we can calculate the investor's required rate of return, i.e., the rate of return an investor presumptively used in bidding the current price to the stock (P_0) to its current level.

Equation [3] is a Market Price version of the DCF model. As with the general form of the DCF model in equation [2], in the Market Price approach the current stock price (P_0) is the present value of the expected cash inflows. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price (P_t).

Q36. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A36. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is 5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share, expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his capital by purchasing the stock.

Q37. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A37. Under the assumption that future cash flows are expected to grow at a constant rate ("g"), equation [2] can be solved for k and rearranged into the simple form:

$$[4] \quad k = CF_1/P_0 + g$$

where CF_t/P_0 is the expected dividend yield and g is the expected long term dividend (price) growth rate ("g"). The expected dividend yield is computed as the ratio of next period's expected dividend ("CF_1") divided by the current stock price

("P_0"). This form of the DCF model is known as the constant growth DCF model and recognizes that investors expect to receive a portion of their total return in the form of current dividends and the remainder through future dividends and capital (price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. This has not been historically true for the water utility sample, as shown by the data in Schedule D-4.4 and Schedule D.4.5. As a result, estimates of long-term growth rates (g) should take this into account.

Q38. ARE THERE ANY GENERAL CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A38. There are a number of reasons why caution must be used when applying the DCF model to utility stocks. First, the stock price and dividend yield components may be unduly influenced by structural changes in the industry, such as mergers and acquisitions, which influence investor expectations. Second, the DCF model is based on a number of assumptions which may not be realistic given the current capital market environment. The traditional DCF model assumes that the stock price, book value, dividends, and earnings all grow at the same rate. This has not been historically true for the sample water utility companies. Third, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations only when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that the market-derived return produced by the DCF is often applied to book value rate base by regulators. Fourth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth

rate. Historical growth rates can be downward based as a result of the impact of anemic historical growth rates in earnings, mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even abnormal weather patterns. Further, by placing too much emphasis on the past, the estimation of future growth becomes circular.

Q39. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

A39. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g). I used the spot price for each of the stocks of the water utilities in the sample group on as reported by the Value Line Investment Analyzer for April 16, 2009 for P_0. The current dividend (CF_0) is the dividend for the next year as reported by Value Line. In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the expected dividend yield in the schedules.

Q40. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A40. For my primary DCF growth estimate, I have used analyst growth forecasts, where available, from four different, widely-followed sources: *Zack's Investment Research*, *Morningstar*, *Yahoo Finance*[2], and *Value Line Investment Survey*. Schedule D-4.6 reflects the analyst estimates of growth. The currently available estimates from these four sources provide at least two estimates for each of the sample water utility companies with the exception of CTWT. CTWT's single estimate of 15 percent from Yahoo Finance was excluded leaving no estimates for

[2] Yahoo Finance analyst estimates provided by Thompson Financial.

CTWT. When there is no estimate of forward-looking growth for a utility in the water utilities sample, as in the case of CTWT, I have assumed investors expect the growth for that utility to equal the average of growth rates for the other water utilities in the sample.

Q41. WHY DID YOU USE FORECASTED GROWTH RATES AS YOUR PRIMARY ESTIMATE OF GROWTH?

A41. The DCF model requires estimates of growth that investors expect in the future and not past estimates of growth that have already occurred. Accordingly, I use as a primary estimate of growth analysts' forecasts of growth. Logically, in estimating future growth, financial institutions and analysts have taken into account all relevant historical information on a company as well as other more recent information.[3] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, a stock's current price reflects known historic information on that company, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

Q42. WHAT OTHER ESTIMATES OF GROWTH DID YOU USE?

A42. I use the 5-year historical average growth rates in the stock price, book value per share ("BVPS"), earnings per share ("EPS") and dividends per share ("DPS") along with the average of analyst expectations. Using the historical average of

[3] David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55. Gordon, Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for the next five years provides a more accurate estimate of growth required in the DCF model than three different historical measures of growth (historical EPS, historical DPS, and historical retention growth). They explain that this result makes sense because analysts would take into account such past growth as indicators of future growth as well as any new information.

growth in price, BVPS, EPS, and DPS is reasonable because investors know that, in equilibrium, common stock prices, BVPS, EPS and DPS will all grow at the same rate and would take information about changes in stock prices and growth in BVPS into account when they price utilities' stocks. As I stated either, a basic assumption of the DCF model is that the stock price, BVPS, EPS and DPS all grow at the same rate. While I believe this growth rate gives added recognition to the past that is already incorporated into analyst estimates of growth, I have been criticized by the Commission's Staff in the past for not giving direct consideration to past growth rates in my estimate of growth. So, I have endeavored to remove any basis for the criticism in this case.

Q43. WHAT CONCERNS DO YOU HAVE ON THE USE OF HISTORICAL DPS GROWTH IN YOUR DCF ESTIMATE OF GROWTH?

A43. Although I have used historical DPS growth in my estimate, I believe the use of historical DPS growth depresses the growth rate. Attachment 1 to this testimony shows the constant growth DCF results using historical DPS growth. The result is 7.2 percent, below the current cost of investment grade bonds at 7.52 percent and is even below the cost of Baa/BBB utility bonds at 7.54 percent. In fact, 4 of the 6 estimates are significantly below the cost of investment grade bonds. It is important to keep in mind that there is a great deal of empirical evidence demonstrating that, on average, stocks are riskier than bonds and thus must achieve higher returns. Morningstar, for example, annually publishes its comprehensive study of historical returns on stocks and bonds.[4]

Q44. HAVE YOU USED ANALYST ESTMATES OF DPS GROWTH?

[4] Morningstar, *Ibbotson SBBI 2009 Valuation Yearbook.*

A44. No. While I did not use analyst estimates of DPS growth, the average projected DPS growth rate of 4.17 percent is higher than the historical DPS growth rate of 3.5 percent. Putting this aside, I did not use analyst estimates of dividend growth for two reasons. First, there are analyst estimates for dividend growth for only three of the six sample companies. Further, only one source (Value Line) provides DPS estimates. The wide availability of earnings growth estimates compared to dividend growth estimates indicates a greater reliance by investors on earnings rather than dividends for their investment decisions. Second, as with the historical DPS growth, the DCF results using analyst estimates of DPS growth is 7.4 percent – below the current cost of investment grade bonds. In that regard, see Attachment 2 to this testimony.

Putting aside the potential distortions to the result produced by the DCF model caused by structural changes to the industry and abnormal weather conditions, it does not make sense to employ growth rates that result in indicated equity returns less than the cost of debt, especially when those results fly in the face of a large body of empirical evidence. Investors would not bid up the price of a utility stock if the expected return is only equivalent to or less than returns on bonds and other debt investments. As the CML depicted previously illustrates, common stocks are higher and to the right of investment grade bonds on the CML continuum because they are riskier investments. Again, the empirical evidence supports this conclusion.

D. <u>Explanation of the CAPM and Its Inputs</u>

Q45. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A45. As I already indicated, the CAPM is a type of risk premium methodology that is often depicted graphically in a form identical to the CML. Put simply, the CAPM

formula is the sum of a risk-free rate plus a risk premium. It quantifies the additional return required by investors for bearing incremental risk. The risk-free rate is the reward for postponing consumption by investing in the market. The risk premium is the additional return compensation for assuming risk.

The CAPM formula provides a formal risk-return relationship premised on the idea that only market risk matters, as measure by beta. The CAPM formula is:

$$(7) \quad k = R_f + \beta(R_m - R_f)$$

where k is the expected return, R_f is the risk-free rate, R_m is the market return, $(R_f - R_m)$ is the market risk premium, and β is beta.

The difficulty with the CAPM is that it is a prospective or forward-looking model while most of the capital market data required to match the input variables above is historical.

Q46. WHAT IS THE RISK-FREE RATE?

A46. It is the return on an investment with no risk. The U.S. Treasury rate serves as the basis for the risk-free rate because the yields are directly observable in the market and are backed by the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons and because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

Q47. WHAT IS BETA AND WHAT DOES IT MEASURE?

A47. Beta is a measure of the relative risk of a security and the market. In other words, it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

Beta for the market is 1.0. A security with a beta greater than 1.0 is considered riskier than the market. A security with a beta less than 1.0 is considered less risky than the market.

There are computational problems surrounding beta. It depends on the return data, the time period used, its duration, the choice of the market index, and whether annual, monthly, or weekly return figures are used. Betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[5]

Q48. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR SWC?

A48. I used the average beta of the sample water utility companies. Betas were obtained from *Value Line Investment Analyzer* (April 16, 2009). *Value Line* is the source for estimated betas that I regularly employ, along with the Commission's Staff, and it is a widely-accepted by financial analysts. The average beta as shown on Schedule D-4.13 is 0.84. I should note that because SWC is not publicly traded, SWC has no beta. I believe that SWC, if it were publicly traded, would have a higher beta than the sample water utility companies.

Q49. WHY?

A49. As previously indicated, smaller companies are more risky than larger companies. In Chapter 7 of Morningstar's *Ibbotson SBBI 2009 Valuation Yearbook*, for example, Ibbotson reports that when betas (a measure of market risk) are properly estimated, betas are larger for small companies than for larger companies. As I will explain later, Ibbotson also finds that even after accounting for differences in

[5] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

beta risk, small firms require an additional risk premium over and above the added risk premium indicated by differences in beta risk.

Q50. PLEASE EXPLAIN THE MARKET RISK PREMIUM.

A50. The market-risk premium (R_m-R_f) is the return an investor expects to receive as compensation for market risk. It is the expected market return minus the risk-free rate. Approaches for estimating the market risk premium can be historical or prospective.

Since expected returns are not directly observable, historical realized returns are often used as a proxy for expected returns on the basis that the historical market risk premium follows what is known in statistics as a "random walk." If the historical risk premium does follow the random walk, then one should expect the risk premium to remain at its historical mean. Based on this argument, the best estimate of the future market risk premium is the historical mean. Morningstar's *SBBI Valuation Edition 2008 Yearbook* provides historical market returns for various asset classes from 1926 to 2008. This publication also provides market risk premiums over U.S. Treasury bonds, which make it an excellent source for historical market risk premiums.

Prospective market risk premium estimation approaches necessarily require examining the returns expected from common equities and bonds. One method employs applying the DCF model to a representative market index such as the Value Line 1700 stocks (the *Value Line* Composite Index). The expected return from the DCF is measured for a number of periods of time, and then subtracted from the prevailing risk-free rate for each period to arrive at market risk premium for each period. The market risk premium subsequently employed in the CAPM is the average market risk premium of the overall period.

Q51. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR SWC?

A51. I prepared two market risk premium estimates: An historical market risk premium and a current market risk premium.

Q52. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK PREMIUM?

A52. I used the Morningstar's *Ibbotson SBBI 2009 Valuation Yearbook* measure of the average premium of the market over long-term treasury securities from 1926 through 2008. The average historical market risk premium over long-term treasury securities is 6.5 percent.

Q53. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

A53. I derived a market risk premium by, first, using the DCF model to compute an expected market return for each of the past 24 months using *Value Line's* projections of the average dividend yield and average price appreciation (growth) on the *Value Line* 1700 Composite Index. I then subtracted the average 30-year Treasury yield for each month from the expected market returns to arrive at the expected market risk premiums. Finally, I averaged the computed market risk premiums to determine the current market risk premium. The data and computations are shown on Schedule D-4.11. The average current market risk premium is 18.88 percent. Estimates of the current market risk premium have increased significantly over the past 6-12 months. In fact, the 6 and 12 month average of the market risk premium is 29.02 and 29.17, respectively. My 24-month estimate is more conservative at 18.88 percent. The increase in the market risk is not surprising given the financial markets and economic conditions of the past 12 months and the continued uncertainty expected in the capital markets in the future.

Q54. HAS THE COMMISSION'S STAFF EMPLOYED A CURRENT MARKET RISK PREMIUM IN THE PAST?

A54. Yes. However, their estimation of the current market risk premium was somewhat different. The Commission's Staff uses a DCF model to compute the current market risk premium as I do. However, it uses the median annualized projected 3-5 year price appreciation on the *Value Line* 1700 stocks in conjunction the median dividend yield on the *Value Line* 1700 stocks.

Q55. WHY DO YOU BELIEVE THAT YOUR APPROACH IS MORE APPROPRIATE?

A55. Staff typically computes a market risk premium based on a single point in time, which makes estimates extremely volatile, so much so that the expected market risk premium estimate can change by as much as 300 basis points (or more) each time it is estimated. The accuracy of the expected risk premium is greatly enhanced by increasing the number of periods used to estimate it. It is analogous to flipping a coin. One cannot predict with any degree of accuracy the result of a single flip of a balanced coin, or even a few. But the more coin flips, the greater degree of confidence one has in predicting the outcome.

Q56. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

A56. I use long-term expected Treasury bond rates as the measure of the risk-free return for use with both CAPM cost of equity estimates from two sources: the Blue Chip Financial Forecast and Value Line. Morningstar's *Ibbotson SBBI 2009 Valuation Yearbook* explains on page 47 that the appropriate choice for the risk-free rate is a return that is no less than the expected return for long-term Treasury securities. Thus, when determining an estimate of the risk-free rate, it is appropriate to adopt a return that is no less than the expected return on the long-term Treasury bond rate. Both of my CAPM estimates are based on a projected estimate of the long-term

treasury rates for 2011-2012 of 5.0% as shown on Schedule D-4.10. The 2011-2012 timeframe is the period when new rates will be in effect for the Company.

E. <u>Financial Risk Adjustment</u>

Q57. PLEASE EXPLAIN YOUR FINANCIAL RISK ADJUSTMENT TO REFLECT THE COMPANY'S LOWER LEVEL OF DEBT IN ITS CAPITAL STRUCTURE AS COMPARED TO THE SAMPLE WATER UTILITIES.

A57. My financial risk estimation is based upon the methodology developed by Professor Hamada of the University of Chicago, which incorporates the beta of a levered firm to that of its unlevered counterpart. The equation is

$$\beta_L = \beta_U[1 + (1 - T)\varphi]$$

where β_L and β_U are the levered and unlevered betas, respectively, T is the tax rate, and φ the leverage, defined as the ratio of debt and equity of the firm. In simple terms, I unlever the average beta of the six publicly-traded water utilities in my sample using a ratio of the market value of debt and the market value of equity. While I can compute the market value of equity of the sample water utilities based on the current number of shares outstanding and the current stock price, estimating the market value of debt is much more difficult. For purposes of my analysis, I assume the market value of debt is the book value. This is a reasonable assumption and is conservative. Once the unlevered beta is determined, I relever the beta using the capital structure of SWC. For the market value of equity I multiplied SWC's book value of equity times the average market-to-book ratio of the sample water utilities. For SWC's debt, I assume the market value of debt is equal to the book value.

The relevered beta is then used in my CAPM models, and the new CAPM results are compared to my original CAPM results. The computed difference is the

basis of my financial risk adjustment. My computation of the financial risk adjustment can be found in tables D-4.17, D-4.18, and D-4.19.

Q58. WHAT IS THE COMPUTED FINANCIAL RISK ADJUSTMENT?

A58. A downward adjustment of no more than 120 basis points. Again, however, in my opinion, the beta for SWC would be higher than that of the sample water utilities which would have resulted in a lower downward financial risk adjustment. But I have to make some assumptions to work with, an approach used by Staff and the Commission in past cases.

F. <u>Company Specific Risk Premium</u>

Q59. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.

A59. As I testified earlier, SWC is not directly comparable to the sample water utilities because of its small size and the regulatory environment in Arizona. The characteristics such as small size, lack of diversification, limited revenue and cash flow, small customer base, lack of liquidity, as well as the magnitudes of regulatory and construction risk which are common to smaller water and wastewater utilities regardless of the regulatory jurisdiction. These characteristics and magnitudes of risk are unique only in the sense that the large publicly-traded water utilities (including the companies in the proxy group) do not possess these same characteristics and magnitudes of risk. With respect to Arizona regulation, the use of an historical test year, with limited out-of-period adjustments, and the lack of adjuster mechanism(s) increases the risk of SWC as an investment.

Q60. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.

A60. Investment risk increases as the firm size decreases, all else remaining constant. There is a great deal of empirical evidence that the firm size phenomenon exists. Morningstar's *Ibbotson SBBI 2009 Valuation Yearbook* (Chapter 7) reports that smaller companies have experienced higher returns that are not fully explainable

by their higher betas and that beta is inversely related to company size. In other words, smaller companies not only have higher betas but higher returns than larger ones. Even after accounting for differences in beta risk, small companies require an additional risk premium over and above the added risk premium indicated by differences in beta risk. Dr. Zepp also reported evidence that the stocks of small water or wastewater utilities, like SWC, are more risky than the stocks of larger water utilities, such as those in the water utilities sample.[6] Even the California PUC conducted a study that showed smaller water utilities are more risky than larger ones.[7] Based on the evidence, it is clear that investors require higher returns on small company stocks than on large company stocks.

I have included in Schedule D-4.16 the results of an *Ibbotson* study using annual data reporting the size premium based upon firm size and return data (i) provided in Morningstar *Ibbotson SBBI 2009 Valuation Yearbook* and information, and (ii) contained in Dr. Thomas M. Zepp's 2003 article in The Quarterly Review Economic and Finance. I have estimated that a small company risk premium in the range of 99 to 181 basis points is appropriate.

Q61. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND FOR SWC?

A61. To be conservative, I conclude that a company specific risk premium of no less than 50 basis points is warranted for SWC to account for its smaller size and regulatory risk.

---

[6] Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited", The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, 578-582.

[7] Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CPUC Decision 92-03-093.

G. **Summary and Conclusions**

Q62. HAVE YOU PREPARED A SCHEDULE WHICH SUMMARIZES YOUR EQUITY COST ESTIMATES AND PRESENTS YOUR RECOMMENDATIONS?

A62. Yes. The equity cost estimates and my recommendations are summarized in Schedule D-4.1.

In the first part of my analysis, I applied two versions of the constant growth DCF model. One uses analyst estimates of growth and the other uses historical growth and analyst expectations. See Schedules D-4.8. The DCF models produce an indicated equity cost in the range of 11.2 percent to 12.7 percent, with a midpoint of 12.0 percent.

In the second part of my analysis, I applied two versions of the CAPM – a historical risk premium CAPM and a current market risk premium CAPM. The CAPM analyses appear in Schedule D-4.12 and produce an indicated cost of equity in the range of 10.3 percent to 20.4 percent, with a midpoint of 15.4 percent.

In the third part of my analysis, I compute a financial risk adjustment to account for the lower level of debt in SWC's capital structure compared to the sample water utilities. My recommendation is that a downward financial risk adjustment of no more than 120 basis points be applied to SWC's cost of equity.[8] My financial risk adjustment analysis is shown in schedules D-4.13, D-4.14, and D-4.15.

In the fourth part of my analysis, I reviewed the financial literature on the small firm size effect and determined that an appropriate small company size

[8] Projected capital structure used to compute the financial risk adjustment. SWC's projected capital structure at book is 17 percent long-term debt and 83 percent equity, once the contemplated WIFA loan is taken into account.

premium for small utilities like SWC is the range of 99 to 181 basis points. See Schedule D-4.16. I also considered the risks for SWC from Arizona regulation. My recommendation is that an upward adjustment for company-specific risk of no less than 50 basis points be applied to SWC's cost of equity.

The range of results of both my DCF and CAPM analyses and other risk adjustments is 10.0 percent to 15.9 percent, with a mid-point of 13.0 percent. See Schedule D-4.1.

Q63. WHAT EQUITY RETURN DO YOU RECOMMEND?

A63. My recommended return on equity based on SWC's capital structure is 12.0. It is lower than the mid-point of the range of my over-all results and reflects the desire by the Company to help mitigate the impact on rate payers.

Q64. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF CAPITAL?

A64. Yes.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	End of Test Year Dollar Amount	End of Test Year Percent of Total	End of Test Year Cost Rate	End of Test Year Weighted Cost	End of Projected Year Dollar Amount	End of Projected Year Percent of Total	End of Projected Year Cost Rate	End of Projected Year Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	$ 2,814,523	17.17%	4.20%	0.72%
2									
3	Stockholder's Equity[1]	12,688,539	100.00%	12.00%	12.00%	13,578,748	82.83%	12.00%	9.94%
4									
5	Totals	$ 12,688,539	100.00%		12.00%	$ 16,393,271	100.00%		10.66%
6									
7									
8	[1] Adjustments to equity								
9	Acumm. depreciation adjustment		$ 224,424						
10	CIAC adjustments		$ 12,934						
11	Deferred Income Tax Adjustment		$ (338,625)						
12									
13									
14									
15									
16	SUPPORTING SCHEDULES:								
17	D-1								
18	D-3								
19	D-4								
20	E-1								
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									

RECAP SCHEDULES:
A-3

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year Annual Interest	End of Test Year Interest Rate	End of Test Year Weighted Cost	End of Projected Year Amount Outstanding	End of Projected Year Annual Interest	End of Projected Year Interest Rate	End of Projected Year Weighted Cost
1	WIFA Loan1		-	0.00%	0.00%	2,814,523	118,210	4.20%	4.20%
2			-	0.00%	0.00%	-	-	0.00%	0.00%
3			-	0.00%	0.00%	-	-	0.00%	0.00%
4			-	0.00%	0.00%	-	-	0.00%	0.00%
5			-	0.00%	0.00%	-	-	0.00%	0.00%
6			-	0.00%	0.00%	-	-	0.00%	0.00%
7			-	0.00%	0.00%	-	-	0.00%	0.00%
8			-	0.00%	0.00%	-	-	0.00%	0.00%
9			-	0.00%	0.00%	-	-	0.00%	0.00%
10			-	0.00%	0.00%	-	-	0.00%	0.00%
11			-	0.00%	0.00%	-	-	0.00%	0.00%
12									
13	Totals	$ -	$ -		0.00%	$ 2,814,523	118,210		4.20%
14									
15	SUPPORTING SCHEDULES:								
16	E-2								
17									
18									

19 [1] Financing approved in Decision 70984, May 5, 2009. WIFA loan of $4,694,523 with loan forgiveness of $1,880,000.
20 At this time the taxability of the the loan forgiveness has not been determined.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
18	E-1			D-1			
19							
20							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.	
1	
2	The Company is proposing a cost of common equity of 12.00% .
3	
4	
5	
6	
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14	
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16	
17	SUPPORTING SCHEDULES: RECAP SCHEDULES:
18	E-1 D-1
19	
20	

Sahuarita Water Company, LLC
Summary of Results

Exhibit
Schedule D-4.1

Line No.	Method	Low	High	Midpoint
6	Range DCF Constant Growth Estimates[1]	11.2%	12.7%	12.0%
8	Range of CAPM Estimates[2]	10.3%	20.4%	15.4%
11	Average of DCF and CAPM midpoint estimates	10.7%	16.6%	13.7%
14	Financial Risk Adjustment[3]	-1.2%	-1.2%	-1.2%
16	Specific Company Risk Premium[4]	0.5%	0.5%	0.5%
18	Indicated Cost of Equity	10.0%	15.9%	13.0%
22	Recommended Cost of Equity			12.0%

26 [1] See Schedule D-4-8
27 [2] See Schedule D-4.12
28 [3] See Schedule D-4.17
29 [4] See testimony.

Sahuarita Water Company, LLC
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Schedule D-4.2

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1	1. American States	77%	$ 329.4	$ 735.8	A	A2
2	2. Aqua America	96%	$ 642.2	$ 2,600.8	AA-	NR
3	3. California Water	98%	$ 424.0	$ 1,005.0	NR	NR
4	4. Connecticut Water	93%	$ 67.0	$ 254.1	AAA	NR
5	5. Middlesex	89%	$ 90.8	$ 323.0	NR	NR
6	6. SJW Corp.	95%	$ 219.1	$ 501.0	NR	NR
7						
8	Average	91%	$ 295.4	$ 903.3		
9						
10	Sahuarita Water Company, LLC (as of December 31, 2008)	100%	$ 2.2	$ 19.1	NR	NR

[1]AUS Utility Reports (June 2009).

Sahuarita Water Company, LLC
Capital Structures

Exhibit
Schedule D-4.3

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	*American States*	46.2%	53.8%	32.1%	67.9%
2	Aqua America	54.1%	45.9%	35.4%	64.6%
3	California Water	41.7%	58.3%	28.2%	71.8%
4	Connecticut Water	47.0%	53.0%	34.4%	65.6%
5	Middlesex	46.2%	53.8%	39.0%	61.0%
6	SJW Corp.	46.0%	54.0%	35.1%	64.9%
	Average	46.9%	53.1%	34.1%	65.9%
	Sahuarita Water Company, LLC (as of December 31, 2008)	0.0%	100.0%	N/A	N/A

[1] Value Line Analyzer Data (June 16, 2009)

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-3	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	7.34%	4.87%	15.71%	2.90%	7.71%	6.88%	7.29%
9	2. Aqua America	4.58%	7.27%	5.21%	8.29%	6.34%	8.33%	7.33%
10	3. California Water	11.74%	5.67%	12.22%	0.88%	7.63%	7.95%	7.79%
11	4. Connecticut Water	0.19%	3.07%	0.45%	1.18%	1.22%	8.72%	4.97%
12	5. Middlesex	Negative	5.76%	8.16%	1.51%	5.14%	7.33%	6.24%
13	6. SJW Corp.	12.50%	8.16%	4.37%	6.02%	7.76%	13.13%	10.44%
16	GROUP AVERAGE	7.27%	5.80%	7.69%	3.46%	5.97%	8.72%	7.34%
17	GROUP MEDIAN	7.34%	5.72%	6.69%	2.20%	6.98%	8.14%	7.31%

[1] Average of changes in year-end stock prices ending in 2008. Data from Yahoo Finance website.
[2] *Data derived from Value Line Investment Survey and/or 10K Reports for period 2004 to 2008.*
[3] See Schedule D-4.6.

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.5

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-3	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Ten-year historical average annual changes						
1	American States	8.16%	4.34%	5.93%	1.80%	5.06%	6.88%	5.97%
2	Aqua America	6.43%	8.40%	6.29%	7.22%	7.08%	8.33%	7.70%
3	California Water	7.01%	3.54%	5.38%	0.90%	4.21%	7.95%	6.08%
4	Connecticut Water	4.94%	3.53%	1.45%	1.22%	2.78%	8.72%	5.75%
5	Middlesex	6.17%	3.98%	3.85%	1.91%	3.98%	7.33%	5.66%
6	SJW Corp.	9.46%	5.29%	5.40%	5.63%	6.44%	13.13%	9.78%
7	GROUP AVERAGE	7.03%	4.85%	4.72%	3.11%	4.93%	8.72%	6.82%
8	GROUP MEDIAN	6.72%	4.16%	5.39%	1.86%	4.63%	8.14%	6.02%

[1] Average of changes in year-end stock prices ending in 2008. Data from Yahoo Finance website.
[2] Data derived from Value Line Investment Survey and/or 10K Reports for period 1999 to 2008.
[3] See Schedule D-4.6.

Sahuarita Water Company, LLC
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]	[5]
		ESTIMATES OF EARNINGS GROWTH				Average Growth (G)
	Company	Zacks[1]	Morningstar[1]	Yahoo[1]	Value Line[1]	(Cols 1-4)[2]
1	1. American States	7.00%	7.00%	4.00%	9.50%	6.88%
2	2. Aqua America	8.00%	7.80%	7.50%	10.00%	8.33%
3	3. California Water	8.00%	7.30%	7.50%	9.00%	7.95%
4	4. Connecticut Water			*15.00%*		8.72%
5	5. Middlesex	7.00%		8.00%	7.00%	7.33%
6	6. SJW Corp.	15.00%	15.00%	10.00%	12.50%	13.13%
7						
8						
9	GROUP AVERAGE					8.72%
10	GROUP MEDIAN					8.14%

[1] Data as of June 16, 2009

[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Sahuarita Water Company, LLC
Current Dividend Yields for Water Utility Sample Group

Exhibit
Schedule D-4.7

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. American States	$ 32.59	$ 1.00	3.07%	2.86%
2	2. Aqua America	$ 16.79	$ 0.51	3.04%	2.80%
3	3. California Water	$ 35.36	$ 1.17	3.31%	3.12%
4	4. Connecticut Water	$ 20.65	$ 0.88	4.26%	3.58%
5	5. Middlesex	$ 13.77	$ 0.70	5.08%	3.99%
6	6. SJW Corp.	$ 21.99	$ 0.65	2.96%	2.27%
7					
8	Average			3.62%	3.10%
9	Median			3.19%	2.99%

[1] Value Line Analyzer Data. Stock prices as of June 16, 2009.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Sahuarita Water Company, LLC
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Schedule D-4.8

Line No.		[1] Average Spot Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Growth (g)		[4] Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.62%	3.89%	7.34%	3	11.2%
10	DCF - Future Growth	3.62%	3.93%	8.72%	4	12.7%
13						12.0%

[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7
[3] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Sahuarita Water Company, LLC
Market Betas

Exhibit
Schedule D-4.9

Line No.		Company	Beta (β)[1]
1		Company	Beta (β)[1]
2	1.	American States	0.80
3	2.	Aqua America	0.65
4	3.	California Water	0.80
5	4.	Connecticut Water	0.85
6	5.	Middlesex	0.80
7	6.	SJW Corp.	1.00
8			
9		Average	**0.82**
10			
11			
12			

13 [1] Value Line Investment Analyzer data (June 16, 2009)

14 Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations
15 in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise
16 (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is
17 derived from a regression analysis of the relationship between weekly percent-age changes in the
18 price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In
19 the case of shorter price histories, a smaller time period is used, but two years is the minimum.
20 The Betas are adjusted for their long-term tendency to converge toward 1.00.

Sahuarita Water Company, LLC
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Schedule D-4.10

Line No.	Description	2011	2012	Average
1				
2				
3				
4	Description	2011	2012	Average
5				
6	Blue Chip Consensus Forecasts[1]	4.9%	5.3%	5.1%
7				
8	Value Line[2]	4.5%	5.0%	4.8%
9				
10	Average			5.0%
11				
12				
13				
14				
15	[1] June 2009 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury			
16	[2] Value Line Quarterly forecast, dated May 29, 2009 Long-term Treasury			
17				
18				
19				
20				
21				
22				
23				
24				

Sahuarita Water Company, LLC
Computation of Current Market Risk Premium

Exhibit
Schedule D-4.10

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Aug 2006	2.20%	2.20%	+	11.69%	=	13.89%	-	5.00%	=	8.89%
5	Sept	2.20%	2.20%	+	11.34%	=	13.54%	-	4.85%	=	8.69%
6	Oct	2.15%	2.15%	+	9.75%	=	11.90%	-	4.85%	=	7.05%
7	Nov	2.10%	2.10%	+	9.72%	=	11.82%	-	4.69%	=	7.13%
8	Dec 2006	2.09%	2.09%	+	9.41%	=	11.50%	-	4.68%	=	6.82%
9	Jan 2007	2.05%	2.05%	+	9.57%	=	11.62%	-	4.85%	=	6.77%
10	Feb	2.10%	2.10%	+	10.47%	=	12.57%	-	4.82%	=	7.75%
11	March	2.10%	2.10%	+	10.07%	=	12.17%	-	4.72%	=	7.45%
12	April	2.09%	2.09%	+	9.29%	=	11.38%	-	4.87%	=	6.51%
13	May	2.08%	2.08%	+	9.15%	=	11.23%	-	4.90%	=	6.33%
14	Jun	2.17%	2.17%	+	9.71%	=	11.88%	-	5.20%	=	6.68%
15	Jul	2.27%	2.27%	+	10.91%	=	13.18%	-	5.11%	=	8.07%
16	Aug	2.37%	2.37%	+	11.92%	=	14.29%	-	4.93%	=	9.36%
17	Sept	2.31%	2.31%	+	11.16%	=	13.47%	-	4.79%	=	8.68%
18	Oct	2.45%	2.45%	+	11.90%	=	14.35%	-	4.77%	=	9.58%
19	Nov	2.60%	2.60%	+	13.41%	=	16.01%	-	4.52%	=	11.49%
20	Dec 2007	2.61%	2.61%	+	13.51%	=	16.12%	-	4.52%	=	11.60%
21	Jan 2008	2.67%	2.67%	+	15.19%	=	17.86%	-	4.33%	=	13.53%
4	Feb	2.74%	3.19%	+	16.47%	=	19.66%	-	4.52%	=	15.14%
5	Mar	2.85%	3.35%	+	17.64%	=	20.99%	-	4.39%	=	16.60%
4	April	2.69%	3.11%	+	15.73%	=	18.84%	-	4.44%	=	14.40%
5	May	2.73%	3.15%	+	15.51%	=	18.66%	-	4.60%	=	14.06%
6	Jun	3.13%	3.71%	+	18.51%	=	22.22%	-	4.69%	=	17.53%
7	Jul	3.15%	3.74%	+	18.61%	=	22.35%	-	4.57%	=	17.78%
8	Aug	3.06%	3.59%	+	17.08%	=	20.67%	-	4.50%	=	16.17%
9	Sept	3.07%	3.66%	+	19.30%	=	22.96%	-	4.27%	=	18.69%
10	Oct	4.31%	5.63%	+	30.53%	=	36.16%	-	4.17%	=	31.99%
11	Nov	4.97%	6.71%	+	35.02%	=	41.73%	-	4.00%	=	37.73%
12	Dec 2008	4.44%	5.76%	+	29.82%	=	35.38%	-	2.87%	=	32.51%
13	Jan 2009	4.86%	6.32%	+	30.02%	=	36.34%	-	3.13%	=	33.21%
14	Feb	5.50%	7.43%	+	35.13%	=	42.56%	-	3.59%	=	38.97%
15	Mar	4.21%	5.36%	+	27.33%	=	32.69%	-	3.64%	=	29.05%
16	April	3.67%	4.47%	+	22.05%	=	26.52%	-	3.76%	=	22.76%
17	May	3.28%	3.87%	+	17.96%	=	21.82%	-	4.23%	=	17.59%
18											
19	Recent 24 Mon Avg	3.25%	3.85%	+	19.34%	=	23.20%	-	4.31%	=	18.88%
23											
24	Short-term Trends										
25	Recent Twelve Months Avg	3.97%	5.02%	+	25.10%	=	30.12%	-	3.95%	=	26.16%
26	Recent Nine Months Avg	4.26%	5.47%	+	27.44%	=	32.91%	-	3.74%	=	29.17%
27	Recent Six Months Avg	4.33%	5.54%	+	27.02%	=	32.55%	-	3.54%	=	29.02%
28	Recent Three Months Avg	3.72%	4.57%	+	22.45%	=	27.01%	-	3.88%	=	23.14%

29
30
31 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
32 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g)
33 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
34 [4] Montly average 30 year U.S. Treasury. Federal Reserve.
35

Sahuarita Water Company, LLC
Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.12

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	5.0%	+	0.82	x	6.5%	[4]	=	10.3%
4									
5	Current Market Risk Premium CAPM	5.0%	+	0.82	x	18.9%	[5]	=	20.4%
6									
7	Average								15.4%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Scehdule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Schedule D.4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2009 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2008								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.								
17									
18									
19									
20									

Sahuarita Water Company, LLC
Financial Risk Computation

Exhibit
Schedule D-4.13

Line No.											
1	**CAPM**										
2		**Rf**		+	**β**		x	**(Rp)**			**k**
3	Historical Market Risk Premium	5.0%	1	+	0.82	2	x	6.5%	3	=	10.3%
4	Current Market Risk Premium	5.0%	1	+	0.82	2	x	18.9%	4	=	20.4%
5											
6	Average										15.4%
7											
8											
9	**CAPM Relevered Beta**										
10		**Rf**		+	**β**		x	**(Rp)**			**k**
11	Historical Market Risk Premium	5.0%	1	+	0.73	5	x	6.5%	3	=	9.7%
12	Current Market Risk Premium	5.0%	1	+	0.73	5	x	18.9%	4	=	18.7%
13											
14	Average										14.2%
15											
16	Financial Risk Adjustment										**-1.2%**
17											
18											

19 [1] Forecast of long-term treasury yields. See Table 15.
20 [2] Value Line Investment Analyzer data. See Table 13.
21 [3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2009 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2008.
22 [4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
23 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Table 14.
24 [5] Relevered beta found on Table 19.
25

Sahuarita Water Company, LLC
Financial Risk Computation
Unlevered Beta

Exhibit
Schedule D-4.14

Line No.		Company	VL Beta β_L[1]	Raw Beta Raw β_L[2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_U[5]
5	1.	American States	0.80	0.70	37.8%	32.1%	67.9%	0.54
6	2.	Aqua America	0.65	0.48	39.7%	35.4%	64.6%	0.36
7	3.	California Water	0.80	0.70	37.7%	28.2%	71.8%	0.56
8	4.	Connecticut Water	0.85	0.78	27.2%	34.4%	65.6%	0.56
9	5.	Middlesex	0.80	0.70	33.2%	39.0%	61.0%	0.49
10	6.	SJW Corp.	1.00	1.00	38.1%	35.1%	64.9%	0.75
13		Sample Water Utilities	0.82	0.73	35.6%	34.1%	65.9%	0.55

[1] Value Line Investment Analyzer data. See Table 13.
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2008.
[4] See Table 3.
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Sahuarita Water Company, LLC
Financial Risk Computation
Relevered Beta

Exhibit
Schedule D-4.15

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
1							
2							
3							
4							
5	Sahuarita Water Company, LLC	0.55	10.7%	89.3%	38.90%	0.59	0.73
6							
7							
8							
9							
10							
11							
12							

13 [1] Unlevered Beta from Table 18.

14 [2] Capital Structure of Company (Projected)

	BV (in Thousands)			MV (in Thousands)	%
Long-term Debt	$ 2,814.52	1.00		$ 2,815	10.70%
Preferred Stock	-	1.00		-	0.0%
Common Stock	13,578.75	1.73	(a)	23,494	89.3%
Total Capital	$ 16,393			$ 26,309	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current Tax rate based on test year ending 2008. See Schedule D-1.

Sahuarita Water Company, LLC
Size Premium[1]

Exhibit
Schedule D-4.16

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.12	0.90%	
8	Low-Cap Companies[3]	1.25	1.56%	
10	Micro-Cap Companies[4]	1.50	2.83%	
12	Decile 10[5]	1.62	4.43%	1.81%

	Risk Premium for Small Water Utilities
Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-11 of Morningstar, *Ibbotson SBBI 2009 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,850 million and $7,360 million.
[3] *Low-Cap companies includes companies with market capitalization between $454 million and $1,849 million.*
[4] Micro-Cap companies includes companies with market capitalization less than $453 million.
[5] *Decile 10 includes companies with market capitalization between $1.6 million and $219 million.*
[6] From Table 2. Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited." *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 564	Low-Cap	1.56%	2.87%	0.1666667	0.48%
2.	Aqua America	$ 2,273	Mid-Cap	0.90%	3.53%	0.1666667	0.59%
3.	California Water	$ 732	Low-Cap	1.56%	2.87%	0.1666667	0.48%
4.	Connecticut Water	$ 176	Decile 10	4.43%	0.00%	0.1666667	0.00%
5.	Middlesex	$ 185	Decile 10	4.43%	0.00%	0.1666667	0.00%
6.	SJW Corp.	$ 400	Micro-Cap	2.83%	1.60%	0.1666667	0.27%
	Weighted Size Premium for small companies						1.81%

ATTACHMENT 1

Attachment 1

Sahuarita Water Company, LLC
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Historical
Using 5 Year Historical Dividend Growth

Line No.	Company	[1] Current Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Historical Div. Growth (g)[3]	[4] Indicated Equity Cost k=Div Yld + G (Cols 2+3)	[5] Indicated Equity Cost k=Div Yld + G (Cols 2+3)
7	1. American States	3.07%	3.16%	2.90%	6.1%	*
8	2. Aqua America	3.04%	3.29%	8.29%	11.6%	11.6%
9	3. California Water	3.31%	3.34%	0.88%	4.2%	*
10	4. Connecticut Water	4.26%	4.31%	1.18%	5.5%	*
11	5. Middlesex	5.08%	5.16%	1.51%	6.7%	*
12	6. SJW Corp.	2.96%	3.13%	6.02%	9.2%	9.2%
15	GROUP AVERAGE			3.5%	7.2%	10.4%
16	GROUP MEDIAN			3.6%	6.4%	10.4%
18	Current Baa interest rate (June 16, 2009)[4]				7.5%	
20	Blue Chip Forecast Baa Corporate Bond Interest Rate 2011 Top 10[5]				8.4%	
21	Blue Chip Forecast Baa Corporate Bond Interest Rate 2011 Bottom 10[5]				6.5%	
22	Blue Chip Forecast Baa Corporate Bond Interest Rate 2011 Consensus[5]				7.4%	

* Indicated equity cost below current cost of debt (Baa) or negative growth.

[1] Spot Dividend Yield = D_0/P_0. See Table 9.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Value Line Data
[4] Federal Reserve. Baa investment grade bonds.
[5] Blue Chip Financial Forecast (December 2008)

Exhibit A-4
Thomas J. Bourassa

Prepared Rebuttal Testimony on Rate Base, Income Statement and Rate Design

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A4
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718-09-0359 PREPARED TESTIMONY

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

(RATE BASE, INCOME STATEMENT, RATE DESIGN)

May 17, 2010

I. INTRODUCTION AND PURPOSE OF TESTIMONY.

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. On behalf of the applicant, Sahuarita Water Company ("SWC" or the "Company").

Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE INSTANT CASE?

A3. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

Q4. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A4. I will provide rebuttal testimony in response to the direct filing by Staff. More specifically, this first volume of my rebuttal testimony relates to rate base, income statement and rate design for SWC. In a second, separate volume of my testimony, I also present an update to the Company's requested cost of capital as well as provide responses to Staff on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

II. SUMMARY OF SWC'S REBUTTAL POSITION

Q6. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS PROPOSING IN THIS REBUTTAL TESTIMONY?

A6. The Company is proposing a total revenue requirement of $3,518,855, which constitutes an increase in revenues of $1,303,712, or 58.85% over adjusted test year revenues.

Q7. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT FILING?

A7. In the direct filing, the Company requested a total revenue requirement of $3,377,358, which required an increase in revenues of $1,162,216, or 52.47%.

Q8. WHY IS THE REQUESTED REVENUE INCREASE HIGHER IN SWC'S REBUTTAL FILING?

A8. Despite recommending a lower rate of return of 9.69 percent compared to 12 percent in its direct filing, in its rebuttal filing, SWC has adopted a number of adjustments recommended by Staff, as well as proposed a number of adjustments of its own based on known and measurable changes to the test year. The net result of these adjustments is: (1) the Company's proposed operating expenses have increased by $39,902, from $2,044,524 in the direct filing to $2,084,427 and a net increase of $2,641,032 in rate base from the direct filing of $7,418,409 to $10,059,443.

Q9. PLEASE SUMMARIZE THE COMPANY'S REBUTTAL RATE BASE ADJUSTMENTS?

A9. The rebuttal rate base adjustments proposed by the Company are summarized as follows:

<u>Post Test Year Plant</u> – The Company has adopted the Staff recommendations and proposes to include arsenic treatment facility costs and associated funding source(s) in rate base. Plant in service ("PIS") is increased by $4,694,523 and contributions-in-aid of construction ("CIAC") is increased in $1,877,809.

The Company also proposes to true-up the costs of Well #23 and proposes to reduce PIS by $65,027.

Plant Not Used and Useful – The Company has adopted some of the Staff recommendations regarding plant not used and useful and proposes to remove certain costs from PIS. PIS is reduced by $312,565 and advances-in-aid of construction ("AIAC") is reduced by $76,082.

Plant Reclassification - The Company proposes to reclassify arsenic media PIS totaling $120,000 from account 320.1 – Water Treatment Plant to account 348.1 – Other Tangible Plant – Arsenic Media to reflect the shorter useful life of arsenic media. The net impact on PIS and rate base is zero.

Accumulated Depreciation – The Company proposes to remove accumulated depreciation ("A/D") totaling $312,565 related to the removal of not used and useful plant.

Accumulated Deferred Income Taxes – The Company proposes to increase accumulated deferred income taxes ("ADIT") by $186,736 to reflect the Company proposed changes to PIS, CIAC, and AIAC.

Q10. IT APPEARS THAT THE PRIMARY INCREASE IN THE RATE BASE IS DUE TO THE CHANGE IN THE RATE BASE TREATMENT OF ARSENIC PLANT?

A10. Correct. As you will recall, in its direct filing the Company proposed that the arsenic treatment facility costs be excluded from rate base and instead proposed an Arsenic Cost Recovery Surcharge Mechanism ("ACRSM") for recovery of debt service on the Water Infrastructure Finance Authority ('WIFA") loan used to fund

the arsenic treatment facility.[1] As discussed above, arsenic treatment facility costs totaling $4,694,523 have been added to PIS. Also discussed above and in conjunction with the increase to PIS, the Company has increased CIAC by $1,877,809 in order to reflect the portion of the WIFA debt financing that will be forgiven. Together, these two proposed adjustments result in a net increase in rate base of $2,816,714.

Q11. THE RATE BASE TREATMENT OF THE ARSENIC TREATMENT FACITLITY REFLECTS THE ADOPTION OF STAFF RECOMMENDATIONS?

A11. As I already indicated above, yes it does[2]. As such, the Company is no longer requesting an ACRSM.

Q12. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF THE PROCEEDING?

A12. The proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$3,377,358	$1,162,216	52.47%
Staff	$2,477,559	$ 262,416	11.85%
Company Rebuttal	$3,518,855	$1,303,702	58.85%

III. RATE BASE

Q13. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS?

A13. Yes, the rate bases proposed by the parties in the case, are as follows:

OCRB FVRB

[1] *See* Direct Testimony of Thomas J. Bourassa ("Bourassa Dt") at 36-38.
[2] *See* Direct Testimony of Jeffrey M. Michlik ("Michlik Dt.") at 7-8.

Company-Direct	$ 7,418,409	$ 7,418,409
Staff	$ 8,709,357	$ 8,709,357
Company Rebuttal	$10,059,443	$10,059,443

A. **Plant-in-service.**

Q14. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A14. The Company's rebuttal rate base adjustments to OCRB are detailed on rebuttal schedules B-2, pages 3 through 6. Rebuttal Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of three adjustments labeled as "A", "B", "C" and "D" on Rebuttal Schedule B-2, page 3.

Adjustment A reflects an increase to PIS for arsenic treatment facility costs totaling $4,254,251. Staff has made a similar adjustment.[3] The Company agrees with Staff that that the construction of the water treatment plant has been completed and is currently in service and treating drinking water for existing customers.[4] Further, the plant is necessary to meet the safe drinking water mandates of the Environmental Protection Agency ("EPA").[5] It is appropriate to include the plant in rate base at this time.

Adjustment B, of rebuttal B-2 adjustment 1, reflects a reclassification of arsenic media costs totaling $120,000 from account 320.1 – Water Treatment Plant

[3] *See* Michlik Dt. at 7-8
[4] *Id.*
[5] *Id.*

to 348.1 – Other Tangible Plant – Arsenic Media. The Company proposes this adjustment so that the portion of the arsenic treatment plant (arsenic media costs) will be reflected in a plant account that properly matches its expected life.

Q.15. WHAT IS THE EXPECTED USEFUL LIFE OF WATER TREATEMENT PLANT AND ARSENIC MEDIA PLANT?

A15. 30 years for arsenic treatment plant and 1.5 years for arsenic media.

Q16. IS THE COMPANY STILL SEEKING AN ACCOUNTING ORDER TO TRACK ARSENIC TREATMENT OPERATING EXPENSES?

A16. It depends. If the Company's proposal to reclassify arsenic media costs to a plant account with a shorter useful life is adopted then the answer is no. The largest cost the Company anticipates that are related to arsenic treatment is arsenic media related. These costs are known and measurable as they were included in the arsenic treatment plant costs which Staff has verified. The Company's proposal will allow the Company to recover the bulk of the costs.

Q17. WHY DIDN'T THE COMPANY PROPOSE THIS ADJUSTMENT IN ITS DIRECT FILING?

A17. Because the Company did not propose to include arsenic treatment plant costs in rate base in its direct filing. As I testified earlier, the Company instead proposed to only recover debt service through an ACRSM. Since both Staff and the Company now propose to include the arsenic treatment plan costs in rate base, the Company's proposed adjustment is appropriate and should be adopted.

Q18. WHAT OTHER COSTS RELATED TO ARSENIC TREATMENT THE COMPANY EXPECTS TO INCUR ARE NOT INCLUDED IN THE COMPANY'S REBUTTAL EXPENSES?

A18. At a minimum there are filter replacement costs that will range from $15,000 to $20,000 annually. While these costs are not insignificant, they are not fully known and measureable at this time.

Q19. PLEASE CONTINUE.

A19. Adjustment C, of rebuttal B-2 adjustment 1, reflects a decrease to PIS of $312,565 for plant not used and useful. This adjustment reflects an adoption of a portion of Staff's proposed PIS adjustment for $327,565.[6] Specifically, the Company agrees to remove the plant costs associated with the Estancia De Corazon subdivision totaling $76,082.[7] The Company also agrees to remove the cost for wells #12, #17, #19, and #20 with the exception of $15,000 for a pump motor which was moved from Well #17 to Well #23 and is currently used and useful. While the Company believes these wells to be used and useful as monitoring wells, the Company has agreed to remove these wells in this rate case to help minimize issues between the parties.

Adjustment D, of rebuttal B-2 adjustment 1, reflects a decrease to PIS of $65,027 to true-up the costs of Well #23. The adjusted cost of Well #23 is $1,779,243 which matches the cost reflected in Staff's engineering testimony.[8]

Q20. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN STAFF AND THE COMPANY WITH REGARD TO WELL #23?

A20. Staff concludes that Well #23 is not needed at this time and has removed the costs from PIS.[9] The Company respectfully disagrees. Well #23 is currently providing water to existing customers and is necessary for the ongoing provision of adequate

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[6] *See* Table H-1 in Direct Testimony of Marlin Scott Jr. ("Scott Dt.") at 10.
[7] *Id.*
[8] Scott Dt. at 10.
[9] Scott Dt. at 11; Michlik Dt. at 7.

and reliable service. Company witness, Mr. Mark Taylor discusses the reasons in his rebuttal testimony. Under the circumstances, and like the arsenic treatment facility, it is appropriate to include Well #23 costs in rate base at this time.

B. **Accumulated Depreciation.**

Q21. PLEASE EXPLAIN YOUR ADJUSTMENTS TO ACCUMULATED DEPRECIATION.

A21. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of one adjustments labeled as "A" on Rebuttal Schedule B-2, page 4.

Adjustment A reflects a decrease to accumulated depreciation for unrecorded plant totaling $312,565. This a corresponding adjustment to the removal of plant not use and useful as discussed above. Staff makes a similar adjustment of $327,565 for the plant not used and useful adjustment it proposes.[10] The $15,000 difference is the pump meter being used in Well #23.

C. **Contributions-in-aid of Construction ("CIAC").**

Q22. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO CONTRIBUTIONS-IN-AID OF CONSTRUCTION?

A22. In rebuttal B-2 adjustment 3, as shown on Schedule B-2, page 2, the Company proposes an increase to CIAC of $1,877,809 to reflect the portion of the WIFA loan used to fund the arsenic treatment facility that is forgiven. Staff proposes a similar adjustment of $1,877,809.[11]

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[10] Michlik Dt. at 10.
[11] *Id.* at 8.

D. Advances-in-aid of Construction ("AIAC").

Q23. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO ADVANCES-IN-AID OF CONSTRUCTION?

A23. In rebuttal B-2 adjustment 4, as shown on Schedule B-2, page 2, the Company proposes a decrease to AIAC of $76,082 to reflect the funding of the plant not used and useful which has been excluded from PIS and rate base. Staff also proposes to reduce AIAC by $76,082.[12]

E. Accumulated Deferred Income Taxes ("ADITs").

Q24. HAS THE COMPANY PROPOSED A REBUTTAL ADJUSTMENT TO DEFERRED INCOME TAXES?

A24. Yes. In rebuttal B-2 adjustment 5, as shown on Schedule B-2, page 2, the Company's ADIT is increased by $185,976 from $338,625 in its direct filing to $$524,600. The increase reflects the Company's rebuttal proposed changes to PIS, accumulated depreciation, and AIAC. The details of the Company's rebuttal proposed ADIT adjustment is shown on Schedule B-2, page 7.

Q25. HAVE STAFF CHANGES TO THE COMPANY'S DEFERRED INCOME TAXES?

A25. Yes. Staff has removed all ADIT from rate base.[13] This is consistent with Staff's recommendation to exclude income taxes from the revenue requirement.

Q26. PLEASE COMMENT ON STAFF'S ASSERTION THAT THE INCLUSION OF ACCUMULATED DEFERRED INCOME TAXES IS IN VIOLATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND STATEMENT OF FINANCIAL ACCOUNTING STANDARDS 109.

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[12] *Id.* at 4.
[13] *Id.* at 12.

A26. I would agree with Staff if the Company proposed or actually recorded ADITs on its books. However, the Company is not proposing to record ADITs on its books, rather it proposes ADITs be included in rate base for rate making purposes. The income taxes computed for rate making purposes will not match the actual income taxes recorded on the books (per GAAP) in the future, yet we don't call that a violation of Generally Accepted Accounting Principles ("GAAP"). Similarly, the post test year plant (arsenic treatment facility) Staff proposes to include in rate base in the instant case will not be recorded until 2009, the year it was placed into service and a year subsequent to the test year. If the Company were to record this plant on its books in 2008 (the test year) it would be a violation of GAAP and yet we don't call this rate making treatment a violation of GAAP. Put simply, because the inclusion of ADIT is a rate making construct, just as the other two examples given, there is no violation of GAAP.

Q27. BUT SWC ITSELF DOES NOT PAY INCOME TAXES. WHY THEN SHOULD WE INCLUDE ADIT IN RATE BASE AND INCOME TAXES IN EXPENSES?

A27. First, the Company has proposed the inclusion of ADIT in rate base in order to be consistent with the inclusion of income taxes in expenses. As I discussed in my direct testimony, the Company is proposing ADIT for rate making purposes to insure a proper matching of rate base, revenues, and expenses as the Company also proposes the inclusion of income taxes in expenses.[14] If income taxes are allowed in expenses then ADIT should be recognized in rate base in order to account for the difference between the allowed income taxes included in rates and the actual income taxes paid. In the instant case, the ADIT is a liability (a reduction to rate

[14] Bourassa Dt. at 10.

base) which means that the actual income taxes through the end of the test year were lower than the income taxes included in rates. By including ADIT in rate base the rate payers are given a "credit" for actual income taxes being lower that they have paid in their rates. The credit or reduction in rate base amounts to nearly $525,000.

Second, the income tax that must be paid arises from the taxable income of SWC and it is directly attributable to SWC. While the tax liability flows through to the members, the Company ultimately pays the tax by distributing cash to its member owners as a reimbursement for the taxes the member owners must pay. Third, the required operating income for a tax pass-through entity such as an S-Corp or a LLC is not the same as that for a C-Corp without ratemaking recognition of income taxes for the S-Corp or LLC. Otherwise, failure of such recognition results in an S-Corp or LLC being treated differently than a C-Corp when there is no sound justification to do so. An S-Corp or LLC which receives a lower revenue requirement and operating income than a C-Corp because of the failure of such ratemaking recognition results in inequities because payment for the tax must come from somewhere. Ultimately the tax payment comes from the S-Corp or LLC itself because in reality shareholders or members require that their taxes are paid by the entities that generate them. In fact, as I discussed in my direct testimony, the situation is analogous to a subsidiary C-Corp utility of a parent holding company whose tax return is consolidated with the parent.[15] The individual C-Corp utility does not file a separate tax return, yet this Commission has traditionally allowed income taxes of the utility to be computed on a stand-alone basis and included in the revenue requirement for ratemaking purposes. Fourth, rate payers receive an

[15] Bourassa Dt. at 16.

unjustified windfall from the lower revenue requirement and operating income when income taxes are excluded, as proposed by Staff.

Finally, as I discussed in my direct testimony rate making should be applied in a manner which produces reasonable, realistic and non-discriminatory results no matter what the legal form of the utility is.[16] Staff's challenge to the inclusion of income taxes rests merely on a technical distinction rather than reality.

Q28. ARE THE RETURNS GRANTED A C-CORP THE SAME AS AN S-CORP OR LLC IF INCOME TAXES ARE EXCLUDED FOR AN S-CORP OR LLC?

A28. No, an S-Corp or LLC receives a lower revenue requirement and operating income than a C-Corp if income taxes are excluded. Consequently, as I already testified, a 10 percent return to investors in C-Corp is not the same as a 10 percent return to tax pass-through entity like an S-Corp or LLC.[17] The former return is after tax and the latter is before tax. In fact, the effective return to investors on an S-Corp or LLC is much lower than that of a C-Corp without the inclusion of income taxes.

In my cost of capital testimony I developed a cost of capital for SWC based upon publicly traded utilities that are allowed income tax expense in rates. The returns of those companies are not comparable to SWC if SWC is denied recovery of income taxes. Two utilities whose only difference is that one is allowed incomes taxes and the other not will have very different values. I discuss this in depth in my rebuttal cost of capital testimony at pages 5 through 9. Arguably, investors in an S-Corp or LLC that is denied income tax recovery suffer a confiscation of investment value as a result.

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[16] Bourassa Dt. at 16.
[17] *Id.*

Q29. WHAT THEN IS THE ADVANTAGE OF A TAX PASS-THROUGH ENTITY?

A29. Shareholders in an S-Corp or members in an LLC avoid double taxation. A C-Corp is taxed on its income and its shareholders are also taxed on the dividends received. However, the distinction does not disadvantage rate payers. To the extent shareholders of S-Corp's or member's of LLC's are not subject to taxation on dividends, rate payers are not harmed. After all, it's the shareholders who pay the tax on dividends from C-Corps, not the rate payers. Taxes on dividends are not considered as part of the revenue requirement.

A second advantage of a tax pass-through entity is that net losses (as well as net income) pass-through to the owners. A tax pass-through entity is a particularly attractive form for start-up companies (e.g. utilities with new CC&N's) because the tax losses can be taken advantage of immediately by the owners who typically have to subsidize the company in the early years with income from their other sources. This can improve the ability to raise capital from the owners for start-ups as they can then take advantage of the tax losses immediately. But, regardless, the ratepayer is not disadvantaged in any way. Rather there is a more likely chance of a healthier "start-up" utility as a result. And a healthy utility is always a benefit to ratepayers and in the public interest.

Q30. PLEASE RESPOND TO MR. MICHLIK'S TESTIMONY ON PAGE 11 AND 24 THAT THE COMMISSION HAS DENIED RECOVERY OF INCOME TAXES FOR PASS-THROUGH ENTITIES IN THE PAST.

A30. On page 11, Mr. Michlik cites the Sunrise Water Company rate case in which the inclusion of ADIT in rate base was denied because the recovery of income tax was also denied. I do not disagree with the Commission's conclusion on this relationship point. If the recovery of income tax in expense is denied, then ADITs

should be excluded from rate base. This is consistent with my earlier comments regarding the proper matching of rate base, revenues, and expenses. However, whether such denial of ratemaking recognition should occur is an entirely separate question.

On page 24, Mr. Michlik also cites the Sunrise Water rate case where the Commission decided that tax pass-through entries should not be allowed recovery of income taxes because it has been this Commission's "long-standing policy". While I acknowledge that the Commission has denied recovery of income taxes for tax pass-through entities in the past, I respectfully disagree with the so-called "policy". Based on the merits, as discussed above, I believe that the Commission should reconsider its "policy".

In addition, I would note that additional testimony on the subject of income taxes is provided by Company rebuttal witness Mr. David Cutler, CPA. The Company believes that he provides additional evidence to support ratemaking recognition in this case, which the Commission has not had before it in previous water rate proceeding.

F. <u>Miscellaneous.</u>

Q32. PLEASE COMMENT ON STAFF PROPOSAL TO INCLUDE CUSTOMER SECURITY DEPOSITS IN RATE BASE.

A32. Staff recommends the inclusion of customer security deposits totaling $96,204 in rate base (a reduction in rate base).[18] The Company disagrees with Staff for three reasons. First, customer security deposits are not capital provided by non-investors. They represent security for payment of receivables from customers and

[18] Michlik Dt. at 10.

are used as a means of controlling bad debt expense. Rate payers benefit by lower bad debt expense. Second, if Staff truly considered the security deposits as a source of capital then Staff should have included the annual interest cost in operating expenses. The annual interest costs are on the order of $4,000 to $5,000 annually. Finally, the Company maintains a separate bank account for customer security deposits and does not use this cash for any other purpose but to refund security deposits. Again, this is not non-investor capital. Security deposits are akin to prepaid expense and materials and supplies inventory which are components of working capital. The Company is not requesting working capital in the instant case. However, prepaid expense at the end of the test year was over $2,600 and materials and supplies were nearly $104,000.[19] If customer security deposits are included in rate base, they should be offset with both prepaid expense and materials and supplies. Rate base would increase by nearly $10,400 ($2,600 plus $104,000 minus $96,204) rather than Staff proposed decrease to rate base of $96,204.

Q33. PLEASE COMMENT ON STAFF'S PROPOSED RATE CASE EXPENSE.

A33. At this stage of the proceeding, Staff and the Company agree on the total amount of proposed rate case expense of $225,000. However, Staff proposes to normalize rate case expense over 5 years for an annual amount of $45,000 while the Company proposes to amortize rate case expense over 3 years for an annual amount of $75,000. Not only is there disagreement of the time period, but whether rate case expense should be normalized or amortized.

[19] *See* Company Direct Schedule E-1.

With respect to the time period, while the Company has not been in for a rate case in 14 years, the Company expects to file rate case more often than every 5 years. Thus, Staff assumption and proposed 5 year period is not appropriate.

With respect to normalization and amortization, the distinction may not seem important but it has significant implications. Under normalization, if the Company filed another rate case within 5 years and the Company had not recovered the entire $225,000 of rate case expense, it is lost forever. Under amortization, the Company would be able to seek recovery of any unamortized portion in the new rate case. The amortization approach was used by Staff and adopted by this Commission for many years and it has only been the last few years where Staff has proposed the normalization approach.

Q34. WHAT IF THE COMPANY DID NOT FILE FOR MORE THAN 5 YEARS? COULDN'T THE COMPANY OVER RECOVER RATE CASE EXPENSE?

Q34. Yes. This could potentially occur. However, there is a simple solution to both the potential over or under recovery of rate case expense and that is to allow recovery of rate case expense via a surcharge which would cease upon full recovery of rate case expense. While the Company would agree to such a proposal, I suspect that Staff would not agree to a surcharge.

IV. <u>INCOME STATEMENT</u>

Q35. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A35. The Company's proposed rebuttal adjustments are detailed on Rebuttal Schedule C-2, pages 1-8. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, page 1-2.

Rebuttal adjustment 1 increases depreciation and amortization expense. Depreciation and amortization expense is higher due to the impacts of the Company proposed rebuttal adjustments to plant-in-service.

Q36. PLEASE COMMENT ON STAFF'S CIAC AMORTIZATION RATE USED IN THE COMPUTATION OF DEPREICATION EXPENSE.

A36. Staff computes amortization of CIAC using a composite rate based on depreciable plant only.[20] Staff's Composite rate is higher as a result. All things being equal, Staff's composite rate results in a higher amount of CIAC amortization. The higher amount of CIAC amortization results in a lower amount of depreciation and amortization expense. The Company employs a CIAC amortization rate based on a composite of all plant in service which is the correct method of determining the composite rate.

Q37. WHY?

A37. Under the concept of using a composite rate for amortization of CIAC, a key assumption is that CIAC is used to fund all plant, not just depreciable plant. Further, Staff's approach to computing a composite rate is inconsistent with the composite rates used to recomputed accumulated amortization of CIAC through the end of the test year.[21] If a composite rate based on only depreciable plant were used to re-compute CIAC amortization through the end of the test year, accumulated amortization of CIAC would be higher. As a result, net CIAC would be lower and rate base would be higher. Yet, Staff has not disputed the Company's accumulated CIAC balance.

Q38. PLEASE CONTINUE.

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[20] *See* Staff Schedule JMM-16.

[21] *See* Company Direct Schedule B-2, page 6.1 to 6.5.

A38. Rebuttal adjustment number 2 increases property tax expense and reflects the rebuttal proposed revenues. All the parties are in agreement on the method of computing property taxes, but each computes the property taxes based on their proposed revenues.

Rebuttal adjustment number 3 removes non-recurring rent expense from operating expenses. This adjustment reflects the Company's acceptance of Staff's proposed adjustment to rent expense.[22]

Rebuttal adjustment 4 increases testing expense by $1,632 to reflect known and measurable changes to this expense. This adjustment reflects the Company's acceptance of Staff's proposed adjustment to water testing expense.[23]

Rebuttal adjustment 5 decreases outside services expense by $751 to reflect the removal of unnecessary expenses. This adjustment reflects the Company's acceptance of Staff's proposed adjustment to outside services expense.[24]

Q39. STAFF ALSO PROPOSES TO REMOVE NEARLY $190,000 FROM OUTSIDE SERVICES RELATED TO SALARIES AND WAGES ALLOCATED TO SWC FOR ITS MANAGEMENT COMPANY. DO YOU HAVE ANY COMMENT?

A39. Yes. Staff erroneously concludes that 25 percent of the costs allocated from the management company are overhead and profit.[25] Putting aside that overhead is a necessary cost, the cost allocated to SWC from the management company for payroll and payroll overhead included neither general administrative overhead nor profit. The Company has provided Staff with actual payroll and benefit information, and the Company was surprised to learn that Staff concluded there

[22] Michlik Dt. at 22.
[23] *Id.* at 21.
[24] *Id.*
[25] *Id.* at 20.

"likely" was 25% overhead and profit contained in those allocated costs. This is mere speculation and not supported by the facts in this case.

Q41. DO YOU HAVE ANY FURTHER COMMENTS ON THIS ISSUE?

A41. Yes. I wish to note that the allocated payroll cost issue is addressed in greater detail in the testimony of Company witness, Ms. Marian Homiak. The Company believes that Ms. Homiak fully rebuts the Staff's reasoning for its proposed disallowance of this operating expense.

Q42. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT.

A42. Rebuttal adjustment 6 reflects the synchronization of interest expense with the Company's proposed rate base.

Rebuttal adjustment 19 reflects income taxes at Company's proposed rates.

Q43. STAFF EXCLUDES INCOME TAXES FROM EXPENSES, CORRECT?

A43. Yes. For the reasons discussed previously, the Company disagrees with Staff.

V. RATE DESIGN

Q44. WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES?

A44. The rebuttal proposed rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 24.56	0
3/4	$ 36.84	0
1	$ 61.40	0
1 1 /2	$ 122.80	0
2	$ 196.48	0
3	$ 392.96	0

4	$ 614.00	0
6	$1,228.00	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8x3/4 Residential	1 to 4,000	$3.53
	4,001 to 10,000	$4.28
	Over 10,000	$4.83
3/4 Residential	1 to 6,000	$3.53
	6,001 to 9,000	$4.28
	Over 9,000	$4.83
1 Residential	1 to 10,000	$3.53
	10,001 to 25,000	$4.28
	Over 25,000	$4.83
5/8x3/4 and 3/4 Commercial, Irrigation	1 to 10,000	$4.28
	Over 10,000	$4.83
1 Commercial, Irrigation	1 to 25,000	$4.28
	Over 25,000	$4.83
1 ½ Res., Com., Irr.	1 to 50,000	$4.28
	Over 50,000	$4.83
2 Res., Com., Irr.	1 to 80,000	$4.28
	Over 80,000	$4.83
3 Res., Com., Irr.	1 to 160,000	$4.28
	Over 160,000	$4.83

4 Res., Com., Irr.	1 to 250,000	$4.28
	Over 250,000	$4.83
6 Res., Com., Irr.	1 to 500,000	$4.28
	Over 500,000	$4.83
Standpipe (Construction)		
All Meter Sizes	All gallons	$4.83

Q45. HAVE YOU UPDATED YOUR COST OF SERVICE STUDY USING THE COMPANY PROPOSED RATES?

A45. Yes. As shown on Rebuttal Schedule G-2, the returns at the rebuttal proposed rates continue to vary substantially between the various meter sizes. While all the returns are positive, the 5/8x3/4 inch and ¾ inch residential customer classes provide returns below the 9.69 percent requested in the instant case at 7.24 percent and 7.38 percent, respectively. The larger sized meters, such as the 1 inch commercial, 2 inch commercial, 3 inch commercial are providing much higher returns at 11.17 percent, 35.19 percent, and 19.22 percent, respectively. The 1 inch irrigation, 1½ inch irrigation and 2 inch irrigation are providing returns of 21.68 percent, 23.61 percent, and 35.42 percent, respectively. This indicates that the larger meter customer classes continue to subsidize the 5/8 inch and ¾ inch customer classes under the rebuttal proposed rates. However, consistent with the concept of gradualism, there is improvement in eliminating existing subsidization under the Company's proposed rates.

Q46. WHAT IS THE IMPACT OF THE COMPANY'S REBUTTAL PROPOSED RATES ON AN AVERAGE 5/8x3/4 INCH METERED RESIDENTIAL CUSTOMER?

A46. The present monthly bill for a 5/8x3/4 inch metered residential customer using an average of 5,424 gallons is $27.12. The proposed monthly bill for a 5/8x3/4 inch

metered residential customer using an average of 5,424 gallons would be $44.78, an increase of $17.66 or 65.10 percent compared to the present rates.

Q47. WHAT IS THE IMPACT OF THE COMPANY'S REBUTTAL PROPOSED RATES ON AN AVERAGE 3/4 INCH METERED RESIDENTIAL CUSTOMER?

A47. The present monthly bill for a 3/4 inch metered residential customer using an average of 6,142 gallons is $54.93. The proposed monthly bill for a 5/8 inch metered residential customer using an average of 6,142 gallons would be $58.69, an increase of $20.94 or 56.48 percent compared to the present rates.

Q48. PLEASE COMMENT ON THE STAFF PROPOSED RATE DESIGN.

A48. Like the Company, Staff is proposing an inverted three tier design for the smaller metered residential customers (5/8 inch and ¾ inch) and an inverted two tier design for the small commercial metered customers (5/8 inch and ¾ inch), as well as 1 inch and larger metered customers (all classes), with the exception of 1 inch residential and construction water. The difference between the designs is that the Company proposes a inverted three tier design for 1 inch metered residential customers as opposed to Staff's two-tier design. Staff break-over points are mostly different than the Company's. However, like the Company, Staff's break-over points increase with meter size. The first tier commodity rate of the small commercial metered customers and 1 inch and larger metered customers is the same as the second tier of the small residential metered customers. The second tier of the small commercial metered customers and 1 inch and larger metered customers is the same as the third tier of the small residential metered customers.

It is difficult to be too specific in my comments on Staff's proposed rate design at this time with respect to the impact on the various customer class, or on how Staff's proposed rates perform under a cost of service study, because Staff's

proposed rates do not produce Staff's recommended revenue requirement. It appears that Staff's proposed rates produce too much revenue - on the order of $180,000. I notified Staff of my concern in this regard a few days ago when I discovered the problem. Staff has acknowledged the problem and indicted it will be corrected in its surrebuttal testimony. As of this juncture, and based on Staff's proposed rates, it would appear that Staff's proposed rate design places all of the revenue increase on the commodity rates and none in the monthly minimums. This increases revenue instability and increases the risk the Company will not recover the revenue requirement.

In addition, based on Staff's proposed rates, it would appear that Staff's proposed rate design shifts revenue recovery away from the 5/8x3/4 inch residential class to the larger metered customer classes. The 5/8x3/4 inch metered residential customer is the largest customer class comprising nearly 87 percent of the customers and providing over 65 percent of revenues. I am confident I would find the 5/8x3/4 inch residential class under Staff's proposed rate design is more heavily subsidized by the other customer classes. I hesitate at this time to provide the specific indications of the level of subsidization based on a cost of service study because of the problem with Staff's proposed rates mentioned earlier. However, at this point I believe the high subsidization exists because Staff's proposed rate design contains a relatively low monthly minimum and a relatively low first-tier commodity rate for the 5/8x3/4 inch metered residential customers. This will result in a revenue shift away from the5/8x3/4 inch residential customers to the other customer classes. Recognizing that Staff's proposed rates do not produce its recommended revenue requirement, Staff's proposed rates for the 5/8x3/4 inch residential class provides approximately 62.6 percent of the revenues from all

customer classes. Under the present rate design, the 5/8x3/4 inch residential customers provide more than 65 percent of revenues.

Q49. PLEASE COMMENT ON STAFF'S TESTIMONY CONCERNING THE COMPANY REQUEST TO TREAT CENTRAL ARIZONA GROUND WATER REPLENISHMENT DISTRICT FEES AS A PASS-THROUGH CHARGE?

A49. While Staff takes issue as to how the Central Arizona Ground Water Replenishment District fees are characterized, Staff agrees with the Company on the rate making treatment of the fees.[26] Further, Staff agrees with the basic methodology for computing the fee.[27] Staff does recommend several conditions with regard to the CAGRD fees as a compliance item,[28] which Company witness Mr. Mark Seamans addresses in his Rebuttal Testimony.

Q50. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE COMPANY REGARDING SERVICE LINE AND METER INSTALLATION CHARGES?

A50. No.

Q51. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE COMPANY REGARDING MISCELLANEOUS CHARGES?

A51. Except for a disagreement over the deposit interest rate, there are no disagreements.

Q52. PLEASE EXPLAIN THE DISAGREEMENT OVER THE DEPOSIT INTEREST RATE.

A52. The Company recommends a deposit interest rate of 1% whereas Staff recommends a deposit interest rate of 6%. The Company believes its rate more

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[26] Michlik Dt. at 25-26.
[27] *Id.* at 26.
[28] *Id.* at 27-28.

accurately reflects the reality of very low interest rates at the present time than does Staff's. In fact, the current average national money market rate is 0.864%.[29]

Q53. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A53. Yes. Although my silence on any issue not discussed herein does not necessarily constitute agreement with Staff.

[29] WWW.Bizrate.com, May 14, 2010.

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT, AND RATE DESIGN)
May 17, 2010

SCHEDULES

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 10,059,443
2		
3	Adjusted Operating Income	130,716
4		
5	Current Rate of Return	1.30%
6		
7	Required Operating Income	$ 974,760
8		
9	Required Rate of Return on Fair Value Rate Base	9.69%
10		
11	Operating Income Deficiency	$ 844,044
12		
13	Gross Revenue Conversion Factor	1.5446
14		
15	Increase in Gross Revenue Revenue Requirement	1,303,712
16		
17	Adjusted Test Year Revenues	$ 2,215,143
18	Increase in Gross Revenue Revenue Requirement	$ 1,303,712
19	Proposed Revenue Requirement	$ 3,518,855
20	% Increase	58.85%
21		

22	Customer Classification		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
24	5/8x3/4 Inch	Residential	$ 1,314,948	$ 2,140,871	$ 825,923	62.81%
25	3/4 Inch	Residential	197,019	304,098	107,079	54.35%
26	1 Inch	Residential	34,678	53,840	19,162	55.26%
27		**Subtotal**	$ 1,546,644	$ 2,498,808	$ 952,164	61.56%
28						
29	1 Inch	Commercial	$ 899	$ 1,465	$ 566	62.94%
30	2 Inch	Commercial	75,830	127,457	51,628	68.08%
31	3 Inch	Commercial	6,502	10,731	4,228	65.02%
32		**Subtotal**	$ 83,231	$ 139,652	$ 56,422	67.79%
33						
34	1 Inch	Public Authority	$ 761	$ 1,233	$ 472	62.02%
35	2 Inch	Public Authority	13,833	22,954	9,120	65.93%
36		**Subtotal**	$ 14,595	$ 24,187	$ 9,593	65.73%
37						
38	5/8x3/4 Inch	Irrigation	$ 22,472	$ 39,175	$ 16,703	74.33%
39	3/4 Inch	Irrigation	4,820	7,787	2,967	61.55%
40	1 Inch	Irrigation	51,943	86,166	34,224	65.89%
41	1.5 Inch	Irrigation	22,010	36,842	14,832	67.39%
42	2 Inch	Irrigation	243,475	411,339	167,864	68.94%
43	3 Inch	Irrigation	1,175	1,979	804	68.42%
44		**Subtotal**	$ 345,895	$ 583,289	$ 237,394	68.63%
45						
46	3 Inch	Construction	$ 27,266	$ 39,261	$ 11,996	44.00%
47						
48	**Subtotal Revenues before Annualization**		$ 2,017,631	$ 3,285,198	$ 1,267,568	62.82%
49	**Revenue Annualization**		44,664	77,387	32,723	73.26%
50	Other Water Revenues		157,242	157,242	-	0.00%
51	Reconciling Amount H-1 to C-1		(4,394)	(972)	3,422	-77.88%
52	**Total of Water Revenues**		$ 2,215,142	$ 3,518,855	$ 1,303,713	58.85%
53						

54 SUPPORTING SCHEDULES:
55 Rebuttal B-1
56 Rebuttal C-1
57 Rebuttal C-3
58 Rebuttal H-1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 25,274,471	$ 25,274,471
3	Less: Accumulated Depreciation	1,368,282	1,368,282
4			
5	Net Utility Plant in Service	$ 23,906,188	$ 23,906,188
6			
7	Less:		
8	Advances in Aid of		
9	Construction	9,258,917	9,258,917
10	Contributions in Aid of		
11	Construction	4,314,264	4,314,264
12			
13	Accumulated Amortization of CIAC	(251,796)	(251,796)
14			
15			
16	Deferred Income Taxes & Credits	525,361	525,361
17			
18			
19			
20	Plus:		
21	Unamortized Debt Issuance		
22	Costs	-	-
23	Deferred Reg. Assets	-	-
24	Working capital	-	-
25			
26			
27			
28			
29	Total Rate Base	$ 10,059,443	$ 10,059,443
30			
31			
32			
33	SUPPORTING SCHEDULES:		RECAP SCHEDULES:
34	Rebuttal B-2		Rebuttal A-1
35	Rebuttal B-3		
36	Rebuttal B-5		
37			
38			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustment Amount	Rebuttal Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 20,957,540	4,316,931	$ 25,274,471
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,680,847	(312,565)	1,368,282
7				
8				
9	Net Utility Plant			
10	in Service	$ 19,276,692		$ 23,906,188
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	9,334,999	(76,082)	9,258,917
15				
16	Contributions in Aid of			
17	Construction	2,436,455	1,877,809	4,314,264
18				
19	Accumulated Amort of CIAC	(251,796)	-	(251,796)
20				
21				
22	Deferred Income Taxes & Credits	338,625	186,736	525,361
23				
24				
25				
26	**Plus:**			
27	Unamortized Debt Issuance			
28	Costs	-		-
29	Deferred Reg. Assets	-	-	-
30	Working capital	-	-	-
31				
32				
33				
34				
35	Total	$ 7,418,410		$ 10,059,443
36				
37				
38				
39	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
40	Rebuttal B-2, pages 2			Rebuttal B-1
41				
42				
43				
44				
45				
46				
47				
48				

Sahuarita Water Company, LLC
Test Year Ended September 30, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustments 1 Plant	2 Accumulated Depr.	3 CIAC	4 AIAC	5 DIT	Rebuttal Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 20,957,540	4,316,931					$ 25,274,471
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	1,680,847		(312,565)				1,368,282
7								
8								
9	Net Utility Plant							
10	in Service	$ 19,276,692	$ 4,316,931	$ 312,565	$ -	$ -	$ -	$ 23,906,188
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	9,334,999				(76,082)		9,258,917
15								
16	Contributions in Aid of							
17	Construction (CIAC)	2,436,455			1,877,809			4,314,264
18								
19	Accumulated Amort of CIAC	(251,796)						(251,796)
20								
21								
22	Deferred Income Taxes & Credits	338,625					186,736	525,361
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28								
29	Allowance for Working Capital	-						-
30								
31	Total	$ 7,418,410	$ 4,316,931	$ 312,565	$ (1,877,809)	$ 76,082	$ (186,736)	$ 10,059,443
32								
33								
34								
35	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
36	Rebuttal B-2, pages 3-6						B-1	
37								
38								
39								
40								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Line No.	Acct. No.	Description	Adjusted Orginal Cost	A PTY Plant Arsenic Treatment Plant	B Reclassify Aresnic Media Costs	C Plant Not Used and Useful	D True-Up Costs for Well #23	E Intentionally Left Blank	F Intentionally Left Blank	Adjusted Original Cost
1	Plant-in-Service									
5	301	Organization Cost	7,541							7,541
6	302	Franchise Cost	350,861							350,861
7	303	Land and Land Rights	13,636							13,636
8	304	Structures and Improvements	171,671							171,671
9	305	Collecting and Impounding Res.	-							-
10	306	Lake River and Other Intakes	-							-
11	307	Wells and Springs	2,644,666			(236,483)	(65,027)			2,343,156
12	308	Infiltration Galleries and Tunnels	-							-
13	309	Supply Mains	-							-
14	310	Power Generation Equipment	335,668							335,668
15	311	Electric Pumping Equipment	43,912							43,912
16	320	Water Treatment Equipment	18,694	2,686,523	(120,000)					2,585,217
17	320.1	Water Treatment Plant	-							-
18	320.2	Chemical Solution Feeders	-							-
19	330	Dist. Reservoirs & Standpipe	1,811,998							1,811,998
20	330.1	Storage tanks	-							-
21	330.2	Pressure Tanks	-							-
22	331	Trans. and Dist. Mains	10,162,557	2,008,000		(30,250)				12,140,307
23	333	Services	2,081,553			(30,159)				2,051,394
24	334	Meters	1,222,335							1,222,335
25	335	Hydrants	672,037			(15,673)				656,364
26	336	Backflow Prevention Devices	816							816
27	339	Other Plant and Misc. Equip.	0							0
28	340	Office Furniture and Fixtures	283,991							283,991
29	340.1	Computers and Software	-							-
30	341	Transportation Equipment	146,129							146,129
31	342	Stores Equipment	-							-
32	343	Tools and Work Equipment	13,856							13,856
33	344	Laboratory Equipment	132							132
34	345	Power Operated Equipment	-							-
35	346	Communications Equipment	11,818							11,818
36	347	Miscellaneous Equipment	695							695
37	348	Other Tangible Plant	962,974							962,974
38	348.1	Other Tangible Plant - Arsenic Media	-		120,000					120,000
39		TOTALS	$ 20,957,540	$ 4,694,523	$ -	$ (312,565)	$ (65,027)	$ -	$ -	$ 25,274,471
41	Plant-in-Service per Books									$ 20,957,540
43	Increase (decrease) in Plant-in-Service									$ 4,316,931
45	Adjustment to Plant-in-Service									$ 4,316,931

47 SUPPORTING SCHEDULES
48 Rebuttal B-2, pages 3.1-3.4
49 Rebuttal B-2, pages 3.5-3.17

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.			
1	Post Test Year - Arsenic Treatment Plant		
2			
3	Account	Description	Amount
4	320	Aresnic Treament Plant	$ 2,686,523
5	331	Transmission and Distribution Mains	2,008,000
6			
7			
8		Total	$ 4,694,523
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line No.			
1	Reclassify Arsenic Media Costs		
2			
3	Account	Description	Amount
4	320	Arsenic Treament Plant	$ (120,000)
5	348.1	Other Tangible Plant	120,000
6			
7			
8		Total	$ -
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.				
1	Plant Not Used and Useful			
2				
3	Account	Description		Amount
4	307	Well#17	$ (194,773)	
5		Less: Pump Motor Used on Well #23	15,000	
6	307	Net cost of Well #17		$ (179,773)
7	307	Well #12		(56,610)
8	307	Well #19		-
9	307	Well #20		(100)
10	331	Transmission and Distribution Mains		(30,250)
11	333	Services		(30,159)
12	335	Hydrants		(15,673)
13				
14				
15		Total		$ (312,565)
16				
17				
18				
19				
20				
21				
22	SUPPORTING SCHEDULE			
23	MSJ Table H-1 (Estancia De Corazon Subdivision)			
24				
25				
26				
27				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

Line No.		
1	Post Test Year Plant - Well #23	
2		
3	Costs for Well #23 per Rebuttal Filing	$ 1,779,243
4	Costs for Well #23 per Direct Filing	1,844,270
5		
6		
7		
8	Increase (Decrease) in Plant (Account 307)	$ (65,027)
9		
10		
11		
12		
13		
14		
15	SUPPORTING SCHEDULE	
16	MSJ Table H-1 (Estancia De Corazon Subdivision)	
17		
18		
19		
20		

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.5

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Plant At 12/31/1998	1998 Accum. Depr.	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Salvage A/D Only	1999 Plant Balance	1999 Deprec.
301	Organization Cost	0.00%	0.00%	-	-	-		-			-	-
302	Franchise Cost	0.00%	0.00%	-	-	-		-			-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-		-			-	-
304	Structures and Improvements	3.33%	3.33%	-	-	-		-			-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-	-	-		-			-	-
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-		-			-	-
309	Supply Mains	2.00%	2.00%	-	-	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-	-	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-	-	-		-			-	-
330.1	Storage tanks	2.22%	2.22%	-	-	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	-	-	-		-			-	-
333	Services	3.33%	3.33%	-	-	-		-			-	-
334	Meters	8.33%	8.33%	-	-	-		-			-	-
335	Hydrants	2.00%	2.00%	-	-	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-	-	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	-		-			-	-
340.1	Computers and Software	20.00%	20.00%	-	-	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-	-	-		-			-	-
342	Stores Equipment	4.00%	4.00%	-	-	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-	-	-		-			-	-
344	Laboratory Equipment	10.00%	10.00%	-	-	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-	-	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-	-	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-	-	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%			-		-			-	-
	Rounding											
	Plant Held for Future Use											
	TOTAL WATER PLANT			-	-	-	-	-	-	-	-	-

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.6

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2000 Plant Additions	2000 Plant Adjustments	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Salvage/Adj. A/D Only	2000 Plant Balance	2000 Deprec.
301	Organization Cost	0.00%	0.00%	210,753			210,753			210,753	-
302	Franchise Cost	0.00%	0.00%	-			-			-	-
303	Land and Land Rights	0.00%	0.00%	-			-			-	-
304	Structures and Improvements	3.33%	3.33%	167,307	(167,307)		-			-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-			-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-			-			-	-
307	Wells and Springs	3.33%	3.33%	217,088			217,088			217,088	3,615
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-			-			-	-
309	Supply Mains	2.00%	2.00%	-			-			-	-
310	Power Generation Equipment	5.00%	5.00%	-			-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-			-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-			-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-			-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-			-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	477,449			477,449			477,449	5,300
330.1	Storage tanks	2.22%	2.22%	-			-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-			-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	255,547	340,066		595,613			595,613	5,956
333	Services	3.33%	3.33%	172,759	(172,759)		-			-	-
334	Meters	8.33%	8.33%	22,464			22,464			22,464	936
335	Hydrants	2.00%	2.00%	-			-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-			-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-			-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	6,837			6,837			6,837	228
340.1	Computers and Software	20.00%	20.00%	-			-			-	-
341	Transportation Equipment	20.00%	20.00%	21,555			21,555			21,555	2,156
342	Stores Equipment	4.00%	4.00%	-			-			-	-
343	Tools and Work Equipment	5.00%	5.00%	4,766			4,766			4,766	119
344	Laboratory Equipment	10.00%	10.00%	-			-			-	-
345	Power Operated Equipment	5.00%	5.00%	-			-			-	-
346	Communications Equipment	10.00%	10.00%	-			-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-			-			-	-
348	Other Tangible Plant	10.00%	10.00%	-			-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-			-			-	-
	Rounding										
	Plant Held for Future Use										
	TOTAL WATER PLANT			1,556,525	-	-	1,556,525	-	-	1,556,525	18,309

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.7

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Salvage A/D Only	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.00%	0.00%		(203,211)	(203,211)			7,542	-
302	Franchise Cost	0.00%	0.00%		203,211	203,211			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			-	-
304	Structures and Improvements	3.33%	3.33%	4,215		4,215			4,215	70
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	29,843		29,843			246,931	7,726
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	184,600	(172,759)	11,841			607,454	12,031
333	Services	3.33%	3.33%	(172,759)	172,759	-			-	-
334	Meters	8.33%	8.33%	113,157		113,157			135,621	6,584
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	12,336		12,336			19,173	867
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	1,175		1,175			22,730	4,429
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			172,567	-	172,567	-	-	1,729,092	42,545

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Salvage A/D Only	2002 Plant Balance	2002 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	15,700		15,700			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,215	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-		-			246,931	8,223
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	945,147		945,147			1,552,601	21,601
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	122,534		122,534			258,155	16,401
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	2,535		2,535			21,708	1,363
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%			-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,085,916	-	1,085,916	-	-	2,815,008	63,112

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	2003 Salvage A/D Only	2003 Plant Balance	2003 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%		(1)	(1)			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	41,429		41,429			288,360	8,913
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	192,243		192,243			1,744,844	32,974
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	177,795		177,795			435,950	28,909
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	10,216		10,216			31,924	1,789
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			421,683	(1)	421,682	-	-	3,236,690	88,109

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.10

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	2004 Salvage A/D Only	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	279,664		279,664			568,024	14,259
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	(1)		(1)			1,744,843	34,897
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	279,898		279,898			715,848	47,972
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	31,691		31,691			63,615	3,186
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	718		718			5,484	256
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			591,970	-	591,970	-	-	3,828,660	115,856

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.11

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Salvage A/D Only	2005 Plant Balance	2005 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	23,015		23,015			591,039	19,298
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	3,637		3,637			3,637	227
320	Water Treatment Equipment	3.33%	3.33%	6,906		6,906			6,906	115
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	5,011		5,011			482,460	10,655
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	3,076,432	(311,361)	2,765,071			4,509,914	82,548
333	Services	3.33%	3.33%	-	311,361	311,361			311,361	5,184
334	Meters	8.33%	8.33%	195,317		195,317			911,165	67,765
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	3,777		3,777			67,392	4,369
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	33,954		33,954			56,684	7,941
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	4,762		4,762			10,246	393
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			3,352,811	-	3,352,811	-	-	7,181,471	178,637

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.12

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Salvage (A/D Only)	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	(167,307)	167,307	-			4,214	105
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	6,176		6,176			597,215	14,838
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-	1,549	1,549			1,549	29
311	Electric Pumping Equipment	12.50%	12.50%	8,205		8,205			11,842	726
320	Water Treatment Equipment	3.33%	3.33%	3,657	4,865	8,522			15,428	279
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			482,460	8,033
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	(144,054)	144,054	-			4,509,914	67,649
333	Services	3.33%	3.33%	1,329,426	(311,361)	1,018,065			1,329,426	20,489
334	Meters	8.33%	8.33%	105,903		105,903			1,017,088	60,233
335	Hydrants	2.00%	2.00%	426,659		426,659			426,659	3,200
336	Backflow Prevention Devices	6.67%	6.67%	345		345			345	9
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	10,434	(10,434)	(0)			(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	4,095		4,095			71,487	3,474
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	64,591		64,591			121,275	13,347
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	2,613		2,613			12,859	433
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-	3,321	3,321			3,321	125
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-	699	699			699	26
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,650,743	0	1,650,743	-	-	8,832,214	192,994

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.13

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2007 Plant Additions	2007 Plant Adjustments	2007 Adjusted Plant Additions	2007 Plant Retirements	2007 Salvage (A/D Only)	2007 Plant Balance	2007 Deprec.
301	Organization Cost	0.00%	0.00%	(1)		(1)			7,541	-
302	Franchise Cost	0.00%	0.00%		76,475	76,475			279,686	-
303	Land and Land Rights	0.00%	0.00%	(2,064)		(2,064)			13,636	-
304	Structures and Improvements	3.33%	3.33%	116,300		116,300			120,514	2,077
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	203,181		203,181			800,396	23,270
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	155,594		155,594			157,143	3,967
311	Electric Pumping Equipment	12.50%	12.50%	30,223		30,223			42,065	3,369
320	Water Treatment Equipment	3.33%	3.33%	2,291		2,291			17,719	552
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	1,329,538		1,329,538			1,811,998	25,468
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	5,631,229	2,003	5,633,232			10,143,146	146,531
333	Services	3.33%	3.33%	752,127		752,127			2,081,553	56,793
334	Meters	8.33%	8.33%	184,973		184,973			1,202,041	92,426
335	Hydrants	2.00%	2.00%	245,378		245,378			672,037	10,987
336	Backflow Prevention Devices	6.67%	6.67%	471		471			816	39
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	141,696	(141,696)	0			(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	126,863		126,863			198,350	8,999
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	24,854		24,854			146,129	26,740
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	(1,893)		(1,893)			10,966	596
344	Laboratory Equipment	10.00%	10.00%	132		132			132	7
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	8,636		8,636			11,957	764
347	Miscellaneous Equipment	10.00%	10.00%	695		695			695	35
348	Other Tangible Plant	10.00%	10.00%	-	63,218	63,218			63,917	3,231
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			8,950,223	-	8,950,223	-		17,782,437	405,850

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.14

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2008 Plant Additions	2008 Plant Adjustments	2008 Adjusted Plant Additions	2008 Plant Retirements	2008 Salvage (A/D Only)	Plant Adjmnts Per Direct	Plant Adjmnts Per Rebuttal	2008 Plant Balance	2008 Deprec.	A/D Adjmnts Per Rebuttal
301	Organization Cost	0.00%	0.00%	-		-					7,541	-	-
302	Franchise Cost	0.00%	0.00%	147,650	(76,475)	71,175					350,861	-	-
303	Land and Land Rights	0.00%	0.00%	-		-					13,636	-	-
304	Structures and Improvements	3.33%	3.33%	51,157		51,157					171,671	4,865	-
305	Collecting and Impounding Res.	2.50%	2.50%	-		-					-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-					-	-	-
307	Wells and Springs	3.33%	3.33%	-		-			1,844,270	(301,510)	2,343,156	26,653	(236,483)
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-					-	-	-
309	Supply Mains	2.00%	2.00%	-		-					-	-	-
310	Power Generation Equipment	5.00%	5.00%	180,074	(1,549)	178,525					335,668	12,320	-
311	Electric Pumping Equipment	12.50%	12.50%	1,847		1,847					43,912	5,374	-
320	Water Treatment Equipment	3.33%	3.33%	5,840	(4,865)	976				2,566,523	2,585,217	606	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-					-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-					-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-					1,811,998	40,226	-
330.1	Storage tanks	2.22%	2.22%	-		-					-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-					-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	21,414	(2,003)	19,411				1,977,750	12,140,307	203,057	(30,250)
333	Services	3.33%	3.33%	-		-				(30,159)	2,051,394	69,316	(30,159)
334	Meters	8.33%	8.33%	20,294		20,294					1,222,335	100,975	-
335	Hydrants	2.00%	2.00%	-		-				(15,673)	656,364	13,441	(15,673)
336	Backflow Prevention Devices	6.67%	6.67%	-		-					816	54	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	(152,130)	152,130	0					0	0	-
340	Office Furniture and Fixtures	6.67%	6.67%	85,641		85,641					283,991	16,086	-
340.1	Computers and Software	20.00%	20.00%	-		-					-	-	-
341	Transportation Equipment	20.00%	20.00%	-		-					146,129	29,226	-
342	Stores Equipment	4.00%	4.00%	-		-					-	-	-
343	Tools and Work Equipment	5.00%	5.00%	2,890		2,890					13,856	621	-
344	Laboratory Equipment	10.00%	10.00%	-		-					132	13	-
345	Power Operated Equipment	5.00%	5.00%	-		-					-	-	-
346	Communications Equipment	10.00%	10.00%	3,182	(3,321)	(139)					11,818	1,189	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-					695	70	-
348	Other Tangible Plant	10.00%	10.00%	962,974	(63,917)	899,057					962,974	51,345	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%			-				120,000	120,000	-	-
	Rounding												
	Plant Held for Future Use												
	TOTAL WATER PLANT			1,330,833	-	1,330,833	-		1,844,270	4,316,931	25,274,471	575,436	(312,565)

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.15

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Year End Accumulated Depreciation by Account 1998	1999	2000	2001	2002	2003
301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	3.33%	3.33%	-	-	-	70	211	351
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-
307	Wells and Springs	3.33%	3.33%	-	-	3,615	11,340	19,563	28,476
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-	-	-	-
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-	-	-	-
320	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-	-	5,300	15,899	26,498	37,098
330.1	Storage tanks	2.22%	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	-	-	5,956	17,987	39,587	72,562
333	Services	3.33%	3.33%	-	-	-	-	-	-
334	Meters	8.33%	8.33%	-	-	936	7,520	23,921	52,830
335	Hydrants	2.00%	2.00%	-	-	-	-	-	-
336	Backflow Prevention Devices	6.67%	6.67%	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	228	1,095	2,459	4,247
340.1	Computers and Software	20.00%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	20.00%	20.00%	-	-	2,156	6,584	11,130	15,676
342	Stores Equipment	4.00%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	5.00%	-	-	119	357	596	834
344	Laboratory Equipment	10.00%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	5.00%	5.00%	-	-	-	-	-	-
346	Communications Equipment	10.00%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	10.00%	-	-	-	-	-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-	-	-	-	-	-
	Rounding								
	Plant Held for Future Use			-					
	TOTAL WATER PLANT			-	-	18,309	60,853	123,965	212,074

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.16

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Year End Accumulated Depreciation by Account 2004	2005	2006	2007	2008
301	Organization Cost	0.00%	0.00%	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-
304	Structures and Improvements	3.33%	3.33%	491	632	737	2,814	7,678
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-
307	Wells and Springs	3.33%	3.33%	42,735	62,033	76,871	100,142	(109,688)
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	29	3,996	16,317
311	Electric Pumping Equipment	12.50%	12.50%	-	227	953	4,322	9,696
320	Water Treatment Equipment	3.33%	3.33%	-	115	394	946	1,552
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	47,697	58,352	66,385	91,854	132,080
330.1	Storage tanks	2.22%	2.22%	-	-	-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	107,459	170,006	237,655	384,186	556,993
333	Services	3.33%	3.33%	-	5,184	25,673	82,466	121,623
334	Meters	8.33%	8.33%	100,802	168,568	228,801	321,227	422,202
335	Hydrants	2.00%	2.00%	-	-	3,200	14,187	11,955
336	Backflow Prevention Devices	6.67%	6.67%	-	-	9	47	102
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	(0)	(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	7,434	11,803	15,276	24,276	40,362
340.1	Computers and Software	20.00%	20.00%	-	-	-	-	-
341	Transportation Equipment	20.00%	20.00%	20,222	28,163	41,510	68,251	97,477
342	Stores Equipment	4.00%	4.00%	-	-	-	-	-
343	Tools and Work Equipment	5.00%	5.00%	1,090	1,484	1,917	2,512	3,133
344	Laboratory Equipment	10.00%	10.00%	-	-	-	7	20
345	Power Operated Equipment	5.00%	5.00%	-	-	-	-	-
346	Communications Equipment	10.00%	10.00%	-	-	125	888	2,077
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-	35	104
348	Other Tangible Plant	10.00%	10.00%	-	-	26	3,257	54,602
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-	-	-	-	-
	Rounding							
	Plant Held for Future Use							
	TOTAL WATER PLANT			327,930	506,567	699,561	1,105,411	1,388,282

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Line No.				A	B	C	D	E	
1	Accumulated Depreciation								
2			Per Books	Plant	Intentionally	Intentionally	Intentionally	Intentionally	Adjusted
3	Acct.		Accum.	Not Used	Left	Left	Left	Left	Accum.
4	No.	Description	Depr.	and Useful	Blank	Blank	Blank	Blank	Depr.
5	301	Organization Cost	-						-
6	302	Franchise Cost	-						-
7	303	Land and Land Rights	-						-
8	304	Structures and Improvements	7,678						7,678
9	305	Collecting and Impounding Res.	-						-
10	306	Lake River and Other Intakes	-						-
11	307	Wells and Springs	126,795	(236,483)					(109,688)
12	308	Infiltration Galleries and Tunnels	-						-
13	309	Supply Mains	-						-
14	310	Power Generation Equipment	16,317						16,317
15	311	Electric Pumping Equipment	9,696						9,696
16	320	Water Treatment Equipment	1,552						1,552
17	320.1	Water Treatment Plant	-						-
18	320.2	Chemical Solution Feeders	-						-
19	330	Dist. Reservoirs & Standpipe	132,080						132,080
20	330.1	Storage tanks	-						-
21	330.2	Pressure Tanks	-						-
22	331	Trans. and Dist. Mains	587,243	(30,250)					556,993
23	333	Services	151,782	(30,159)					121,623
24	334	Meters	422,202						422,202
25	335	Hydrants	27,628	(15,673)					11,955
26	336	Backflow Prevention Devices	102						102
27	339	Other Plant and Misc. Equip.	(0)						(0)
28	340	Office Furniture and Fixtures	40,362						40,362
29	340.1	Computers and Software	-						-
30	341	Transportation Equipment	97,477						97,477
31	342	Stores Equipment	-						-
32	343	Tools and Work Equipment	3,133						3,133
33	344	Laboratory Equipment	20						20
34	345	Power Operated Equipment	-						-
35	346	Communications Equipment	2,077						2,077
36	347	Miscellaneous Equipment	104						104
37	348	Other Tangible Plant	54,602						54,602
38			-						-
39		TOTALS	$ 1,680,847	$ (312,565)	$ -	$ -	$ -	$ -	$ 1,368,282
40									
41	Accumulated Depreciation per Books								$ 1,680,847
42									
43	Increase (decrease) in Accumulated Depreciation								$ (312,565)
44									
45	Adjustment to Plant-in-Service								$ (312,565)
46									
47	SUPPORTING SCHEDULES								
48	B-2, pages 3.1 to 3.12								
49									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.				
1	Plant Not Used and Useful			
2				
3	Account	Description		Amount
4	307	Well#17	($194,773)	
5		Less: Pump Motor Used on Well #23	15,000	
6	307	Net cost of Well #17		$ (179,773)
7	307	Well #12		(56,610)
8	307	Well #19		-
9	307	Well #20		(100)
10	331	Transmission and Distribution Mains (2007)		(30,250)
11	333	Services (2007)		(30,159)
12	335	Hydrants (2007)		(15,673)
13				
14				
15		Total		$ (312,565)
16				
17				
18				
19				
20				
21				
22	SUPPORTING SCHEDULE			
23	MSJ Table H-1 (Estancia De Corazon Subdivision)			
24				
25				
26				
27				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line No.			
1	Contributions-in-Aid of Construction ("CIAC")		
2			
3			
4			
5	Original WIFA Loan	$	4,694,523
6			
7	Principal Forgiven	$	1,877,809
8			
9	WIFA Loan, net	$	2,816,714
10			
11			
12	Amount transferred to CIAC	$	1,877,809
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
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25			
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36			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Rebuttal Schedule B-2
Page 6
Witness: Bourassa

Line No.			
1	Advances-in-Aid of Construction ("AIAC")		
2			
3			
4			
5	Remove AIAC (Estancia De Corazon subdivision)	$	(76,082)
6			
7			
8			
9			
10			
11			
12	Adjustment to AIAC	$	(76,082)
13			
14			
15			
16	SUPPORTING SCHEDULES		
17	MSJ Table H-1 (Estancia De Corazon Subdivision)		
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 7
Witness: Bourassa

Deferred Income Tax as of December 31, 2008

Line No.		Adjusted Book Value	Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Tax Rate[5]	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
6	Plant-in-Service	$ 25,274,471 [1]								
7	Accum. Deprec.	(1,368,282) [1]								
8	CIAC	(10,543,710) [2]								
9	Fixed Assets	$ 13,362,479	$ 9,094,773 [3]	100.0%	$ (4,267,705)	35.26%		-		$ (1,504,725)
10	AIAC		9,258,917 [4]	30.0%	$ 2,777,675 [4]	35.26%		$ 979,364		
12							$ -	$ 979,364	$ -	$ (1,504,725)
14				Net Asset (Liability)			$ (525,361)			
16				DIT Asset (Liability) per Direct			$ (338,625)			
18				Adjustment to DIT			$ 186,736			

[1] Adjusted per Rebuttal Schedule B-2, page 2

[2] Tax Basis as of December 31, 2008

Line No.			
24	Unadjusted Cost Basis per 2008 Tax Return (Fiscal Year Ended 12/31/2008)		$ 7,813,696
25	Adjustments:		
26	Land not on tax return depreciation report		(1)
27	Tax accumulated depreciation through 12/31/2008		(1,309,012)
28	Bonus Depreciation/Section 179 deductions through 12/31/2008		(110,105)
29	Post Test Year Plant (Well #23)		1,779,243
30	Post Test Year Plant (arsenic treatment and associated mains less CIAC portion)		2,816,714
31	Bonus Depreciation on Post Test Year Plant (Estimate)		(1,148,989)
32	Plant not used and useful (B-2 adjustments)		(312,565)
33	Tax accumulated depreication on not used and useful plant		37,673
34	Timing Difference		(471,880)
40	Net tax value as of December 31, 2008		$ 9,094,773

[3] CIAC (including impact of change to probability of realization)

Line No.				
44	Gross CIAC per B-2		$ 4,314,264	
45	Less: Pre-1996 CIAC		-	
46	A.A per B-2	$ (251,796)		
47	A.A on Pre-1996 CIAC	-		
48	A.A. on Post 1996 CIAC		(251,796)	
49	Net CIAC before unrealized AIAC			$ 4,062,468
51	Unrealized AIAC Component			
52	Adjusted Net AIAC (see footnote 5 below)		$ 9,258,917	
53	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%	
54	Addition to CIAC			$ 6,481,242
55	Total realizable CIAC			$ 10,543,710

[4] AIAC (including impact of change in probability of realization)

Line No.			
58	AIAC per B-2	$ 9,258,917	
59	Less: Pre-1996 AIAC included for book and tax purposes	-	
60	Net AIAC before unrealized portion		$ 9,258,917
61	Less: Unrealized AIAC (from Note 4, above)		$ (6,481,242)
62	Net realizable AIAC		$ 2,777,675

[5] Effective tax rates Per C-3 schedule

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	130,557
3	Pumping Power (1/24 of Pumping Power)		6,140
4	Purchased Water (1/24 of Purchased Water)		177
5	Prepaid Expenses		2,658
6	Meterials and Supplies		103,909
7			
8			
9	Total Working Capital Allowance	$	243,441
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	Rebuttal C-1	Rebuttal B-1	
17			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Adjusted Test Year Results	Adjustment	Rebuttal Adjusted Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 2,057,901	$ -	$ 2,057,901	$ 1,303,712	$ 3,361,613
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	157,242	-	157,242		157,242
5		$ 2,215,143	$ -	$ 2,215,143	$ 1,303,712	$ 3,518,855
6	**Operating Expenses**					
7	Salaries and Wages	$ -	-	$ -		$ -
8	Purchased Water	4,256	-	4,256		4,256
9	Purchased Power	147,364	-	147,364		147,364
10	Fuel for Power Production	-	-	-		-
11	Chemicals	11,866	-	11,866		11,866
12	Repairs and Maintenance	75,423	-	75,423		75,423
13	Materials & Supplies	30,131	-	30,131		30,131
14	Outside Services	770,603	(751)	769,852		769,852
15	Water Testing	8,750	1,632	10,382		10,382
16	Rents	13,195	(11,299)	1,896		1,896
17	Transportation Expenses	22,358	-	22,358		22,358
18	Insurance - General Liability	21,111	-	21,111		21,111
19	Insurance - Health and Life	-	-	-		-
20	Reg. Comm. Exp.	-	-	-		-
21	Reg. Comm. Exp. - Rate Case	75,000	-	75,000		75,000
22	Miscellaneous Expense	14,724	-	14,724		14,724
23	Bad Debt Expense	109	-	109		109
24	Depreciation Expense	610,853	123,307	734,160		734,160
25	Taxes Other Than Income	11,602	-	11,602		11,602
26	Property Taxes	122,230	2,236	124,466	-	124,466
27	Income Tax	104,948	(75,223)	29,726	459,668	489,394
28	**Total Operating Expenses**	$ 2,044,524	$ 39,902	$ 2,084,427	$ 459,668	$ 2,544,095
29	**Operating Income**	$ 170,618	$ (39,902)	$ 130,716	$ 844,044	$ 974,760
30	**Other Income (Expense)**					
31	Interest Income	-	-	-		-
32	Other income (loss)	-	-	-		-
33	Interest Expense	-	(76,134)	(76,134)		(76,134)
34	Other Expense	-	-	-		-
35		-	-	-		-
36	**Total Other Income (Expense)**	$ -	$ (76,134)	$ (76,134)	$ -	$ (76,134)
37	**Net Profit (Loss)**	$ 170,618	$ (116,036)	$ 54,582	$ 844,044	$ 898,626
38						
39	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
40	Rebuttal C-1, page 2				Rebuttal A-1	
41						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2
Witness: Bourassa

Line No.		LABEL>>>>> Adjusted Test Year Results	1 Depreciation Expense	2 Property Taxes	3 Rents - Building	4 Water Testing	5 Outside Services	6 Interest Synch.	7 Income Tax	Rebuttal Adjusted Adjusted Results
1	**Revenues**									
2	Metered Water Revenues	$ 2,057,901								$ 2,057,901
3	Unmetered Water Revenues	-								-
4	Other Water Revenues	157,242								157,242
5		$ 2,215,143	$ -	$ -	$ -	$ -		$ -	$ -	$ 2,215,143
6	**Operating Expenses**									
7	Salaries and Wages	$ -								$ -
8	Purchased Water	4,256								4,256
9	Purchased Power	147,364								147,364
10	Fuel for Power Production	-								-
11	Chemicals	11,866								11,866
12	Repairs and Maintenance	75,423								75,423
13	Materials & Supplies	30,131								30,131
14	Outside Services	770,603					(751)			769,852
15	Water Testing	8,750				1,632				10,382
16	Rents	13,195			(11,299)					1,896
17	Transportation Expenses	22,358								22,358
18	Insurance - General Liability	21,111								21,111
19	Insurance - Health and Life	-								-
20	Reg. Comm. Exp.	-								-
21	Reg. Comm. Exp. - Rate Case	75,000								75,000
22	Miscellaneous Expense	14,724								14,724
23	Bad Debt Expense	109								109
24	Depreciation Expense	610,853	123,307							734,160
25	Taxes Other Than Income	11,602								11,602
26	Property Taxes	122,230		2,236						124,466
27	Income Tax	104,948							(75,223)	29,726
28	**Total Operating Expenses**	$ 2,044,524	$ 123,307	$ 2,236	$ (11,299)	$ 1,632	$ (751)	$ -	$ (75,223)	$ 2,084,427
29	**Operating Income**	$ 170,618	$ (123,307)	$ (2,236)	$ 11,299	$ (1,632)	$ 751	$ -	$ 75,223	$ 130,716
30	**Other Income (Expense)**									
31	Interest Income	-								-
32	Other income (loss)	-								-
33	Interest Expense	-						(76,134)		(76,134)
34	Other Expense	-								-
35		-								-
36	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ -	$ (76,134)	$ -	$ (76,134)
37	**Net Profit (Loss)**	$ 170,618	$ (123,307)	$ (2,236)	$ 11,299	$ (1,632)	$ 751	$ (76,134)	$ 75,223	$ 54,582
38										
39	SUPPORTING SCHEDULES:									
40	Rebuttal C-2, page 1 to X									
41										

RECAP SCHEDULES:
Rebuttal C-1. page 1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustments to Revenues and/or Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1 Depreciation Expense	2 Property Taxes	3 Rent - Building	4 Water Testing	5 Outside Services Beverages	6 Interest Syncrhonization	Subtotal
3	Revenues							-
5	Expenses	123,307	2,236	(11,299)	1,632	(751)		115,125
7	Operating Income	(123,307)	(2,236)	11,299	(1,632)	751	-	(115,125)
10	Interest Expense						(76,134)	(76,134)
12	Other Income / Expense							-
16	Net Income	(123,307)	(2,236)	11,299	(1,632)	751	(76,134)	(191,259)

Line No.		Adjustments to Revenues and Expenses						
		7 Income Taxes	8	9	10	11	12	Subtotal
22	Revenues							-
24	Expenses	(75,223)						39,902
26	Operating Income	75,223	-	-	-	-	-	(39,902)
29	Interest Expense							(76,134)
31	Other Income / Expense							-
35	Net Income	75,223	-	-	-	-	-	(116,036)

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Line No.					
1	Depreciation Expense				
2					
3	Acct.		Adjusted Original	Proposed	Depreciation
4	No.	Description	Cost	Rates	Expense
5	301	Organization Cost	7,541	0.00%	-
6	302	Franchise Cost	350,861	0.00%	-
7	303	Land and Land Rights	13,636	0.00%	-
8	304	Structures and Improvements	171,671	3.33%	5,717
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	2,343,156	3.33%	78,027
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	335,668	5.00%	16,783
15	311	Electric Pumping Equipment	43,912	12.50%	5,489
16	320	Water Treatment Equipment	2,585,217	3.33%	86,088
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	1,811,998	2.22%	40,226
20	330.1	Storage tanks	-	2.22%	-
21	330.2	Pressure Tanks	-	5.00%	-
22	331	Trans. and Dist. Mains	12,140,307	2.00%	242,806
23	333	Services	2,051,394	3.33%	68,311
24	334	Meters	1,222,335	8.33%	101,821
25	335	Hydrants	656,364	2.00%	13,127
26	336	Backflow Prevention Devices	816	6.67%	54
27	339	Other Plant and Misc. Equip.	0	6.67%	0
28	340	Office Furniture and Fixtures	283,991	6.67%	18,942
29	340.1	Computers and Software	-	20.00%	-
30	341	Transportation Equipment	146,129	20.00%	29,226
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	13,856	5.00%	693
33	344	Laboratory Equipment	132	10.00%	13
34	345	Power Operated Equipment	-	5.00%	-
35	346	Communications Equipment	11,818	10.00%	1,182
36	347	Miscellaneous Equipment	695	10.00%	70
37	348	Other Tangible Plant	962,974	10.00%	96,297
38	348.1	Other Tangible Plant - Arsenic Media Costs	120,000	67.00%	80,400
39		TOTALS	$ 25,274,471		$ 885,273
40					
41					
42	Less: Amortization of Contributions		$ 4,314,264	3.5026%	$ (151,113)
43					
44					
45					
46	Total Depreciation Expense				$ 734,160
47					
48	Test Year Depreciation Expense				610,853
49					
50	Increase (decrease) in Depreciation Expense				123,307
51					
52	Adjustment to Revenues and/or Expenses				$ 123,307
53					
54	SUPPORTING SCHEDULE				
55	Rebuttal B-2, page 3		* Fully Depreciated		
56	Rebuttal B-2, page 6.5				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Property Taxes:		
2			
3	Adjusted Revenues in year ended 12/31/08	$	2,215,143
4	Adjusted Revenues in year ended 12/31/08		2,215,143
5	Proposed Revenues		3,518,855
6	Average of three year's of revenue	$	2,649,713
7	Average of three year's of revenue, times 2	$	5,299,427
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		48,652
12			
13	Full Cash Value	$	5,250,774
14	Assessment Ratio		20%
15	Assessed Value		1,050,155
16	Property Tax Rate		11.8522%
17			
18	Property Tax		124,466
19	Plus: Tax on Parcels		0
20			
21	Total Property Tax at Proposed Rates	$	124,466
22	Adjusted Property Taxes		122,230
23	Change in Property Taxes	$	2,236
24			
25			
26	Adjustment to Revenues and/or Expenses	$	2,236
27			
28			
29			
30			
31			
32			
33			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	Rent - Building		
2			
3	Remove Test Year Rent Expense	$	(11,299)
4			
5			
6	Increase(decrease) Rent Expense	$	(11,299)
7			
8	Adjustment to Revenue and/or Expense	$	(11,299)
9			
10			
11			
12			
13	SUPPORTING SCHEDULES		
14	Staff Schedule JMM-14		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	Water Testing Expense		
2			
3			
4	Addtional Water Testing Expense	$	1,632
5			
6			
7			
8	Increase (decrease) in Water Testing Expense	$	1,632
9			
10			
11	Adjustment to Revenue and/or Expense	$	1,632
12			
13	SUPPORTING SCHEDULES		
14	Staff Schedule JMM-13		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Line No.			
1	Remove beverages costs from Outside Services		
2			
3			
4	Bevarages	$	(751)
5			
6			
7			
8	Increase (decrease) in Outside Services	$	(751)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(751)
12			
13	*SUPPORTING SCHEDULES*		
14	Staff Schedule JMM-12		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line No.			
1	Interest Synchronization		
2			
3			
4	Fair Value Rate Base	$ 10,059,443	
5	Weighted Cost of Debt	0.76%	
6	Interest Expense		$ 76,134
7			
8	Test Year Interest Expense		$ -
9			
10	Increase (decrease) in Interest Expense		76,134
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (76,134)
15			
16			
17	Weighted Cost of Debt Computation		

18						
19			Amount	Percent	Cost	Weighted Cost
20	Debt	$	2,816,714	18.02%	4.20%	0.76%
21	Equity	$	12,814,367	81.98%	10.90%	8.94%
22	Total	$	15,631,081	100.00%		9.69%
23						
24						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase	
1	Income Tax Computation			
2				
3				
4				
5				
6				
7	Income Before Taxes	$ 84,308	$ 1,388,020	
8				
9	Less: Per Exemptions		$ 4,200	
10	Std Deduction		$ 9,354	
11	Arizona Income Before Taxes		$ 1,374,466	
12				
13	ARIZONA INCOME TAXES			
14	Less Than 10,000		-	
15	Less Than 25,000		-	
16	Less Than $50,000		-	
17	Less Than $150,000		-	
18	Over $150,000		60,323	
19	Less Arizona Income Tax		$ 60,323	4.35%
20				
21	Arizona Taxable Income		$ 1,314,143	
22				
23	Arizona Income Taxes		$ 60,323	
24				
25	Federal Income Before Taxes		$ 1,388,020	
26				
27	Less Arizona Income Taxes		$ 60,323	
28				
29	Exemptions		$ 7,300	
30	Std Deduction		$ 11,400	
31				
32	Federal Taxable Income		$ 1,308,997	
33				
34	FEDERAL INCOME TAXES:			
35	10% BRACKET		1,670	
36	15% BRACKET		7,680	
37	25% BRACKET		17,288	Federal
38	28% BRACKET		20,664	Effective
39	33% BRACKET		54,153	Tax
40	35% BRACKET		327,617	Rate
41	Federal Income Taxes		$ 429,071	30.91%
42				
43				
44	Total Income Tax		$ 489,394	
45				
46				
47	Effective Federal and State tax rate		35.26%	
48				
49	Adjusted Test Year Income Taxes at proposed rates	$ 29,726		
50				
51	Adjusted income taxes	$ 104,948		
52				
53	Increase (decrease) to Income Taxes	$ (75,223)		
54				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	30.912%
2		
3	State Income Taxes	4.346%
4		
5	Other Taxes and Expenses	0.000%
6		
7		
8	Total Tax Percentage	35.26%
9		
10	Operating Income % = 100% - Tax Percentage	64.74%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.5446
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		Rebuttal A-1
20		

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 1,314,948	$ 2,140,871	$ 825,923	62.81%	65.17%	65.17%
2	3/4 Inch	Residential	197,019	304,098	107,079	54.35%	9.76%	9.26%
3	1 Inch	Residential	34,678	53,840	19,162	55.26%	1.72%	1.64%
4								
5		Subtotal	1,546,644	2,498,808	952,164	61.56%	76.66%	76.06%
6								
7	1 Inch	Commercial	899	1,465	566	62.94%	0.04%	0.04%
8	2 Inch	Commercial	75,830	127,457	51,628	68.08%	3.76%	3.88%
9	3 Inch	Commercial	6,502	10,731	4,228	65.02%	0.32%	0.33%
10								
11		Subtotal	$ 83,231	$ 139,652	$ 56,422	67.79%	4.13%	4.25%
12								
13	1 Inch	Public Authority	$ 761	$ 1,233	$ 472	62.02%	0.04%	0.04%
14	2 Inch	Public Authority	13,833	22,954	9,120	65.93%	0.69%	0.70%
15								
16		Subtotal	14,595	24,187	9,593	65.73%	0.72%	0.74%
17								
18	5/8x3/4 Inch	Irrigation	$ 22,472	$ 39,175	$ 16,703	74.33%	1.11%	1.19%
19	3/4 Inch	Irrigation	4,820	7,787	2,967	61.55%	0.24%	0.24%
20	1 Inch	Irrigation	51,943	86,166	34,224	65.89%	2.57%	2.62%
21	1.5 Inch	Irrigation	22,010	36,842	14,832	67.39%	1.09%	1.12%
22	2 Inch	Irrigation	243,475	411,339	167,864	68.94%	12.07%	12.52%
23	3 Inch	Irrigation	1,175	1,979	804	68.42%	0.06%	0.06%
24								
25		Subtotal	345,895	583,289	237,394	68.63%	17.14%	17.76%
26								
27								
28	3 Inch	Construction	27,266	39,261	11,996	44.00%	1.35%	1.20%
29								
30		Subtotal	27,266	39,261	11,996	44.00%	1.35%	1.20%
31								
32	Total Revenues Before Annualization		$ 2,017,631	$ 3,285,198	$ 1,267,568	62.82%	100.00%	100.00%
33								
34								
35								
36								
37								
38								

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	
			Revenue Annualization						
5	5/8x3/4 Inch	Residential	$ 42,154	$ 69,561	27,406	65.01%	1,553	8,429	C-2, pg 5.1
6	3/4 Inch	Residential	3,740	5,797	2,057	55.01%	105	551	C-2, pg. 5.2
7	1 Inch	Residential	(579)	(912)	(334)	0.00%	(11)	(67)	C-2, pg. 5.3
9		Subtotal	$ 45,315	$ 74,446	$ 29,130	64.28%	1,647	8,913	
11	1 Inch	Commercial	594	976	382	64.24%	9	99	C-2, pg. 5.4
12	2 Inch	Commercial	16,447	27,314	10,867	66.07%	31	4,675	C-2, pg. 5.5
13	3 Inch	Commercial	-	-	-	0.00%	-	-	
15		Subtotal	$ 17,042	$ 28,291	$ 69,510	407.88%	40	4,774	
17	1 Inch	Public Authority	-	-	-	0.00%	-	-	
18	2 Inch	Public Authority	-	-	-	0.00%	-	-	
20		Subtotal	$ -	$ -	$ -	0.00%	-	-	
22	5/8x3/4 Inch	Irrigation	$ 159	$ 279	120	75.64%	-	-	C-2, pg. 5.6
23	3/4 Inch	Irrigation	645	1,070	425	65.88%	14	127	C-2, pg. 5.7
24	1 Inch	Irrigation	2,395	3,895	1,500	62.61%	23	572	C-2, pg. 5.8
25	1.5 Inch	Irrigation	-	-	-	0.00%	-	-	
26	2 Inch	Irrigation	(5,387)	(8,953)	(3,566)	0.00%	(10)	(1,538)	C-2, pg. 5.9
27	3 Inch	Irrigation	2,025	3,537	1,512	74.65%	9	-	
29		Subtotal	(164)	(173)	(10)	0.00%	36	(839)	
32	3 Inch	Construction	(17,530)	(25,176)	(7,647)	0.00%	(42)	(1,795)	C-2, pg. 5.10
34		Subtotal	(17,530)	(25,176)	(7,647)	0.00%	(42)	(1,795)	
37	Total Revenue Annualization		$ 44,664	$ 77,387	$ 90,983	203.71%	$ 1,681	11,053	

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	$ 2,017,631	$ 3,285,198	$ 1,267,568	62.82%	100.00%	100.00%
4	Subtotal Revenue Annualization	44,664	77,387	32,723	73.26%	2.21%	2.36%
5	Total Metered Revenues	$ 2,062,294	$ 3,362,585	$ 1,300,291	63.05%		
6							
7	Misc. Revenues	$ 157,242	$ 157,242	-	0.00%	7.79%	4.79%
8	Reconciling Amount to GL/C-1	(4,394)	(972)	3,422	0.00%	-0.22%	-0.03%
9	Total Water Revenues	$ 2,215,142	$ 3,518,855	$ 1,303,713	58.85%	0.00%	0.00%
10							
11							
12							
13							
14							
15							
16							
17							
18							
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20							
21							
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27							
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29							
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31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

41
42

Sahuarita Water Company
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2008	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	3,913	5,424	$ 27.12	$ 44.78	17.66	65.10%
2	3/4 Inch	Residential	421	6,142	37.69	58.63	20.94	55.55%
3	1 Inch	Residential	52	6,957	54.93	85.96	31.03	56.48%
4								
5		Subtotal	4,386					
6								
7	1 Inch	Commercial	1	8,467	59.08	97.64	38.55	65.25%
8	2 Inch	Commercial	13	128,857	470.16	774.86	304.70	64.81%
9	3 Inch	Commercial	1	116,750	541.86	892.65	350.79	64.74%
10								
11		Subtotal	16					
12								
13	1 Inch	Public Authority	1	9,667	62.38	102.77	40.39	64.74%
14	2 Inch	Public Authority	8	9,958	143.19	239.10	95.92	66.99%
15								
16		Subtotal	9					
17								
18	5/8x3/4 Inch	Irrigation	11	56,939	$ 168.38	$ 294.08	125.69	74.65%
19	3/4 Inch	Irrigation	9	8,236	43.45	72.09	28.64	65.92%
20	1 Inch	Irrigation	40	26,025	107.37	173.35	65.98	61.45%
21	1.5 Inch	Irrigation	9	48,130	203.16	328.79	125.64	61.84%
22	2 Inch	Irrigation	39	147,745	522.10	866.09	343.99	65.89%
23	3 Inch	Irrigation	0	61,667	390.38	656.89	266.51	68.27%
24								
25		Subtotal	108					
26								
27								
28	3 Inch	Construction	6	41,803	413.11	594.87	181.76	44.00%
29								
30		Subtotal	6					
31								
32		Total	4,524					
33								

34 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Sahuarita Water Company
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

Line No.		Meter Size, Class	(a) Average Number of Customers at 12/31/2008	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	3,913	5,000	$ 26.25	$ 42.96	16.71	63.66%
2	3/4 Inch	Residential	421	5,000	35.25	54.49	19.24	54.58%
3	1 Inch	Residential	52	6,000	52.30	82.58	30.28	57.90%
4								
5								
6		Subtotal	4,386					
7								
8	1 Inch	Commercial	1	9,000	60.55	99.92	39.37	65.02%
9	2 Inch	Commercial	13	78,000	330.30	530.32	200.02	60.56%
10	3 Inch	Commercial	1	134,500	590.68	968.62	377.95	63.99%
11								
12		Subtotal	16					
13								
14	1 Inch	Public Authority	1	9,000	59.18	97.78	38.61	65.24%
15	2 Inch	Public Authority	8	13,375	132.30	222.16	89.86	67.92%
16								
17		Subtotal	9					
18								
19	5/8x3/4 Inch	Irrigation	11	5,000	$ 26.25	$ 45.96	19.71	75.09%
20	3/4 Inch	Irrigation	9	3,000	31.15	49.68	18.53	59.49%
21	1 Inch	Irrigation	40	59,000	198.05	332.62	134.57	67.95%
22	1.5 Inch	Irrigation	9	22,500	132.68	219.10	86.43	65.14%
23	2 Inch	Irrigation	39	68,000	302.80	487.52	184.72	61.00%
24	3 Inch	Irrigation	0	9,000	245.55	431.48	185.93	75.72%
25								
26		Subtotal	108					
27								
28								
29	3 Inch	Construction	6	4,500	245.25	414.70	169.45	69.09%
30								
31		Subtotal	6					
32								
33		Total	4,524					
34								

35 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
36

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4Inch	$ 16.00	$ 24.56	$ 8.56	53.50%
2	3/4 Inch	25.00	36.84	11.84	47.36%
3	1 Inch	40.00	61.40	21.40	53.50%
4	1 1/2 Inch	75.00	122.80	47.80	63.73%
5	2 Inch	120.00	196.48	76.48	63.73%
6	3 Inch	225.00	392.96	167.96	74.65%
7	4 Inch	375.00	614.00	239.00	63.73%
8	6 Inch	750.00	1,228.00	478.00	63.73%
9					
10					
11					
12	Gallons In Minimum (All Classes)	-	-		
13					
14			(Per 1,000 gallons)		
15			Present	Proposed	
16	Commodity Rates	Block	Rate	Rate	
17					
18	5/8 Inch (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05		
19		over 6,000 gallons	$ 2.75		
20					
21	5/8 Inch - Residential	0 gallons to 4,000 gallons		$ 3.53	
22		4,001 to 10,000 gallons		$ 4.28	
23		over 10,000 gallons		$ 4.83	
24					
25	5/8 Inch - Commercial/Irrigation	0 gallons to 10,000 gallons		$ 4.28	
26		Over 10,000 gallons		$ 4.83	
27					
28	3/4 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05		
29		Over 6,000 gallons	$ 2.75		
30					
31	3/4 Inch Meter - Residential	1 gallons to 6,000 gallons		$ 3.53	
32		6,001 to 15,000 gallons		$ 4.28	
33		Over 15,000 gallons		$ 4.83	
34					
35	3/4 Inch - Commercial, Irrigation	0 gallons to 15,000 gallons		$ 4.28	
36		Over 15,000 gallons		$ 4.83	
37					
38					
39					
40					
41					
42					
43					
44					

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates	Block	Present Rate (Per 1,000 gallons)	Proposed Rate (Per 1,000 gallons)
5	1 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
6		Over 6,000 gallons	$ 2.75	
8	1 Inch Meter Residential	0 gallons to 10,000 gallons		$ 3.53
9		10,001 to 25,000 gallons		$ 4.28
10		Over 25,000 gallons		$ 4.83
12	1 Inch Meter Commercial/Irrigation	0 gallons to 25,000 gallons		$ 4.28
13		Over 25,000 gallons		$ 4.83
15	1.5 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
16		over 6,000 gallons	$ 2.75	
18	1.5 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 50,000 gallons		$ 4.28
19		over 50,000 gallons		$ 4.83
22	2 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
23		over 6,000 gallons	$ 2.75	
25	2 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 80,000 gallons		$ 4.28
26		over 80,000 gallons		$ 4.83
28	3 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
29		over 6,000 gallons	$ 2.75	
31	3 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 160,000 gallons		$ 4.28
32		over 160,000 gallons		$ 4.83
34	4 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
35		over 6,000 gallons	$ 2.75	
37	4 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 250,000 gallons		$ 4.28
38		over 250,000 gallons		$ 4.83

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Bourassa

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3	**Commodity Rates**	**Block**	**Present Rate**	**Proposed Rate**
4	6 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	[redacted]
5		over 6,000 gallons	$ 2.75	[redacted]
6				
7	6 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 500,000 gallons	[redacted]	$ 4.28
8		over 500,000 gallons	[redacted]	$ 4.83
9				
10				
11				
12	Standpipe (Construction)	All gallons	$ 4.50	$ 4.83
13				
14				
15				
16				
17				
18				
19				
20				
21				
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23				
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Sahuarita Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2008

Exhibit
Rebuttal Schedule H-3
Page 4
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
3	Establishment	$ 25.00	$ 25.00
4	Establishment (After Hours)	$ 40.00	$ 40.00
5	Reconnection (Delinquent)	$ 25.00	$ 25.00
6	Reconnection (Delinquent) - After Hours	NT	$ 40.00
7	NSF Check	$ 15.00	$ 15.00
8	Meter test (If Correct)	$ 25.00	$ 25.00
9	Meter Reread (if Correct)	$ 15.00	$ 15.00
10	Deposit	*	*
11	Deposit Interest**	6%	1%
12	Reestablishment (within 12 months)	***	***
13	Late Payment Penalty	$ 5.00	$5.00 or 1.5% per month
14	Deferred Payment	1.5% per month	1.5% per month
15	Moving Meter at Customer Request	At Cost	At Cost
16	Main Extension & Addnl Facilities	At Cost	At Cost

23 * Per Commission Rule A.A.C. R-14-2-403(B)
24 ** Per Commission Rule A.A.C. R-14-2-403(B)
25 *** Per Commission Rule A.A.C. R14-2-403(D) - Months off the system times the monthly minimum.

29 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
30 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
31 TAX AND INCOME TAX. PER COMMISSION RULE 14-2-409D(5).

Sahuarita Water Company
Test Year Ended December 31, 2008
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 5
Witness: Bourassa

Refundable Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge[1]	Proposed Meter Install-ation Charge[1]	Total Proposed Charge[1]
9	5/8 x 3/4 Inch	[redacted]		NT	$ 445	$ 155	$ 600
10	3/4 Inch			NT	$ 445	$ 255	$ 700
11	1 Inch			NT	$ 495	$ 315	$ 810
12	1 1/2 Inch			NT	$ 550	$ 525	$ 1,075
13	2 Inch - Turbine			$ 998	$ 830	$ 1,045	$ 1,875
14	2 Inch - Compound			$ 1,488	$ 830	$ 1,890	$ 2,720
15	3 Inch - Turbine			$ 1,378	$ 1,045	$ 1,670	$ 2,715
16	3 Inch - Compound			$ 1,928	$ 1,165	$ 2,545	$ 3,710
17	4 Inch - Turbine			$ 2,208	$ 1,490	$ 2,670	$ 4,160
18	4 Inch - Compound			$ 2,823	$ 1,670	$ 3,645	$ 5,315
19	6 inch - Turbine			$ 4,218	$ 2,210	$ 5,025	$ 7,235
20	6 inch - Compound			$ 5,498	$ 2,330	$ 6,920	$ 9,250
21	8 Inch			NT	At Cost	At Cost	At Cost
22	10 Inch			NT	At Cost	At Cost	At Cost
23	12 Inch			NT	At Cost	At Cost	At Cost

Sahuarita Water Company
Test Year Ended December 31, 2008
Hook-Up Fees

Exhibit
Rebuttal Schedule H-3
Page 6
Witness: Bourassa

Line No.		Present Charge	Proposed Charge
1			
2	**Off-site Facilities Hook-up Fee**		
3			
4			
5			
6	5/8 x 3/4 Inch	$ 350	$ 350
7	3/4 Inch	420	420
8	1 Inch	700	700
9	1 1/2 Inch	1,400	1,400
10	2 Inch	2,240	2,240
11	3 Inch	4,200	4,200
12	4 Inch	7,000	7,000
13	6 Inch or larger	14,000	14,000
14			
15			
16			
17			
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Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF SERVICE)
May 17, 2010

SCHEDULES

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Bourassa

Line No.		Totals	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1										
2	Water Revenues	$ 2,017,631	$ 1,314,948	$ 197,019	$ 34,678	$ 899	$ 75,830	$ 6,502	$ 761	$ 13,833
3	Revenue Annualizations	44,664	42,154	3,740	(579)	594	16,447	-	-	-
4	Misc. Revenues[1]	157,242	136,272	14,497	1,719	67	539	34	34	270
5	Reconciliation H-1 to C-1[1]	(4,394)	(3,808)	(405)	(48)	(2)	(15)	(1)	(1)	(8)
6	Total Revenues	$ 2,215,142	$ 1,489,566	$ 214,850	$ 35,770	$ 1,559	$ 92,801	$ 6,535	$ 794	$ 14,095
7										
8	Operating Expenses[2]	$ 1,196,075	$ 894,936	$ 114,940	$ 18,083	$ 675	$ 28,065	$ 2,454	$ 380	$ 6,446
9	Depreciation and									
10	Amortization[2]	734,160	541,545	80,688	14,287	555	17,097	1,826	284	7,415
11	Property Tax[3]	124,466	83,697	12,072	2,010	88	5,214	367	45	792
12	Income Tax[4]	29,726	(29,256)	(305)	6	62	13,507	571	19	(395)
13	Total Operating Expenses	$ 2,084,427	$ 1,490,923	$ 207,395	$ 34,385	$ 1,379	$ 63,884	$ 5,218	$ 727	$ 14,257
14	Operating Income	$ 130,716	$ (1,356)	$ 7,455	$ 1,385	$ 180	$ 28,918	$ 1,317	$ 67	$ (162)
15	Interest Expense[5]	70,308	58,097	8,074	1,374	53	1,468	158	27	642
16	Net Income	$ 60,408	$ (59,453)	$ (619)	$ 12	$ 126	$ 27,449	$ 1,159	$ 39	$ (804)
17										
18			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
19										
20	Water Revenues		$ 22,472	$ 4,820	$ 51,943	$ 22,010	$ 243,475	$ 1,175	$ 27,266	
21	Revenue Annualizations		159	645	2,395	-	(5,387)	2,025	(17,530)	
22	Misc. Revenues[1]		371	337	1,416	303	1,281	34	67	
23	Reconciliation H-1 to C-1[1]		(10)	(9)	(40)	(8)	(36)	(1)	(2)	
24	Total Revenues		$ 22,991	$ 5,793	$ 55,714	$ 22,305	$ 239,333	$ 3,233	$ 9,802	
25										
26	Operating Expenses[2]		$ 7,932	$ 2,795	$ 22,101	$ 8,494	$ 82,427	$ 1,474	$ 4,873	
27	Depreciation and									
28	Amortization[2]		2,295	1,895	12,843	5,142	42,961	1,680	3,647	
29	Property Tax[3]		1,292	326	3,131	1,253	13,448	182	551	
30	Income Tax[4]		3,709	194	5,415	2,292	31,930	(82)	137	
31	Total Operating Expenses		$ 15,228	$ 5,209	$ 43,490	$ 17,181	$ 170,766	$ 3,254	$ 9,208	
32	Operating Income		$ 7,762	$ 584	$ 12,224	$ 5,124	$ 68,567	$ (21)	$ 593	
33	Interest Expense[5]		-	-	-	-	-	-	-	
34	Net Income		$ 7,762	$ 584	$ 12,224	$ 5,124	$ 68,567	$ (21)	$ 593	
35										
36			Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
37										
38										
39	**Rate Base[6]**	$ 10,059,443	$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
40	**Return on Rate Base[7]**	1.30%	-0.02%	0.70%	0.76%	2.54%	14.90%	6.32%	1.85%	-0.19%
41										
42			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
43										
44										
45	**Rate Base[6]**		$ 29,736	$ 25,005	$ 181,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
46	**Return on Rate Base[7]**		26.10%	2.34%	7.59%	8.32%	14.10%	-0.11%	1.42%	
47										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Schedule G-1
Page 2
Witness: Bourassa

Line No.		Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
8	**Percent of Total Customers**	86.66%	9.22%	1.09%	0.04%	0.34%	0.02%	0.02%	0.17%

	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
	0.24%	0.21%	0.90%	0.19%	0.81%	0.02%	0.04%

[1] Allocated based on customer counts.
[2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
[3] Property Taxes allocation based on Revenues
[4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
[5] Interest Synchronized Interest Expense. Allocation based on Rate Base
[6] Rate Base computations are shown on Schedule G-3, Page 1
[7] Operating Income Divided by Rate Base

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Bourassa

Line No.		Totals	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
3	Water Revenues	$ 3,285,198	$ 2,140,871	$ 304,098	$ 53,840	$ 1,465	$ 127,457	$ 10,731	$ 1,233	$ 22,954
4	Revenue Annualizations	77,387	69,561	5,797	(912)	976	27,314	-	-	-
5	Misc. Revenues[1]	157,242	136,272	14,497	1,719	67	539	34	34	270
6	Reconciliation H-1 to C-1[1]	(972)	(842)	(90)	(11)	(0)	(3)	(0)	(0)	(2)
7	Total Revenues	$ 3,518,855	$ 2,345,861	$ 324,302	$ 54,636	$ 2,508	$ 155,308	$ 10,764	$ 1,267	$ 23,222
8										
9	Operating Expenses[2]	$ 1,196,075	$ 894,936	$ 114,940	$ 18,083	$ 675	$ 28,065	$ 2,454	$ 380	$ 6,446
10	Depreciation and									
11	Amortization[2]	734,160	541,545	80,688	14,287	555	17,097	1,826	284	7,415
12	Property Tax[3]	124,466	82,976	11,471	1,933	89	5,493	361	45	821
13	Income Tax[4]	489,394	270,893	38,477	5,685	401	36,381	2,096	187	2,785
14	Total Operating Expenses	$ 2,544,095	$ 1,790,350	$ 245,576	$ 40,987	$ 1,719	$ 87,036	$ 6,757	$ 896	$ 17,467
15	Operating Income	$ 974,760	$ 555,511	$ 78,726	$ 13,649	$ 789	$ 68,271	$ 4,007	$ 371	$ 5,755
16	Interest Expense[5]	76,134	58,097	8,074	1,374	53	1,468	158	27	642
17	Net Income	$ 898,626	$ 497,414	$ 70,652	$ 12,275	$ 736	$ 66,803	$ 3,849	$ 344	$ 5,113
18										
19			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
20	Meter Size->									
21	Water Revenues		$ 39,175	$ 7,787	$ 86,166	$ 36,842	$ 411,339	$ 1,979	$ 39,261	
22	Revenue Annualizations		279	1,070	3,895	-	(8,953)	3,537	(25,176)	
23	Misc. Revenues[1]		371	337	1,416	303	1,281	34	67	
24	Reconciliation H-1 to C-1[1]		(2)	(2)	(9)	(2)	(8)	(0)	(0)	
25	Total Revenues		$ 39,822	$ 9,192	$ 91,468	$ 37,144	$ 403,659	$ 5,550	$ 14,152	
26										
27	Operating Expenses[2]		$ 7,932	$ 2,795	$ 22,101	$ 8,494	$ 82,427	$ 1,474	$ 4,873	
28	Depreciation and		0	0	0	0	0	0	0	
29	Amortization[2]		2,295	1,895	12,843	5,142	42,961	1,680	3,647	
30	Property Tax[3]		1,409	325	3,235	1,314	14,278	196	501	
31	Income Tax[4]		9,859	1,406	18,359	7,661	91,762	724	1,698	
32	Total Operating Expenses		$ 21,495	$ 6,421	$ 56,538	$ 22,611	$ 231,449	$ 4,074	$ 10,719	
33	Operating Income		$ 18,327	$ 2,771	$ 34,930	$ 14,533	$ 172,211	$ 1,475	$ 3,433	
34	Interest Expense[5]		-	-	-	-	-	-	-	
35	Net Income		$ 18,327	$ 2,771	$ 34,930	$ 14,533	$ 172,211	$ 1,475	$ 3,433	
36										
37			Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
38										
39										
40	Rate Base[6]	$ 10,059,443	$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
41	Return on Rate Base[7]	9.69%	7.24%	7.38%	7.52%	11.17%	35.19%	19.22%	10.31%	6.79%
42										
43			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
44										
45										
46			$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
47			61.63%	11.08%	21.68%	23.61%	35.42%	7.65%	8.24%	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Schedule G-2
Page 2
Witness: Bourassa

Line No.		Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
8	**Percent of Total Customers**	86.664%	9.220%	1.093%	0.043%	0.343%	0.021%	0.021%	0.172%

	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
	0.236%	0.214%	0.901%	0.193%	0.815%	0.021%	0.043%

[1] Allocated based on customer counts.
[2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
[3] Property Taxes allocation based on revenues.
[4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
[5] Interest Synchronized Interest Expense. Allocation based on Rate Base
[6] Rate Base computations are shown on Schedule G-3, Page 1
[7] Operating Income Divided by Rate Base

Sahuarita Water Company, LLC
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)										
2	Commodity	$ 533,264	C-1	$ 330,195	$ 40,254	$ 5,619	$ 165	$ 26,898	$ 1,816	$ 150	$ 1,239
3	Demand	5,350,004	D-1	3,890,737	620,862	122,729	4,813	123,210	15,401	2,406	61,605
4	Customer	1,446,271	CS-1	1,253,394	133,340	15,815	620	4,961	310	310	2,481
5	Service	1,929,771	S-1	1,646,632	175,174	23,111	906	12,157	1,067	453	6,079
6	Meter	800,133	M-1	555,300	97,187	14,239	558	26,803	2,256	279	13,401
7	Totals	$ 10,059,443		$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
8											
9				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
10			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
11	Commodity		C-1	$ 9,745	$ 1,132	$ 16,230	$ 6,739	$ 89,264	$ 240	$ 3,577	
12	Demand		D-1	10,588	14,439	101,071	43,316	292,623	15,401	30,802	
13	Customer		CS-1	3,411	3,101	13,024	2,791	11,784	310	620	
14	Service		S-1	4,481	4,074	19,032	4,532	28,874	1,067	2,133	
15	Meter		M-1	1,511	2,260	11,726	4,188	63,657	2,256	4,511	
16				$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
17											
18				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
19				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
20											
21	Net Rate Base	$ 10,059,443		$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
22											
23				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
24				5/8"	3/4"	1"	1.5"	2"	3"	3"	
25											
26				$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
27											
28				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
29				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
30											
31	Allocation %	100.00%		76.31%	10.61%	1.80%	0.07%	1.93%	0.21%	0.04%	0.84%
32											
33				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
34				5/8"	3/4"	1"	1.5"	2"	3"	3"	
35											
36				0.30%	0.25%	1.60%	0.61%	4.83%	0.19%	0.41%	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
	Operation and Maintenance Expense (from Schedule G-6, Page 1)										
1	Commodity	$ 331,371	C-1	$ 205,183	$ 25,014	$ 3,492	$ 102	$ 16,714	$ 1,129	$ 93	$ 770
2	Demand	427,791	D-1	311,107	49,645	9,813	385	9,852	1,231	192	4,926
3	Customer	436,913	CS-1	378,646	40,281	4,778	187	1,499	94	94	749
4	Service	-	S-1	-	-	-	-	-	-	-	-
5	Meter	-	M-1	-	-	-	-	-	-	-	-
6	Totals	$ 1,196,075		$ 894,936	$ 114,940	$ 18,083	$ 675	$ 28,065	$ 2,454	$ 380	$ 6,446
7											
8				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
9			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
10											
11	Commodity		C-1	$ 6,055	$ 703	$ 10,085	$ 4,188	$ 55,469	$ 149	$ 2,223	
12	Demand		D-1	847	1,155	8,082	3,464	23,398	1,231	2,463	
13	Customer		CS-1	1,030	937	3,934	843	3,560	94	187	
14	Service		S-1	-	-	-	-	-	-	-	
15	Meter		M-1	-	-	-	-	-	-	-	
16	Totals			$ 7,932	$ 2,795	$ 22,101	$ 8,494	$ 82,427	$ 1,474	$ 4,873	
17											
18				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
19			Factor	5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
20	Depreciaton Expense on Plant (from Schedule G-6, Page 2)										
21	Commodity	$ 49,506	C-1	$ 30,654	$ 3,737	$ 522	$ 15	$ 2,497	$ 169	$ 14	$ 115
22	Demand	458,871	D-1	333,710	53,252	10,526	413	10,568	1,321	206	5,284
23	Customer	55,651	CS-1	48,229	5,131	609	24	191	12	12	95
24	Service	88,311	S-1	58,289	6,201	818	32	430	38	16	215
25	Meter	101,821	M-1	70,664	12,367	1,812	71	3,411	287	36	1,705
26	Totals	$ 734,160		$ 541,545	$ 80,688	$ 14,287	$ 555	$ 17,097	$ 1,826	$ 284	$ 7,415
27											
28				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
29			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
30											
31	Commodity		C-1	$ 905	$ 105	$ 1,507	$ 626	$ 8,287	$ 22	$ 332	
32	Demand		D-1	908	1,238	8,669	3,715	25,098	1,321	2,642	
33	Customer		CS-1	131	119	501	107	453	12	24	
34	Service		S-1	159	144	674	160	1,022	38	76	
35	Meter		M-1	192	288	1,492	533	8,101	287	574	
36	Totals			$ 2,295	$ 1,895	$ 12,843	$ 5,142	$ 42,961	$ 1,680	$ 3,647	
37											
38				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
39				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
40	Total Expenses (excluding Income Tax and										
41	Property Taxes)	$ 1,930,235		$ 1,436,482	$ 195,628	$ 32,370	$ 1,230	$ 45,162	$ 4,280	$ 663	$ 13,861
42											
43				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
44				5/8"	3/4"	1"	1.5"	2"	3"	3"	
45											
46				$ 2,295	$ 1,895	$ 12,843	$ 5,142	$ 42,961	$ 1,680	$ 3,647	
47											
48	Property Taxes, Allocated on Schedules G-1 & G-2	$ 124,466									
49	Income Tax, Allocated on Schedules G-1 & G-2	489,394									
50	Total Expenses	$ 2,544,095									
51											

Exhibit
Rebuttal Schedule G-4
Page 2
Witness: Bourassa

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Summary of Allocation of Expenses to Customer Classes

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1	Commodity	$ 380,876	C-1	$ 235,837	$ 28,751	$ 4,013	$ 118	$ 19,211	$ 1,297	$ 107	$ 885
2	Demand	886,663	D-1	644,817	102,896	20,340	798	20,420	2,552	399	10,210
3	Customer	492,564	CS-1	428,875	45,412	5,386	211	1,690	106	106	845
4	Service	68,311	S-1	58,289	6,201	818	32	430	38	16	215
5	Meter	101,821	M-1	70,664	12,367	1,812	71	3,411	287	36	1,705
6											
7											
8	Totals	$ 1,930,235		$ 1,438,482	$ 195,628	$ 32,370	$ 1,230	$ 45,162	$ 4,280	$ 663	$ 13,861
9											
10											
11											
12											

Line No.		Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
13	Commodity	C-1	$ 8,960	$ 808	$ 11,592	$ 4,813	$ 63,756	$ 171	$ 2,555
14	Demand	D-1	1,755	2,393	16,751	7,179	48,497	2,552	5,105
15	Customer	CS-1	1,162	1,056	4,436	950	4,013	106	211
16	Service	S-1	159	144	674	160	1,022	38	76
17	Meter	M-1	192	288	1,492	533	8,101	287	574
18									
19	Totals		$ 10,227	$ 4,689	$ 34,944	$ 13,636	$ 125,388	$ 3,154	$ 8,521
20									
21									
22									
23	Total Expenses (excluding Income Tax and								
24	Property Taxes)								
25									
26									
27									
28									
29									
30									
31									
32									
33									
34	Property Taxes, Allocated on Schedules G-1 & G	$ 124,466							
35	Income Tax, Allocated on Schedules G-1 & G-2	489,394							
36	Total Expenses	$ 2,544,095							
37									

	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
	$ 1,438,482	$ 195,628	$ 32,370	$ 1,230	$ 45,162	$ 4,280	$ 663	$ 13,861

	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
	$ 10,227	$ 4,689	$ 34,944	$ 13,636	$ 125,388	$ 3,154	$ 8,521

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Bourassa

Line No.		Adjusted	Demand	Commodity	Customer	Meter	Service
1	**Rate Base**						
2	Plant minus (Accumulated Depreciation	$ 10,059,443	$ 5,350,004	$ 533,264	$ 1,446,271	$ 800,133	$ 1,929,771
3	Contributions in Aid of Construction						
4	Advances in Aid of Construction,						
5	Meter Deposits and Deferred Income Tax)						
6							
7							
8							
9		10,059,443	5,350,004	533,264	1,446,271	800,133	1,929,771
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Plant, Less Contributions and Advances in Aid of
Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Factor	Demand	Commodity	Customer	Meter	Service
1	**Intangible**										
2	301	Organization	$ 7,541		$ 7,541	F-6	$ 7,541	$ -	$ -	$ -	$ -
3	302	Franchises	350,861		350,861	F-6	350,861	-	-		
4											
5	**Subtotal Intangible**		358,402		358,402		358,402	-	-	-	-
6											
7	**Source of Supply & Pumping Plant**										
8	303	Land and Land Rights	$ 13,636		$ 13,636	F-6	$ 13,636	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	171,671	7,678	163,993	F-4	163,993	-	-		
10	305	Collecting and Impounding Res.	-	-	-	F-1	-	-	-		
11	306	Lakes, Rivers, Other Intakes	-	-	-	F-1	-	-	-		
12	307	Wells and Springs	2,343,156	(109,688)	2,452,844	F-1	2,207,559	245,284	-		
13	308	Infiltration Galleries and Tunnels	-	-	-	F-1	-	-	-		
14	309	Supply Mains	-	0	-	F-1	-	-	-		
15	310	Power Generation Equipment	335,668	16,317	319,351	F-1	287,416	31,935	-		
16	311	Electric Pumping Equipment	43,912	9,696	34,216	F-2	30,795	3,422	-		
17	**Subtotal Source of Supply & Pumping Plant**		$ 2,908,043	$ (75,998)	$ 2,984,040		$ 2,703,399	$ 280,641	$ -	$ -	$ -
18											
19	**Water Treatment**										
20	320	Water Treatment Equipment	$ 2,585,217	$ 1,552	$ 2,583,665	F-5	$ 2,325,298	$ 258,366	$ -	$ -	$ -
21	**Subtotal Water Treatment**		$ 2,585,217	$ 1,552	$ 2,583,665		$ 2,325,298	$ 258,366	$ -	$ -	$ -
22											
23	**Transmission and Distribution Plant**										
24	330	Distribution Reservoirs & Standpipe	$ 1,811,998	$ 132,080	$ 1,679,918	F-3	$ 1,511,926	$ 167,992	$ -	$ -	$ -
25	331	Transmission and Distribution Mains	12,140,307	556,993	11,583,314	F-3	10,424,983	1,158,331	-	-	-
26	333	Services	2,051,394	121,623	1,929,771	F-8					1,929,771
27	334	Meters	1,222,335	422,202	800,133	F-9				800,133	
28	335	Hydrants	656,364	11,955	644,409	F-10	-	-	644,409		
29	336	Backflow Prevention Devices	816	102	714	F-1	643	71	-		
30	339	Other Plant and Miscellaneous Equip.	0	(0)	0	F-1	0	0	-		
31	**Subtotal Transmission and Distribution Plant**		$ 17,883,214	$ 1,244,954	$ 16,638,260		$ 11,937,552	$ 1,326,395	$ 644,409	$ 800,133	$ 1,929,771
32											
33	**General Plant**										
34	340	Office Furniture and Fixtures	$ 283,991	$ 40,362	$ 243,629	F-12	$ -	$ -	$ 243,629	$ -	$ -
35	304.1	Computer Equipment	-	-	-	F-12	-	-	-	-	-
36	341	Transportation Equipment	146,129	97,477	48,652	F-11	12,163	-	36,489		
37	342	Stores Equipment	-	-	-	SF-3			-		-
38	343	Tools and Work Equipment	13,856	3,133	10,723	SF-3			10,723		-
39	344	Laboratory Equipment	132	20	112	SF-3			112		
40	345	Power Operated Equipment	-	-	-	SF-3			-		
41	346	Communications Equipment	11,818	2,077	9,741	F-13	2,435	-	7,306		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values		Demand	Commodity	Customer	Meter	Service
									-		
1	**General Plant Continued**										
2	347	Miscellaneous Equipment	695	104	591	SF-3			591		
	348	Other Tangible Plant	962,974	54,602	908,372	F-1			908,372		
3	348.1	Other Tangible Plant	120,000	-	120,000	F-1			120,000		
4	**Subtotal General Plant**		$ 1,539,595	$ 197,774	$ 1,341,821		$ 14,598	$ -	$ 1,327,223	$ -	$ -
5	Total Plant		$ 25,274,471	$ 1,368,282	$ 23,906,188		$ 17,339,250	$ 1,865,402	$ 1,971,632	$ 800,133	$ 1,929,771
6											
7	*Contributions in Aid of Construction, Net*		(4,314,264)	251,796	(4,062,468)	F-1	$ (3,656,221)	$ (406,247)	$ -	$ -	$ -
8	Advances in Aid of Construction		(9,258,917)		(9,258,917)	F-3	(8,333,025)	(925,892)	-	-	-
9	Meter Deposits		-		-					-	
10	Deferred Income Tax		(525,361)		(525,361)	SF-3			(525,361)		
11	Deferred Reg Assets		-		-				-		
12	Unamortized Debt Service Costs		-		-				-		
13	Totals		$ 11,175,928	$ 1,620,079	$ 10,059,443		$ 5,350,004	$ 533,264	$ 1,446,271	$ 800,133	$ 1,929,771
14	Rate Bases (Plant -(AIAC, CIAC, Meter Deposits & Accum. Depr.)				$ 10,059,443		$ 5,350,004	$ 533,264	$ 1,446,271	$ 800,133	$ 1,929,771

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Bourassa

Line No.	Description	Adjusted	Factor	Demand	Commodity	Customer	Meter	Service	Totals
1	Salaries and Wages[1]	$ -	E-1	$ -	$ -	$ -	$ -	$ -	$ -
2	Purchased Water[1]	4,256	E-5		4,256				4,256
3	Purchased Power[1]	147,364	E-4	-	147,364	-	-	-	147,364
4	Fuel For Power Production[1]	-	E-4	-	-	-	-	-	-
5	Chemicals[1]	11,866	E-9	-	11,866	-	-	-	11,866
6	Repairs and Maintenance[1]	75,423	E-1	67,881	7,542	-	-	-	75,423
7	Materials & Supplies	30,131	E-6	27,118	3,013	-			30,131
8	Outside Services[1]	769,852	E-3	307,941	153,970	307,941	-	-	769,852
9	Water Testing[1]	10,382	E-10	9,344	1,038	-	-	-	10,382
10	Rents	1,896	E-11	-	-	1,896	-	-	1,896
11	Transportation Expenses[1]	22,358	E-8	5,590	-	16,769	-	-	22,358
12	Insurance - General Liability	21,111	SE-3	5,278	-	15,833	-	-	21,111
13	Insurance - Health and Life	-	SE-3			-			-
14	Reg. Comm. Exp.	-	SE-3			-			-
15	Reg. Comm. Exp. - Rate Case	75,000	SE-3			75,000			75,000
16	Miscellaneous Expense	14,724	SE-3			14,724			14,724
17	Bad Debt Expense	109	SE-3			109			109
18									-
19	Depreciation Expense[2]	734,160		458,871	49,506	55,651	101,821	68,311	734,160
20	Taxes Other Than Income	11,602		4,641	2,320	4,641	-	-	11,602
21									-
22	Property Taxes, Allocated on Schedules G-1 & G-2	124,466							
23	Income Tax, Allocated on Schedules G-1 & G-2[3]	489,394							
24									
25	Total	$ 2,544,095		$ 886,663	$ 380,876	$ 492,564	$ 101,821	$ 68,311	$ 1,930,235
26									
27									
28	[1] Allocation factors see Schedule G-7, page 2.1.								
29	[2] Depreciation allocation computed on Schedule G-6, Page 2.								
30	[3] Income Taxes shown at proposed rates.								
31									
32									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Depreciation Expense to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Factor	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**Intangible**											
2	301	Organization	$ 7,541		$ -							
3	302	Franchises	350,861		-							
4												
5	**Subtotal Intangible**		$ 358,402		$ -		$ -	$ -	$ -	$ -	$ -	$ -
6												
7		**Source of Supply & Pumping Plant**										
8	303	Land and Land Rights	$ 13,636	0.000%	$ -		$ -	-	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	171,671	3.330%	5,717	F-4	5,717	5,717	-			
10	305	Collecting and Impounding Res.	-	2.500%	-	F-1	-	-	-			
11	306	Lakes, Rivers, Other Intakes	-	2.500%	-	F-1	-	-	-			
12	307	Wells and Springs	2,343,156	3.330%	78,027	F-1	78,027	70,224	7,803			
13	308	Infiltration Galleries and Tunnels	-	6.670%	-	F-1	-	-	-			
14	309	Supply Mains	-	2.000%	-	F-1	-	-	-			
15	310	Power Generation Equipment	335,668	5.000%	16,783	F-1	16,783	15,105	1,678			
16	311	Electric Pumping Equipment	43,912	12.500%	5,489	F-2	5,489	4,940	549			
17	**Subtotal Source of Supply & Pumping Plant**		$ 2,908,043		$ 106,016		$ 106,016	$ 95,986	$ 10,030	$ -	$ -	$ -
18												
19	**Water Treatment**											
20	320	Water Treatment Equipment	2,585,217	3.330%	86,088	F-5	86,088	77,479	8,609	-		
21	**Subtotal Water Treatment**		$ 2,585,217		$ 86,088		$ 86,088	$ 77,479	$ 8,609	$ -	$ -	$ -
22												
23	**Transmission and Distribution Plant**											
24	330	Distribution Reservoirs & Standpipe	$ 1,811,998	2.220%	$ 40,226	F-3	$ 40,226	$ 36,204	$ 4,023	$ -	$ -	$ -
25	331	Transmission and Distribution Mains	12,140,307	2.000%	242,806	F-3	242,806	218,526	24,281			
26	333	Services	2,051,394	3.330%	68,311	F-8	68,311	-	-	-		68,311
27	334	Meters	1,222,335	8.330%	101,821	F-9	101,821	-	-	-	101,821	
28	335	Hydrants	656,364	2.000%	13,127	F-10	13,127	-	-	13,127		
29	336	Backflow Prevention Devices	816	6.670%	54	F-1	54	49	5	-		
30	339	Other Plant and Miscellaneous Equipment	0	6.670%	0	F-1	0	0	0	-		
31	**Subtotal Transmission and Distribution Plant**		$ 17,883,214		$ 466,346		$ 466,346	$ 254,778	$ 28,309	$ 13,127	$ 101,821	$ 68,311
32												
33	**General Plant**											
34	340	Office Furniture and Fixtures	$ 283,991	6.670%	$ 18,942	F-12	$ 18,942	$ -	$ -	$ 18,942		
35	340.1	Computer Equipment*	-	20.000%	-	F-12	-	-	-	-		
36	341	Transportation Equipment	146,129	20.000%	29,226	F-11	29,226	7,306	-	21,919		
37	342	Stores Equipment	-	4.000%	-	SF-3	-			-		
38	343	Tools and Work Equipment	13,856	5.000%	693	SF-3	693			693		
39	344	Laboratory Equipment	132	10.000%	13	SF-3	13			13		
40	345	Power Operated Equipment	-	5.000%	-	SF-3	-			-		
41	346	Communications Equipment	11,818	10.000%	1,182	F-13	1,182	295	-	886		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Depreciation Expense to Functions

Exhibit
Schedule G-6
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciatior Rate	Depreciation Expense	Factor	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**											
2	347	Miscellaneous Equipment	695	10.00%	70	SF-3	70			70		
	348	Other Tangible Plant	962,974	10.00%	96,297	F-1	96,297	86,668	9,630			
3	348.1	Other Tangible Plant	120,000	67.00%	80,400	F-1	80,400	72,360	8,040	-		
4	**Subtotal General Plant**		$ 576,621		$ 226,823		$ 226,823	$ 166,630	$ 17,670	$ 42,523	$ -	$ -
5	**Total Plant**		$ 24,311,497		$ 885,273		$ 885,273	$ 594,873	$ 64,617	$ 55,651	$ 101,821	$ 68,311
6												
7												
8	Less: Amortization of Contributions											
9	Gross Contributions-in-aid of construction		$ (4,314,264)	3.5026%	$ (151,113)	F-1	$ (151,113)	$ (136,002)	$ (15,111)	$ -		
10					-		-	-	-			
11					-		-					-
12					-		-				-	
13					-		-			-		
14	Total Depreciation Expense		(4,314,264)		$ 734,160		$ 734,160	$ 458,871	$ 49,506	$ 55,651	$ 101,821	$ 68,311
15												
16												
17												
18	* Fully Depreciated											
19												

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Commodity - Demand Method Functions Factors

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Bourassa

Line No.	Description	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1										
2	Description	Factor	5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
3	Commodity	C-1	61.920%	7.549%	1.054%	0.031%	5.044%	0.341%	0.028%	0.232%
4	Demand	D-1	72.724%	11.605%	2.294%	0.090%	2.303%	0.288%	0.045%	1.151%
5	Customer	CS-1	86.664%	9.220%	1.093%	0.043%	0.343%	0.021%	0.021%	0.172%
6	Services	S-1	85.328%	9.077%	1.198%	0.047%	0.630%	0.055%	0.023%	0.315%
7	Meters	M-1	69.401%	12.146%	1.780%	0.070%	3.350%	0.282%	0.035%	1.675%
8										
9										

Line No.	Description	Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	Totals
10										
11	Description	Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	Totals
12	Commodity	C-1	1.827%	0.212%	3.043%	1.264%	16.739%	0.045%	0.671%	100.000%
13	Demand	D-1	0.198%	0.270%	1.889%	0.810%	5.470%	0.288%	0.576%	100.000%
14	Customer	CS-1	0.236%	0.214%	0.901%	0.193%	0.815%	0.021%	0.043%	100.000%
15	Services	S-1	0.232%	0.211%	0.986%	0.235%	1.496%	0.055%	0.111%	100.000%
16	Meters	M-1	0.189%	0.282%	1.466%	0.523%	7.956%	0.282%	0.564%	100.000%
17										
18										
19										
20										
21										
22										
23										
24										

25 SUPPORTING SCHEDULES
26 G-7, page 3
27
28

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations Functions

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Bourassa

Line No.	Description	Factor	Total	Demand	Commodity	Customer	Meter	Service
1								
2	Description	Factor	Total	Demand	Commodity	Customer	Meter	Service
3	Wells	F-1	1.00	0.90	0.10			
4	Pumps & Equipment	F-2	1.00	0.90	0.10			
5	Trans. & Dist. Mains	F-3	1.00	0.90	0.10			
6	Structures & Improv.	F-4	1.00	1.00				
7	Water Treatment Equip.	F-5	1.00	0.90	0.10			
8	Land	F-6	1.00	1.00				
9	Customer	F-7	1.00			1.00		
10	Services	F-8	1.00					1.00
11	Meters	F-9	1.00				1.00	
12	Fire Hydrants	F-10	1.00			1.00		
13	Transportation Equip.	F-11	1.00	0.25		0.75		
14	Office Furniture	F-12	1.00			1.00		
15	Communication Equip.	F-13	1.00	0.25		0.75		
16	Specific	SF-1	1.00	1.00				
17	Specific	SF-2	1.00		1.00			
18	Specific	SF-3	1.00			1.00		
19								
20								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Development Of Expense Allocation Factors

Exhibit
Rebuttal Schedule G-7
Page 2.1
Witness: Bourassa

Line No.	Expense Type	Factor	Total	Demand	Commodity	Customer	Meters	Services
1								
2	Salaries and Wages[8]	E-1	1.00	0.40	0.20	0.40		
3	Repairs and Maintenance[1]	E-2	1.00	0.90	0.10			
4	Oustside Services[2]	E-3	1.00	0.40	0.20	0.40		
5	Purchased Power/Fuel for Power Prod.[3]	E-4	1.00		1.00			
6	Purchased Water[4]	E-5	1.00		1.00			
7	Materials and Supplies	E-6	1.00	0.90	0.10			
8	Rents	E-7	1.00			1.00		
9	Transportation[5]	E-8	1.00	0.25	-	0.75		
10	Chemicals[6]	E-9	1.00		1.00			
11	Water Testing[7]	E-10	1.00	0.90	0.10			
12	Specific	SE-1	1.00	1.00				
13	Specific	SE-2	1.00		1.00			
14	Specific	SE-3	1.00			1.00		
15	Specific	SE-4	1.00				1.00	
16	Specific	SE-5	1.00					1.00
17								
18								
19	[1] Estimated based on examination of costs in repairs and maintenance and professional judgement.							
20	[2] Estimated based on examination of costs included in contractual services and professional judgement.							
21	[3] 100% related to pumping and water production.							
22	[4] 100% related to pumping and water production.							
23	[5] Based on allocation of transportation equipment. See G-7, page 2.							
24	[6] 100% related to water production.							
25	[7] Based on allocation of well plant and equipment. See G-7, page 2.							
26	[8] The Company does not have recorded salaries and wages expense. See allocation of contractual services.							
27								
28								
29								
30								
31								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Development of Class Allocation Factors

Exhibit
Rebuttal Schedule G-7
Page 3
Witness: Bourassa

COMMODITY ALLOCATION FACTOR (C-1)

Meter Size	Class	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8 Inch	Res	254,678	61.92%
3/4 Inch	Res	31,048	7.55%
1 Inch	Res	4,334	1.05%
1 Inch	Com	127	0.03%
2 Inch	Com	20,746	5.04%
3 Inch	Com	1,401	0.34%
1 Inch	Public Auth	116	0.03%
2 Inch	Public Auth	956	0.23%
5/8 Inch	Irr	7,516	1.83%
3/4 Inch	Irr	873	0.21%
1 Inch	Irr	12,518	3.043%
1.5 Inch	Irr	5,198	1.264%
2 Inch	Irr	68,849	16.739%
3 Inch	Irr	185	0.045%
3 Inch	Const	2,759	0.671%
Totals		411,304	100.00%

DEMAND ALLOCATION FACTOR (D-1)

Meter Size	Class	Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8 Inch	Res	4,042	1.0	4,042	72.72%
3/4 Inch	Res	430	1.5	645	11.60%
1 Inch	Res	51	2.5	128	2.29%
1 Inch	Com	2	2.5	5	0.09%
2 Inch	Com	16	8.0	128	2.30%
3 Inch	Com	1	16.0	16	0.29%
1 Inch	Public Auth	1	2.5	3	0.04%
2 Inch	Public Auth	8	8.0	64	1.15%
5/8 Inch	Irr	11	1.0	11	0.20%
3/4 Inch	Irr	10	1.5	15	0.27%
1 Inch	Irr	42	2.5	105	1.89%
1.5 Inch	Irr	9	5.0	45	0.81%
2 Inch	Irr	38	8.0	304	5.47%
3 Inch	Irr	1	16.0	16	0.29%
3 Inch	Const	2	16.0	32	0.58%
Totals		4,664		5,558	100.00%

CUSTOMER ALLOCATION FACTOR (CS-1)

Meter Size	Class	Number of Meters	Percent of Total
5/8 Inch	Res	4,042	86.66%
3/4 Inch	Res	430	9.22%
1 Inch	Res	51	1.09%
1 Inch	Com	2	0.04%
2 Inch	Com	16	0.34%
3 Inch	Com	1	0.02%
1 Inch	Public Auth	1	0.02%
2 Inch	Public Auth	8	0.17%
5/8 Inch	Irr	11	0.24%
3/4 Inch	Irr	10	0.21%
1 Inch	Irr	42	0.90%
1.5 Inch	Irr	9	0.19%
2 Inch	Irr	38	0.81%
3 Inch	Irr	1	0.02%
3 Inch	Const	2	0.04%
Totals		4,664	100.00%

SERVICES ALLOCATION FACTOR (S-1) (b)

Meter Size	Class	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8 Inch	Res	4,042	$ 445.00	1,798,690	85.33%
3/4 Inch	Res	430	445.00	191,350	9.08%
1 Inch	Res	51	495.00	25,245	1.20%
1 Inch	Com	2	495.00	990	0.05%
2 Inch	Com	16	830.00	13,280	0.63%
3 Inch	Com	1	1,165.00	1,165	0.06%
1 Inch	Public Auth	1	495.00	495	0.02%
2 Inch	Public Auth	8	830.00	6,640	0.31%
5/8 Inch	Irr	11	445.00	4,895	0.23%
3/4 Inch	Irr	10	445.00	4,450	0.21%
1 Inch	Irr	42	495.00	20,790	0.99%
1.5 Inch	Irr	9	550.00	4,950	0.23%
2 Inch	Irr	38	830.00	31,540	1.50%
3 Inch	Irr	1	1,165.00	1,165	0.06%
3 Inch	Const	2	1,165.00	2,330	0.11%
Totals		4,664		2,107,975	100.00%

METER ALLOCATION FACTOR (M-1) (b)

Meter Size	Class	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8 Inch	Res	4,042	$ 155.00	626,510	69.40%
3/4 Inch	Res	430	255.00	109,650	12.15%
1 Inch	Res	51	315.00	16,065	1.78%
1 Inch	Com	2	315.00	630	0.07%
2 Inch	Com	16	1,890.00	30,240	3.35%
3 Inch	Com	1	2,545.00	2,545	0.28%
1 Inch	Public Auth	1	315.00	315	0.03%
2 Inch	Public Auth	8	1,890.00	15,120	1.67%
5/8 Inch	Irr	11	155.00	1,705	0.19%
3/4 Inch	Irr	10	255.00	2,550	0.28%
1 Inch	Irr	42	315.00	13,230	1.47%
1.5 Inch	Irr	9	525.00	4,725	0.52%
2 Inch	Irr	38	1,890.00	71,820	7.96%
3 Inch	Irr	1	2,545.00	2,545	0.28%
3 Inch	Const	2	2,545.00	5,090	0.56%
Totals		4,664		902,740	100.00%

(a) Includes customer and gallon sold annualization.
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Using Function Costs and Expenses

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Bourassa

Line No.						Customer	Service	Meter
1	Return on Rate Base	9.69%				140,144	77,533	186,995
2	Misc. Revenues					(842)		
3	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)					492,564	68,311	101,821
4	Property Taxes					124,466		
5	Income Taxes					489,394		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)					1,245,725	145,844	288,815
7								
8	**Customer Charge**							
9	Number of Bills =	4,664	times		12	55,968		
10								
11	**Charge per Bill**					$ 22.26		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)							
13								
14	**Service Line and Meter Charge**							
15	Equivalent 5/8 Meters			5,558	times	12	66,696	66,696
16								
17	**Charge per Equivalent Meter**						$ 2.19	$ 4.33
18								
19								
20	**CUSTOMER CHARGE:**							
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)							
22	Charge per Bill						$ 22.26	
23	Charge per Equivalent Service Line						2.19	
24	Charge per Equivalent Meter						4.33	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)							
26	Monthly Minimum for 5/8 Inch Meter, **WITHOUT** Demand Charge Included						$ 28.77	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Demand Charge

Exhibit
Rebuttal Schedule G-8
Page 2
Witness: Bourassa

Line No.	DEMAND CHARGE:		
1			
2	Return on Rate Base	9.69%	518,415
3	Demand Expenses, from Schedule G-6, Page 1		886,663
4			
5	Totals		1,405,078
6	Total Revenue Requirement / Demand Component		
7	Equivalent Number of 5/8 Meters billings		66,516
8	Demand Charge for 5/8 Inch Meter		$ 21.12
9			
10			

Line No.	Demand Charge Per Equivalent	5/8" Demand Charge	Meter Ratio	Demand Charge
11				
12	5/8 Inch Meter	$ 21.12	1.0	$ 21.12
13	3/4 Inch Meter	$ 21.12	1.5	$ 31.69
14	1 Inch Meter	$ 21.12	2.5	$ 52.81
15	1 1/2 Inch Meter	$ 21.12	5.0	$ 105.62
16	2 Inch Meter	$ 21.12	8.0	$ 168.99
17	3 Inch Meter	$ 21.12	16.0	$ 337.98
18	4 Inch Meter	$ 21.12	25.0	$ 528.10
19	6 Inch Meter	$ 21.12	50.0	$ 1,056.20
20				
21				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rebuttal Schedule G-8
Page 3
Witness: Bourassa

Line No.			Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	9.69%	51,673	140,144	186,995	77,533	518,415
2	Less: Miscellaneous Revenues			(157,242)			
3							
4	Expenses (From Sch. G-6. Page 1)		380,876	492,564	68,311	101,821	886,663
5	Property taxes			124,466			
6	Income Taxes			489,394			
7	Total Revenue Requirement by function		432,550	1,089,326	255,306	179,353	1,405,078
8	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)		411,304				
9	Computed Commodity Rate		$ 1.0517				
10	Annualized Number of Bills			55,968			
11	Equivalent Meters and Service Lines				66,696	66,696	66,696
12	Customer Charge (line 18 divided by line 21)			$ 19.46			
13	Meter, Service Line & Demand Charge (Line 18 divided by Line 22)				$ 3.83	$ 2.69	$ 21.07
14	Total Monthly Minimum Charge for a 5/8 Inch Meter (Sum of Customer,						
15	Service Line, Meter and Demand Charge on Lines 23 & Line 24)						$ 47.05
16							
17							

	Monthly Minimum	5/8" Monthly Minimum	Meter Ratio	Demand Charge
19	5/8 Inch Meter	$ 47.05	1.0	$ 47.05
20	3/4 Inch Meter	$ 47.05	1.5	$ 70.57
21	1 Inch Meter	$ 47.05	2.5	$ 117.62
22	1 1/2 Inch Meter	$ 47.05	5.0	$ 235.24
23	2 Inch Meter	$ 47.05	8.0	$ 376.38
24	3 Inch Meter	$ 47.05	16.0	$ 752.76
25	4 Inch Meter	$ 47.05	25.0	$ 1,176.18
26	6 Inch Meter	$ 47.05	50.0	$ 2,352.36
27	8 Inch Meter	$ 47.05	80.0	$ 3,763.78

28
29
30
31

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rebuttal Schedule G-8
Page 4
Witness: Bourassa

Line No.					
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
4		Total		Portion of	
5		Rev. Req.	%	Rev. Req.	
6	Customer, Service, and Meter Costs	$ 1,523,985	45%	$ 685,793	
7	Demand Costs	1,405,078	45%	632,285	
8	Commodity Costs	432,550	100%	432,550	
9	Total Costs to be Collected via Commodity			$ 1,750,628	
10	Gallons Sold			411,304	
11					
12	Commodity Charge (per 1,000 gallons)			$ 4.256	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 3,361,613	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,750,628)	
19	Balance to be Recovered through Monthly Minimum			$ 1,610,985	47.92%
20					
21	Number of Equivalent 5/8 Inch Meter Billings			66,696	
22					
23	Computed Monthly Minimum 5/8 Inch Meter			$ 24.15	
24					
25					
26		5/8"	Meter	Monthly	
27	Meter Size	Minimum	Ratio	Minimum	
28	5/8 Inch Meter	$ 24.15	1.0	$ 24.15	
29	3/4 Inch Meter	$ 24.15	1.5	$ 36.23	
30	1 Inch Meter	$ 24.15	2.5	$ 60.39	
31	1 1/2 Inch Meter	$ 24.15	5.0	$ 120.77	
32	2 Inch Meter	$ 24.15	8.0	$ 193.23	
33	3 Inch Meter	$ 24.15	16.0	$ 386.47	
34	4 Inch Meter	$ 24.15	25.0	$ 603.85	
35	6 Inch Meter	$ 24.15	50.0	$ 1,207.71	
36	8 Inch Meter	$ 24.15	80.0	$ 1,932.33	
37	10 Inch Meter				
38					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 5/8 Inch Residential Meter

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9) (Col. 2 - Col. 8)
		Revenues									Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 24.56	$ -	$ 24.56	$ 21.07	$ 19.46	$ 3.83	$ 2.69	0	$ 47.05	$ (22.49)
2	1,000	24.56	3.53	28.09	21.07	19.46	3.83	2.69	1.052	48.10	(20.01)
3	2,000	24.56	7.06	31.62	21.07	19.46	3.83	2.69	2.103	49.15	(17.53)
4	3,000	24.56	10.59	35.15	21.07	19.46	3.83	2.69	3.155	50.20	(15.05)
5	4,000	24.56	14.12	38.68	21.07	19.46	3.83	2.69	4.207	51.25	(12.57)
6	5,000	24.56	18.40	42.96	21.07	19.46	3.83	2.69	5.258	52.31	(9.35)
7	6,000	24.56	22.68	47.24	21.07	19.46	3.83	2.69	6.310	53.36	(6.12)
8	7,000	24.56	26.96	51.52	21.07	19.46	3.83	2.69	7.362	54.41	(2.89)
9	8,000	24.56	31.24	55.80	21.07	19.46	3.83	2.69	8.413	55.46	0.34
10	9,000	24.56	35.52	60.08	21.07	19.46	3.83	2.69	9.465	56.51	3.57
11	10,000	24.56	39.80	64.36	21.07	19.46	3.83	2.69	10.517	57.56	6.80
12	12,000	24.56	49.46	74.02	21.07	19.46	3.83	2.69	12.620	59.67	14.35
13	14,000	24.56	59.12	83.68	21.07	19.46	3.83	2.69	14.723	61.77	21.91
14	16,000	24.56	68.78	93.34	21.07	19.46	3.83	2.69	16.826	63.87	29.47
15	18,000	24.56	78.44	103.00	21.07	19.46	3.83	2.69	18.930	65.98	37.02
16	20,000	24.56	88.10	112.66	21.07	19.46	3.83	2.69	21.033	68.08	44.58
17	25,000	24.56	112.25	136.81	21.07	19.46	3.83	2.69	26.291	73.34	63.47
18	30,000	24.56	136.40	160.96	21.07	19.46	3.83	2.69	31.550	78.60	82.36
19	35,000	24.56	160.55	185.11	21.07	19.46	3.83	2.69	36.808	83.86	101.25
20	40,000	24.56	184.70	209.26	21.07	19.46	3.83	2.69	42.066	89.11	120.15
21	45,000	24.56	208.85	233.41	21.07	19.46	3.83	2.69	47.324	94.37	139.04
22	50,000	24.56	233.00	257.56	21.07	19.46	3.83	2.69	52.583	99.63	157.93
23	60,000	24.56	281.30	305.86	21.07	19.46	3.83	2.69	63.099	110.15	195.71
24	70,000	24.56	329.60	354.16	21.07	19.46	3.83	2.69	73.616	120.66	233.50
25	80,000	24.56	377.90	402.46	21.07	19.46	3.83	2.69	84.132	131.18	271.28
26	90,000	24.56	426.20	450.76	21.07	19.46	3.83	2.69	94.649	141.70	309.06
27	100,000	24.56	474.50	499.06	21.07	19.46	3.83	2.69	105.165	152.21	346.85

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 3/4 Inch Residential Meter

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues									(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 36.84	$ -	$ 36.84	$ 31.60	$ 29.20	$ 5.74	$ 4.03	0	$ 70.57	$ (33.73)
2	1,000	36.84	3.53	40.37	31.60	29.20	5.74	4.03	1.052	71.62	(31.25)
3	2,000	36.84	7.06	43.90	31.60	29.20	5.74	4.03	2.103	72.67	(28.77)
4	3,000	36.84	10.59	47.43	31.60	29.20	5.74	4.03	3.155	73.73	(26.30)
5	4,000	36.84	14.12	50.96	31.60	29.20	5.74	4.03	4.207	74.78	(23.82)
6	5,000	36.84	17.65	54.49	31.60	29.20	5.74	4.03	5.258	75.83	(21.34)
7	6,000	36.84	21.18	58.02	31.60	29.20	5.74	4.03	6.310	76.88	(18.86)
8	7,000	36.84	25.46	62.30	31.60	29.20	5.74	4.03	7.362	77.93	(15.63)
9	8,000	36.84	29.74	66.58	31.60	29.20	5.74	4.03	8.413	78.98	(12.40)
10	9,000	36.84	34.02	70.86	31.60	29.20	5.74	4.03	9.465	80.04	(9.18)
11	10,000	36.84	38.30	75.14	31.60	29.20	5.74	4.03	10.517	81.09	(5.95)
12	12,000	36.84	46.86	83.70	31.60	29.20	5.74	4.03	12.620	83.19	0.51
13	14,000	36.84	55.42	92.26	31.60	29.20	5.74	4.03	14.723	85.29	6.97
14	16,000	36.84	64.53	101.37	31.60	29.20	5.74	4.03	16.826	87.40	13.97
15	18,000	36.84	74.19	111.03	31.60	29.20	5.74	4.03	18.930	89.50	21.53
16	20,000	36.84	83.85	120.69	31.60	29.20	5.74	4.03	21.033	91.60	29.09
17	25,000	36.84	108.00	144.84	31.60	29.20	5.74	4.03	26.291	96.86	47.98
18	30,000	36.84	132.15	168.99	31.60	29.20	5.74	4.03	31.550	102.12	66.87
19	35,000	36.84	156.30	193.14	31.60	29.20	5.74	4.03	36.808	107.38	85.76
20	40,000	36.84	180.45	217.29	31.60	29.20	5.74	4.03	42.066	112.64	104.65
21	45,000	36.84	204.60	241.44	31.60	29.20	5.74	4.03	47.324	117.90	123.54
22	50,000	36.84	228.75	265.59	31.60	29.20	5.74	4.03	52.583	123.15	142.44
23	60,000	36.84	277.05	313.89	31.60	29.20	5.74	4.03	63.099	133.67	180.22
24	70,000	36.84	325.35	362.19	31.60	29.20	5.74	4.03	73.616	144.19	218.00
25	80,000	36.84	373.65	410.49	31.60	29.20	5.74	4.03	84.132	154.70	255.79
26	90,000	36.84	421.95	458.79	31.60	29.20	5.74	4.03	94.649	165.22	293.57
27	100,000	36.84	470.25	507.09	31.60	29.20	5.74	4.03	105.165	175.74	331.35

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 1 Inch Residential Meter

Exhibit
Rebuttal Schedule G-9
Page 3
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9) (Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
		Revenues									
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 61.40	$ -	$ 61.40	$ 52.67	$ 48.66	$ 9.57	$ 6.72	0	$ 117.62	$ (56.22)
2	1,000	61.40	3.53	64.93	52.67	48.66	9.57	6.72	1.052	118.67	(53.74)
3	2,000	61.40	7.06	68.46	52.67	48.66	9.57	6.72	2.103	119.72	(51.26)
4	3,000	61.40	10.59	71.99	52.67	48.66	9.57	6.72	3.155	120.77	(48.78)
5	4,000	61.40	14.12	75.52	52.67	48.66	9.57	6.72	4.207	121.82	(46.30)
6	5,000	61.40	17.65	79.05	52.67	48.66	9.57	6.72	5.258	122.88	(43.83)
7	6,000	61.40	21.18	82.58	52.67	48.66	9.57	6.72	6.310	123.93	(41.35)
8	7,000	61.40	24.71	86.11	52.67	48.66	9.57	6.72	7.362	124.98	(38.87)
9	8,000	61.40	28.24	89.64	52.67	48.66	9.57	6.72	8.413	126.03	(36.39)
10	9,000	61.40	31.77	93.17	52.67	48.66	9.57	6.72	9.465	127.08	(33.91)
11	10,000	61.40	35.30	96.70	52.67	48.66	9.57	6.72	10.517	128.13	(31.43)
12	12,000	61.40	43.86	105.26	52.67	48.66	9.57	6.72	12.620	130.24	(24.98)
13	14,000	61.40	52.42	113.82	52.67	48.66	9.57	6.72	14.723	132.34	(18.52)
14	16,000	61.40	60.98	122.38	52.67	48.66	9.57	6.72	16.826	134.44	(12.06)
15	18,000	61.40	69.54	130.94	52.67	48.66	9.57	6.72	18.930	136.55	(5.61)
16	20,000	61.40	78.10	139.50	52.67	48.66	9.57	6.72	21.033	138.65	0.85
17	25,000	61.40	99.50	160.90	52.67	48.66	9.57	6.72	26.291	143.91	16.99
18	30,000	61.40	123.65	185.05	52.67	48.66	9.57	6.72	31.550	149.17	35.88
19	35,000	61.40	147.80	209.20	52.67	48.66	9.57	6.72	36.808	154.43	54.77
20	40,000	61.40	171.95	233.35	52.67	48.66	9.57	6.72	42.066	159.68	73.67
21	45,000	61.40	196.10	257.50	52.67	48.66	9.57	6.72	47.324	164.94	92.56
22	50,000	61.40	220.25	281.65	52.67	48.66	9.57	6.72	52.583	170.20	111.45
23	60,000	61.40	268.55	329.95	52.67	48.66	9.57	6.72	63.099	180.72	149.23
24	70,000	61.40	316.85	378.25	52.67	48.66	9.57	6.72	73.616	191.23	187.02
25	80,000	61.40	365.15	426.55	52.67	48.66	9.57	6.72	84.132	201.75	224.80
26	90,000	61.40	413.45	474.85	52.67	48.66	9.57	6.72	94.649	212.27	262.58
27	100,000	61.40	461.75	523.15	52.67	48.66	9.57	6.72	105.165	222.78	300.37

Exhibit A-5
Thomas J. Bourassa

Prepared Rebuttal Testimony on Cost of Capital

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A5
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	)	DOCKET NO. W-03718A-09-0359 PREPARED TESTIMONY

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF SAHUARITA WATER COMPANY

(COST OF CAPITAL)

May 17, 2010

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. I am testifying on behalf of the applicant, Sahuarita Water Company ("SWC" or the "Company").

Q3. ARE YOU THE SAME THOMAS J. BOURASSA THAT FILED DIRECT TESTIMONY IN THIS DOCKET?

A3. Yes, my direct testimony was presented in two volumes. My background information and qualifications are set forth in the rate base and revenue requirement volume of my direct testimony.

Q4. DID YOU ALSO PREPARE REBUTTAL TESTIMONY ON THOSE ISSUES IN THIS DOCKET?

A4. Yes, my rebuttal testimony on rate base, income statement, revenue requirement and rate design is being filed in a separate volume at the same time as this testimony.

II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

A. Summary of Company's Rebuttal Recommendation

Q5. WHAT IS THE PURPOSE OF THIS VOLUME OF YOUR REBUTTAL TESTIMONY?

A5. I will provide updates of my cost of capital analysis and recommended rate of return using more recent financial data. I also will provide rebuttal as appropriate to the direct testimony of Mr. Manrique on behalf of Staff.

Q6. HOW HAS THE INDICATED RETURN ON EQUITY CHANGED SINCE THE DIRECT FILING WAS MADE LAST JUNE?

A6. The cost of equity has decreased, as indicated by the Discounted Cash Flow ("DCF") model and the Capital Asset Pricing Model ("CAPM"). The table below summarizes the results of my updated analysis using those models:

Method	Low	High	Midpoint
Range DCF Constant Growth Estimates	9.1%	10.5%	9.8%
Range of CAPM Estimates	10.4%	14.6%	12.5%
Average of DCF and CAPM midpoint estimates	9.8%	12.6%	11.2%
Financial Risk Adjustment	-0.8%	-0.8%	-0.8%
Specific Company Risk Premium	0.5%	0.5%	0.5%
Indicated Cost of Equity	**9.5%**	**12.3%**	**10.9%**

The schedules containing my updated cost of capital analysis attached to this rebuttal testimony. Also attached is one exhibit, which is discussed below.

Q7. PLEASE SUMMARIZE YOUR RECOMMENDED REBUTTAL COST OF DEBT AND EQUITY, AND YOUR RECOMMENDED REBUTTAL RATE OF RETURN ON RATE BASE.

A7. The Company's recommended capital structure consists of 18 percent debt and 82 percent common equity as shown on Rebuttal Schedule D-1. Based on my updated cost of capital analysis, I am recommending a cost of equity of 10.9 percent. Based on my 10.9 percent recommended cost of equity and 4.2 percent cost of debt, the Company's weighted cost of capital ("WACC") is 9.69 percent, as shown on Rebuttal Schedule D-1.

Q8. WHY IS YOUR COST OF EQUITY RECOMMENDATION LOWER IN

YOU REBUTTAL THAN IN YOUR DIRECT TESTIMONY?

A8. When I prepared my direct testimony in June 2009, the economy was still in the midst of a severe recession and a crisis was occurring in the financial markets. The Dow Jones average had fallen by 38 percent and the S&P 500 dropped by 40 percent in just a couple of months. During this period, there was a "flight to quality" that led to an increase in the traditional spread between required returns on Treasury securities and other assets as investors turned away from common stocks and corporate bonds in favor of treasuries. During the past ten months, both the economy and the financial markets have improved.

Economists now believe the recession ended in the summer of 2009. The current outlook for the economy has improved. For 2010 the economy is expected to grow at a 3.0 – 3.5 percent rate.[1] However, economists continue to express concerns over the high unemployment rate, the federal deficits, and the looming debt crisis in Europe which may dampen the economic outlook.[2] But, at this point, inflation seems to be in check and the Federal Reserve is expected to keep interest rates low though the end of the year.

Q9. WHAT HAS BEEN THE EFFECT OF THESE CONDITIONS ON YOUR RECOMMENDED COST OF EQUITY?

A9. As stated, my updated analysis indicates cost of equity is 10.9 percent, which is 110 basis points lower than the 12.0 percent cost of equity I proposed for SWC in my direct testimony. There are two primary reasons for the reduction in the cost of equity. First, there is a reduction in the current market risk premium in the CAPM estimate. Second, my growth estimates for the DCF are much lower. Previously,

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[1] *Value Line* Selection and Opinion, May 14, 2010.

[2] Blue Chip Financial Forecasts, May 2010.

my cost of equity estimates based on the DCF model and the CAPM ranged from 10.0 percent to 15.8 percent with a mid-point of 12.9 percent after adjustments for financial risk and firm-specific risks.

B. Summary of the Staff Recommendation.

Q10. PLEASE SUMMARIZE THE RECOMMENDATION OF STAFF FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.

A10. Staff is recommending a capital structure consisting of 17.8 percent debt and 81.2 percent equity.[3] Staff determined a cost of equity of 10.1 percent based on the average cost of equity produced by its DCF and CAPM models.[4] Staff also determined the cost of debt to be 4.2 percent.[5] Based on its 17.8 percent debt and 81.2 percent equity capital structure, Staff determined the WACC for SWC to be 9.0 percent.[6]

Q11. PLEASE SUMMARIZE THE PARTIES RESPECTIVE COST OF EQUITY ESTIMATES.

Party	DCF	CAPM	Average
SWC	9.8%	12.6%	10.9%
Staff	9.9%	10.2%	10.1%

Q12. IT APPEARS THAT THE DIFFERENCE IN THE RETURN ON EQUITY IS ABOUT 80 BASIS POINTS. PLEASE COMMENT.

A12. While the difference between the returns on equity has narrowed to only 80 basis

[3] *See* Direct Testimony of Juan C. Manrique ("Manrique Dt.") at 33.

[4] *Id.*

[5] *Id.*

[6] *Id.*

points, there is an important distinction between the parties with respect to the recommendation on earnings for SWC. Both the Company's and Staff's respective recommended return is an after-tax return. However, Staff recommends before tax operating income whereas the Company recommends an after-tax operating income. In other words, Staff is mixing apples and oranges when it comes to SWC's rate of return and earnings.

Q12. CAN YOU ELABORATE?

A12. Yes. The data from the public markets for the publicly traded water utilities used by Staff in its cost of capital analysis is reported on an after-tax basis. Earnings, for example, are reported after-tax and dividends are paid from after-tax earnings. The return determined by Staff is therefore an after-tax return. The comparison of the public traded water utilities to SWC is only meaningful when SWC's earnings are determined on an after-tax basis.

Q13. WHY?

A13. After-tax earnings more appropriately reflect the amount that is available to the stockholders for dividends. When income taxes are disallowed the amount of cash flows available for dividends is substantially reduced or may even be insufficient. Two utilities whose only difference is in the recovery of income taxes will have neither the same net cash flow nor the same value.

Let me illustrate. Assume two utilities (Utility 1 and Utility 2) are allowed an 8 percent return on a $1,000 rate base. Both utilities have $10 in operating expenses and $10 in depreciation and both utilities are allowed to earn $80 (8.0% times $1,000). The revenue requirement for Utility 1 is $100 without recognition of the income taxes. Utility 2's revenue requirement is $132 with the recognition of income taxes. The income statement for Utility 1 and Utility 2 are shown below:

	Utility 1 (Non-tax paying)	Utility 2 (Tax paying)
Rate Base	$ 1,000	$ 1,000
Income Statement		
Revenues	$ 100	$ 132
Operating Expenses	10	10
Depreciation	10	10
Income Taxes (assume 40% tax rate)	-	32
Net Income	$ 80	$ 80
Return on Rate Base	8.0%	8.0%

As shown, each utility receives the same 8.0 percent return or $80. However, from a cash flow standpoint, the results are very different. Utility 1 will have a cash flow available for dividends that is far less than Utility 2. The cash flow statement for Utility 1 and Utility 2 are shown below:

	Utility 1 (Non-tax paying)	Utility 2 (Tax paying)
Cash Flow		
Net Income	$ 80	$ 80
Depreciation	10	10
Tax Reimbursement to Shareholder	(32)	-
Net Cash Flow Available for Dividends	$ 58	$ 90

As shown, Utility 1 has $32 less cash available for dividends than Utility 2 ($90 minus $58). Assuming an 80 percent payout ratio, each utility will need to pay out $64 in dividends. This is illustrated below:

	Utility 1 (Non-tax paying)	Utility 2 (Tax paying)
Payout ratio for dividends	80%	80%
Dividends	$ 64	$ 64
Net Cash	$ (6)	$ 26

As shown, Utility 1 will not have enough cash flow to pay the same dividends as Utility 2. In fact it will be short by $6. On the other hand, Utility 2 will have $26 left to reinvest. In order for Utility 1 to have the same net cash flow after paying dividends as Utility 2, Utility 1 would need to lower its dividend rate and the amount of dividends it pays.

Q.14 WHAT WOULD HAPPEN IF UTILITY 1 LOWERED ITS DIVIDEND RATE TO A POINT WHERE IT WOULD HAVE THE SAME NET CASH AS UTILITY 2 AFTER PAYING DIVIDENDS?

A14. The investment value must go down. To show why this has to be the case, let's start by assuming that the investor purchased stock for $1,000 ($P_0$) – which happens to be the rate base investment value for each utility in the example above. Also continue to assume, as in the above example, the investor expects an 8.0 percent return (k) on his/her investment. The expected dividend yield (D_1/P_0) is 6.4 percent ($64/$1,000). The expected growth rate in dividends is 1.6 percent. We can find the growth rate (g) by solving the constant growth DCF model

Equation [1] $k = D_1/P_0 + g$

for the growth rate (g). In doing so we get

Equation [2] $g = k - D_1/P_0$

Inputting the expected return (k) of 8.0 percent and expected dividend yield (D_1/P_0) of 6.4 percent into Equation 2 and doing the math we get

$g = 8.0\% - 6.4\%$

or

$g = 1.6\%$

When Utility 1 reduces its dividend to $32 ($6 plus $26) - which it must do if it is to have the same net cash of $26 available to reinvest as Utility 2 - then the expected dividend yield (D_1/P_0) becomes 3.2 percent ($32/$1,000). Remember, the investor's expected return is 8.0 percent, so according to the constant growth DCF model (Equation 1 above) the return drops to 3.8 percent as shown below

$k = 3.2\% + 1.6\% = 4.8\%$

If the investor's required return is 8.0 percent, the investment value (P_0) must drop from $1,000 to $500 in order for the investor to earn his required return. We can show this by first solving Equation 1 for the investment value (P_0). In doing so we get

Equation [3] $P_0 = D_1/(k-g)$

Inputting the expected dividend (D_1) of $32, the expected return (k) of 8.0 percent, and the growth rate (g) of 1.6 percent into Equation 3 and doing the math we get

$P_0 = \$32/(8.0\% - 1.6\%)$

or

$P_0 = \$500$

Thus, the value of an investment in Utility 1 drops to $500 while the value of an investment in Utility 2 remains at $1,000 even though both utilities have the same rate base and rate of return.

Q15. BUT WHAT IF UTILITY 1 DOES NOT REIMBURSE THE INVESTOR FOR INCOME TAXES; DOESN'T UTILITY 1 END UP WITH THE SAME NET CASH FLOW AFTER PAYING DIVIDENDS AS UTILITY 2?

A15. Yes. But the investor still ends up with a 3.2 percent dividend yield and a loss of investment value from $1,000 to $500. This is because the investor must pay the

taxes of $32 from the $64 of dividends he/she receives which nets him/her only $32. The effective dividend yield is 3.2 percent ($32/$1000). Just as in the above example, if the investor's required return is 8.0 percent, the investment value (P_0) must drop from $1,000 to $500 in order for the investor to earn his required return.

Q16. BUT A TAX PASS-THROUGH ENTITY DOES NOT PAY INCOME TAXES SO AREN'T ITS EARNINGS AFTER-TAX ANYWAY?

A16. No. Let me explain. Tax pass-through entities do not pay taxes directly, but in reality they do pay taxes by reimbursing investors. The distinction between a tax paying entity and a tax pass-through entity with respect to income taxes is form over substance. One would think that since a tax pass-through entity does not pay income taxes directly that the cash flows available to investors increase thereby making the entity more valuable. This is not true.

The income from the tax pass-through entity is attributed to the investor(s) who must report that income on their tax return. That income is subject to tax. If it were not, then we have just discovered a whole new source of revenue for the IRS and we can substantially reduce the federal budget deficits. Putting that aside, the payment of incomes taxes must come from somewhere and that somewhere is the entity that generates the tax liability to the investor. If the investor does not get reimbursed from the non-tax paying entity for income taxes, he/she effectively receives a negative return on his/her investment. For an investor to expect a negative return on his/her investment or to expect the value of his investment to decrease is not rational.

Q17. CAN YOU EXPLAIN IN MORE DETAIL HOW INCOME FROM SWC OR ANY NON-TAX PAYING ENTITY IS REPORTED TO THE IRS?

A17. Company witness, Mr. David Cutler explains how the income from SWC is passed to its member owners and how that income is subject to tax. I will leave it to him

to explain.

Q18. WHAT IF THE INVESTOR IN A TAX PASS-THROUGH ENTITY HAS TAXABLE INCOME OR TAX DEDUCTIONS FROM OTHER SOURCES THAT IMPACT THE AMOUNT ACTUAL TAXES HE/SHE PAYS IN A GIVEN YEAR?

A18. To consider the individual investor's other taxable income and tax deductions in how much income tax should be recovered by SWC or any other tax pass-through utility would result in cross-subsidization of the investor and rate payers which should not be countenanced by this Commission. This is why income taxes for tax-paying utilities (C-Corporations) are computed on a stand-alone basis even when they are owned by and file consolidated tax returns with a parent entity. It should be no different for tax pass-through utilities (S-Corporations or Limited Liability Companies).

Q19. PUTTING ASIDE THE INCONSISTENCY IN PRE-TAX VERSUS AFTER-TAX RETURN DISCUSSION ABOVE, HOW DO THE PARTIES' RECOMMENDATIONS COMPARE TO OTHER FORECASTS OF COMMON EQUITY RETURNS?

A19. Value Line, a reputable publication that has been used by all of the parties' cost of capital witnesses, publishes forecasts of returns on common equity for larger publicly traded companies. These water utilities are included in my sample group and in Staff's sample group. Value Line (April 23, 2010) projects the following returns on equity for those utilities:

American States Water	10.5%
Aqua America	14.0%
California Water	11.0%
Average	11.8%

All of these utilities are significantly larger than SWC. AUS Utility Reports (May 2010) reports the following information for these utilities (in millions of dollars):

	Net Plant	Revenue
American States Water	$ 962.1	$361.0
Aqua America	$2,790.5	$670.5
California Water	$1079.9	$449.4
Average	$1,610.8 million	$493.6million

Moreover, these utilities operate in jurisdictions such as California and Pennsylvania that use projected or partially projected test years, and authorize surcharges and other cost recovery mechanisms which allow the recovery of increases in costs outside a general rate case. Therefore, they are less risky than SWC. These data provide an unbiased indication that the Staff recommendation for SWC is too low and should not be adopted by the Commission.

III. REBUTTAL TO STAFF'S COST OF CAPITAL ANALYSIS, TESTIMONY AND RECOMMENDATIONS

A. Rebuttal to Staff's Criticisms of Analysts' Estimates of Growth

Q20. MR. MANRIQUE CRITICIZES YOU FOR GIVING MORE WEIGHT TO ANALYSTS' ESTIMATES THAN TO HISTORICAL GROWTH RATES. HOW DO YOU RESPOND?

A20. First, it is important to note that Mr. Manrique does not reject analyst estimates of growth; he just disagrees with the amount of weight I gave these estimates.[7] Staff gives 50 percent weight to analysts' estimates and 50 percent weight to historical growth data. So the dispute between Mr. Manrique and me comes down to something between 50 percent and my "greater" emphasis. In my direct testimony

[7] Manrique Dt. at 38.

I explained why a weight greater than 50 percent should be given to analysts' estimates.[8]

Q21. WHAT ABOUT MR. MANRIQUE'S ASSERTION THAT ANALYSTS' ESTIMATES ARE "OVERLY OPTIMISTIC"?

A21. I refer back to my direct testimony at page 30. Gordon, Gordon, and Gould conducted a study and found analyst forecasts of growth outperformed three measures of historical growth. They explain that this result should be expected because analysts would consider historical data in making future projections. Now, Mr. Manrique characterizes the study as merely an "article" that "describes more generally the methods exclusively using analysts' forecasts are 'popular and attractive models', but the article does not support the conclusion that these forecasts should be used alone."[9] The authors' own words undermine Mr. Manrique's characterization. In their own formal study, the authors concluded:

> We have compared the accuracy of four methods for estimating the growth component of the discounted cash flow yield on a share: past growth in earnings (KEGR), past growth in dividends (KDGR), past retention growth rate (KBRG), and forecasts of growth by security analysts (KFRG). ... For our sample of utility shares, KFRG performed well, with KBRG, KDGR, and KEGR following in that order, and with KEGR a distant fourth....
>
> Before closing, we have three observations to make. First, the superior performance by KFRG should come as no surprise. All four estimates of growth rely upon past data, but in the case of KFRG a larger body of past data is used, filtered through a group of security analysts who adjust for abnormalities that are not considered relevant for future growth....[10]

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[8] *See* Direct Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Dt.") at 29-32.

[9] Manrique Dt. at 37.

[10] David A. Gordon, Myron J. Gordon and Lawrence I. Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55.

As I have testified, to the extent that past results provide useful indications of future growth prospects, analysts' forecasts of growth would already incorporate that information.[11] In addition, a stock's current price already reflects known historic information on that company, including its past dividend and earnings history.[12] If investors rely on analysts' growth rate forecasts, those are the relevant forecasts for determining equity costs.

In summary, Mr. Manrique offers no quantitative or conceptual argument to rebut Gordon, Gordon, and Gould, and offers no evidence that any of the measures of past growth he has used – historical EPS, historical DPS, historical sustainable growth – provides better a forecast of future growth for utilities than analysts' estimates of growth. Mr. Manrique is using Staff's inputs into the DCF model mechanically without considering the reasons for using those inputs. Unfortunately, Staff's inputs gives less weight to the best estimate of future growth in order to drive down the cost of equity.

Q22. DOESN'T MR. MANRIQUE'S TESTIMONY ON PAGE 37 REFERENCING PROFESSOR GORDON'S REMARKS AT THE 30TH ANNUAL FORUM OF THE SOCIETY OF UTILITY AND REGULATORY FINANCIAL ANALYSTS CONTRADICT WHAT THE AUTHORS HAVE CONCLUDED?

A22. No. In the quoted remarks, Professor Gordon does not say anything about past growth rates. There is no guidance on which past growth rates (EPS, DPS, or book value) should be used, if any, or what weight past growth rates should be given

[11] Bourassa COC Dt. at 30.

[12] *Id.*

when estimating the growth rate in the DCF model. That is the issue. Mr. Manrique agrees that "Professor Gordon would temper the typically higher analysts' growth rates with the typically lower GNP growth rate."[13] I am sure Mr. Manrique would also agree that I have tempered my estimate by considering past growth rates that are well below the long-term GNP (or GDP) growth rate.[14]

Q23. DOES MR. MANRIQUE STATE THAT INVESTORS RELY ON ANALYST ESTIMATES?

A23. Yes.[15] He also states that investors rely "to some extent on past growth as well."[16] That is true, but he does not demonstrate the extent to which investors rely on past growth rates – he simply states that they are considered. Again, if analysts' estimates already consider past growth, then Staff vastly overstates the impact of past growth rates in its DCF model. It is, basically, a type of "double-counting" that produces extremely low results.

Q24. DO YOU HAVE FURTHER REBUTTAL TO MR. MANRIQUE'S "OVERLY OPTIMISTIC" TESTIMONY?

A24. Yes. For my second specific response to the assertion that analysts' estimates are "overly optimistic," I point to Value Line. Value Line is in the business of selling information to investors, and all of the parties have relied on Value Line in their cost of equity estimates. Value Line has every incentive to provide accurate forecasts to encourage investors to continue to subscribe to its publications. Value Line does not sell stock and has no incentive to bias upward its buy/sell

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[13] Manrique Dt. at 38.

[14] *See* Rebuttal Schedule D.4-4, column 5. The average of historical growth rates is 5.68%. The long-term GDP growth rate is 6.6% as shown on Staff's Schedule JCM-9.

[15] Manrique at 38.

[16] *Id.*

recommendations and estimates of future growth. Zacks and Morningstar provide similar investment services. Neither markets stock – they sell information, which won't be purchased if it is inaccurate or biased. Yahoo Finance is a free service, but it does not earn commissions from the sales of stock. In sum, Mr. Manrique's testimony is simply wrong. None of these services has any reason to provide inaccurate information to its users.

Q25. DO YOU HAVE ANY FURTHER COMMENTS ON THE TOPIC OF STAFF'S DCF GROWTH ESTIMATES, MR. BOURASSA?

A25. Yes. I am attaching a copy of document filed with the public utilities commission in a 2005 California rate case to this volume of my rebuttal testimony.[17] This document was prepared by Mr. Gary Hayes, a witness for San Diego and Electric Company. It lists a number of sources that further contradict Mr. Manrique's claim that analysts typically make upwardly biased forecasts of growth.

Additionally, to further support the use of analyst forecasts of growth, Dr. Morin states:

> Because of the dominance of institutional investors and their influence on individual investors, analysts' forecasts of long-run growth rates provide a sound basis for estimating required returns. Financial analysts exert a strong influence on the expectations of many investors who do not possess the resources to make their own forecasts, that is, they are a cause of g. *The accuracy of these forecasts in the sense of whether they turn out to be correct is not at issue here, as long as they reflect widely held expectations.* As long as the forecasts are typical and/or influential in that they are consistent with current stock price levels, they are relevant. The use of analysts' forecasts in the DCF model is sometimes denounced on the grounds that it is difficult to forecast earnings and dividends for only one year, let alone for longer time periods. *This objection is unfounded, however, because it is present investor expectations that are being priced; it is the consensus forecast that is embedded in price and therefore in required*

[17] Exhibit TJB-COC-RB1

return, and not the future as it will turn out to be. [18]

Dr. Myron Gordon, the same Professor Gordon Mr. Manrique quotes in his testimony and the "father" of the standard regulatory version of the DCF model utilized by Mr. Manrique and myself in the instant case, has also recognized the significance of analysts' forecasts of growth in EPS in a speech he gave in March 1990 before the Institute for Quantitative Research and Finance. He said:

> We have seen that earnings and growth estimates by security analysts were found by Malkiel and Cragg to be superior to data obtained from financial statements for the explanation of variation in price among common stocks. ... Estimates by security analysts available from sources such as IBES are far superior to the data available to Malkiel and Cragg. Eq (7) is not as elegant as Eq (4), but it has a good deal more intuitive appeal. It says that investors buy earnings, but what they will pay for a dollar of earnings increases with the extent to which the earnings are reflected in the dividend or in appreciation through growth.[19]

Professor Gordon recognized that total return is largely affected by the terminal price, which is mostly affected by earnings (hence the common use of price/earnings multiples in evaluating stock prices).

As noted by Dr. Gordon, studies performed by Cragg and Malkiel demonstrate that analysts' forecasts are superior to historical growth rate extrapolations. These studies show that:

> Efficient market hypotheses suggest that valuation should reflect the information available to investors. Insofar as analysts' forecasts are more precise than other types we should therefore expect their differences from other measures to be reflected in the market. It is therefore noteworthy that our regression results do support the

[18] Roger A. Morin. *New Regulatory Finance* (2006) 298 (emphasis added).

[19] Gordon, Myron J., "Pricing of Common Stocks", Seminar (March 27, 1990) at 12-13.

> hypothesis that analysts' forecasts are needed even when calculated growth rates are available. As we noted when we described the data, *security analysts do not use simple mechanical methods to obtain their evaluations of companies.* The growth-rate figures we obtained were distilled from careful examination of all aspects of the companies' records, evaluation of contingencies to which they might be subject, and whatever information about their prospects the analysts could glean from the companies themselves from other sources. *It is therefore notable that the results of their efforts are found to be so much more relevant to the valuation than the various simpler and more "objective" alternatives that we tried.*[20]

Vander Weide and Carleton further note:

> [O]ur studies affirm the superiority of analyst's forecasts over simple historical growth extrapolations in the stock price formation process. Indirectly, this finding lends support to the use of valuation models whose input includes expected growth rates.[21]

Q26. THAT'S A LOT OF EXPERT COMMENTARY, BUT WHAT DOES IT ALL MEAN IN THIS CASE?

A26. It means that the level of accuracy of analysts' forecasts is an after-the-fact evaluation with little relevance to the issues at hand here. What really matters is that analysts' forecasts strongly influence investors and hence the market prices they are willing to pay for stocks. Therefore, they should play a prominent role in a proper equity cost determination. Staff, however, has failed to give these forecasts sufficient weight in its analysis. Even Mr. Dreman, who Mr. Manrique relies on[22], admits that:

> We have also seen that in spite of high error rates being

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[20] John G. Cragg and Burton G. Malkiel, "Expectations and the Structure of Share Prices" *National Bureau of Economic Research* (University of Chicago Press, 1982) Chapter 4.

[21] James H. Vander Weide and Willard T. Carleton, "Investor Growth Expectations: Analysts vs. History" (*The Journal of Portfolio Management*, Spring 1988) 78-82.

[22] Manrique Dt. at 35-36.

> recognized for decades, neither analysts nor investors who religiously depend on them have altered their methods in any way.[23]

This is my point. If investors rely on analysts' growth rate forecasts, those forecasts should be used to determine the cost of equity, proportionate to investor reliance, not in a manner that depresses the import of that reliance. Analysts' growth rates influence the prices investors will pay for stocks and thus impact the dividend yields. The dividend yields change until the sum of the dividend yield plus the growth rate equals investors' perceived cost of equity. Had the growth forecasts been lower – as Mr. Manrique suggests they should be – the stock prices would be lower and dividend yields would be higher, but there would not necessarily be any difference in the ultimate estimate of the cost of equity.

Q27. HOW DO YOU RESPOND TO MR. MANRIQUE'S REFERENCE TO PROFESSOR JEREMY SIEGEL?

A27. Mr. Manrique's reliance on the quote from Jeremy Siegel that "dividends and not earnings are meaningful" is puzzling.[24] The DCF model assumes, among other things, that a firm will have a stable dividend payout policy and a stable return on the book value of its stock. Thus, it is assumed that the stock's price, its book value, dividends paid, and earnings all grow at the same rate. While it is appropriate to make such assumptions for forecasting purposes, these assumptions are frequently violated when examining historical data. As it turns out, the historical growth in the stock price, book value, dividends, and earnings for the water utility industry has not been the same.[25] Estimates of long-term growth rates

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[23] David Dreman, *Contrarian Investment Strategies: The Next Generation* 115-116 (Simon & Schuster 1998).

[24] Manrique Dt. at 38-39.

[25] *See* Rebuttal Schedule D.4-3 and Rebuttal Schedule D.4-4.

should take this into account. Furthermore, I have not used earnings in my DCF model; I used earnings growth as a proxy for growth. Earnings generate the funds used to pay dividends. Growth in earnings provides more cash flows from which dividends are paid. As a consequence, earnings growth is obviously extremely important to investors, and is therefore an entirely appropriate proxy for growth in the DCF model.

Of course, I'd also note that I don't disagree with Professor Siegel that the price of a stock is always equal to the present value of all future cash flows. I am sure Professor Siegel would agree that future cash flows would not only include dividends but the future sales price of the stock. I would also add that an investment in the stock of a publicly traded utility is much more liquid than an investment in SWC. If investors are unhappy with the return provided by a publicly traded stock they can sell the stock within minutes. On the contrary, an investment in SWC does not provide the same level of liquidity. This lack of liquidity creates additional investment risk.

Q28. DO YOU HAVE ANY FURTHER RESPONSE TO MR. MANRIQUE REGARDING THE ISSUE OF USING ANALYSTS' FORECASTS AND THE APPROPRIATE WEIGHT THEY SHOULD BE GIVEN?

A28. Yes, I have one more comment. I find Mr. Manrique's reliance on a quotation from Dr. Burton G. Malkiel is somewhat confusing. Dr. Malkiel is the Chemical Bank Chairman's Professor of Economics at Princeton University and author of the widely read national bestseller book on investing entitled, "A Random Walk Down Wall Street." Mr. Manrique quotes Dr. Malkiel's apparent criticism of analysts' estimates. Yet, in November 2002, Professor Malkiel affirmed his belief in the superiority of analysts' earnings forecasts when he testified before the South Carolina PUC:

> With all the publicity given to tainted analysts' forecasts and investigations instituted by the New York Attorney General, the National Association of Securities Dealers, and the Securities & Exchange Commission, I believe the upward bias that existed in the late 1990s has indeed diminished. In summary, I believe that current analysts' forecasts are more reliable than they were during the late 1990s. *Therefore, analysts' forecasts remain the proper tool to use in performing a Gordon Model DCF analysis.*[26]

I believe that Dr. Malkiel's testimony should eliminate any disagreement on this issue.

B. <u>Firm Specific Risk</u>

Q29. IS MR. MANRIQUE CORRECT THAT PRIOR COMMISSION DECISIONS DID NOT FIND A FIRM SIZE PHENOMENON FOR REGULATED UTILITIES?

A29. Yes, Mr. Manrique is correct, although the Commission's failure to recognize that small firms are riskier than large firms - despite an abundance of empirical financial evidence indicating otherwise - is another reason why it is more risky for smaller utilities to do business in Arizona. Putting that aside, there are many reasons why smaller utilities are more risk than larger utilities. I have discussed these reasons extensively in my direct testimony and will not repeat that testimony here.[27] The simple fact is that a rational investor is not going to view an equity investment in SWC as having the same risk as the purchase of publicly traded stock in a substantially larger utility such as Aqua America, American States Water or California Water Service.

The bottom line is that if the differences in risk between small utilities like

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[26] *See* Rebuttal testimony of Dr. Burton G. Malkiel, South Carolina Electric and Gas Co., Docket No. 2002-223-E, pp. 16-17 (emphasis added).

[27] Bourassa COC Dt. at 15-23

SWC and the large, publicly traded water utilities used to estimate the cost of equity are ignored, SWC's equity cost will be understated and unreasonable.

Q30. DO INVESTORS CONSIDER SMALL FIRM RISKS AS WELL AS REGULATORY RISKS?

A30. Of course. Contrary to Mr. Manrique's assertions, the investment related to such factors as firm size and Arizona's regulatory environment are important to investors. These risks are not captured by the market data of the water utility proxy group Staff uses to estimate the cost of equity for SWC. None of the utilities in Staff's water proxy group are of comparable size to SWC.[28] In fact, SWC is but a small fraction of the size of the water utilities in Staff's proxy group. And none of the water utilities in Staff's water proxy group operate exclusively in Arizona and are subject to this jurisdiction's regulatory requirements and policies.[29]

Q31. IS THERE A WAY TO PRECISELY QUANTIFY THE EFFECT OF THESE ADDITIONAL RISKS ON THE RETURN REQUIRED BY AN INVESTOR?

A31. No. But that does not justify ignoring the differences between the sample utilities and SWC, as Staff proposes.

Q32. HOW DO YOU RESPOND TO MR. MANRIQUE'S ASSERTION THAT THE ARIZONA REGULATORY ENVIRONMENT IS NO LESS FAVORABLE THAN THE REGULATORY ENVIRONMENTS FACED BY THE SAMPLE UTILITIES?

A32. I disagree with him. Mr. Manrique testifies that the regulatory environment in Arizona has many "attractive attributes," including the ability to seek accounting orders, the recognition of known and measurable changes, the wide use of hook-up

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[28] Bourassa COC Dt. at 17.

[29] *Id.* at 16-22.

fees, and regulatory responsiveness, such as the approval of arsenic recovery mechanisms and arsenic remedial surcharge mechanisms.[30] I will address each of the alleged "attractive attributes" Mr. Manrique has identified.

Q33. LEST START WITH ACCOUNTING ORDERS. ARE ACCOUNTING ORDERS AN "ATTRACTIVE ATTRIBUTE" OF REGULATION IN ARIZONA?

A33. No. I am not aware that regulatory mechanisms similar to accounting orders are not available to any of the sample water utilities in the regulatory jurisdictions in which they operate. Therefore, accounting orders do not make Arizona attractive to investors relative to other investments. Besides, the nature of accounting orders limits their attractiveness.

Q34. WHAT DO YOU MEAN?

A34. In Arizona, accounting orders are narrowly tailored for specific circumstances and generally only allow utilities to track certain, specified costs. No rate recovery is authorized or assured. Rather, accounting orders issued by this Commission postpone consideration of any cost recovery until a future rate case. In fact, the uncertainty inherent in an accounting order is illustrated in the pending Litchfield Park Service Company rate case, where Staff opposes recovery of costs incurred pursuant to a recent Commission-issued accounting order.[31] Staff testimony regarding the SWC's request for an accounting order in the instant case for future consideration of significant arsenic media costs that were not recognized in the Company's initial rate application demonstrates how difficult and how narrowly

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[30] Manrique Dt. at 41.

[31] *See* Direct Testimony of Jeffery M. Michlik (water division) in Docket W-01427A-09-0104 at 12-14. Staff is recommending denial of recovery of costs related to the potential contamination of its water supply due to the proximity of a federally designated superfund site, although Staff has suggested consideration in a future rate case.

Staff views the applicability of accounting orders.[32]

Q35. WHAT ABOUT THE RECOGNITION OF "KNOWN AND MEASURABLE" CHANGES?

A35. Again, this is not a regulatory attribute unique to Arizona. In fact, I am not aware of any jurisdictions that utilize an historic test year where adjustments based on known and measurable changes cannot be made to either the test year rate base or to test year revenue and expenses in order to make the test year a more "normal" representation of the costs of service during the period in which the rates will be in effect. Arguably, the failure to allow such changes would be unlawful.

In contrast, California, in which three of the six sample water companies (American States, California Water, and SJW Corp.) primarily operate, uses future test years in setting rates. Under that state's rate making system, future expenses can be increased to reflect expected changes including projected inflation, revenues can be adjusted to reflect expected future erosion of revenues from water conservation, and future expected capital investment can be recognized in rate base. This regulatory approach is more attractive to investors than the simple recognition of known and measurable changes to an historical test year.

Moreover, California allows adjuster mechanisms that permit utilities to recover increases in purchased power and purchased water costs due to increases rates charged by power and water providers. More recently, in connection with implementing conservation-oriented rate structures, California has authorized water revenue adjustment mechanisms to be implemented in order to offset revenue erosion due to conservation. In some cases, California allows utilities to file for adjustment mechanisms when unexpected significant capital investment has to be

[32] See Direct Testimony of Jeffry M. Michlik ('Michlik Dt.") at 29-30.

made. By allowing revenues to change between rate cases to match known increases in investment and operating expenses, utilities are given a reasonable chance to earn their authorized return.

In contrast, adjuster mechanisms for purchased water and purchased water have been uniformly opposed by Staff over the past decade, and they have denied by the Commission.[33] And, I don't believe that I have ever seen a revenue conservation adjustment adopted by the Commission for an Arizona water utility with inverted-tier rates designed to encourage water conservation.

Q36. DIDN'T THE COMMISSION PROVIDE ARSENIC COST RECOVERY MECHANISMS IN THE PAST?

A36. To some extent. But generally these mechanisms have only for allowed recovery of debt service costs not capital and depreciation. That was beneficial, particularly for utilities that could not cash flow the debt service without this mechanism in place. In fact, this is the approach the Company proposed in its initial rate application.[34] However, these mechanisms did not include recovery of increases in operating and maintenance costs associated with the arsenic facilities. And, the Commission has made it clear that such mechanisms were special cases intended to address extraordinary circumstances, and their approval did not establish a precedent for adjuster mechanisms in general. Thus, while approval of the ACRMs was certainly helpful to the water utilities that obtained them, they do not make Arizona's regulatory environment more attractive to investors than other jurisdictions, which routinely authorize cost recovery mechanisms.

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[33] *See, e.g. Chaparral City Water Company*, Decision 68176 (Sept. 30, 2005); *Arizona Water Company (Eastern Group)*, Decision No. 66849 (March 19, 2004).

[34] *See* Direct Testimony of Thomas J. Bourassa – Rate Base, Income Statement, Rate Design ("Bourassa RB Dt.") at 37.

Q37. ARE THERE ANY OTHER "ATTRACTIVE ATTRIBUTES" THAT MAKE OTHER JURISDICTIONS ATTRACTIVE RELATIVE TO ARIZONA?

A37. Yes. For instance, as I discussed in my direct testimony, in many states in which Aqua America operates, utilities are permitted to implement surcharges to recover additional depreciation and capital costs outside the context of a rate case.[35] Aqua America also operates in jurisdictions that allow utilities to implement rates before a final decision in a rate case.[36] In addition, in certain states in which Aqua America operates, utilities are allowed surcharges to reflect changes in certain costs until such time as the costs are incorporated into base rates.[37] Pennsylvania allows water utilities to collect a distribution system improvement charge ("DISC") for the replacement of mains, storage tanks and other distribution system infrastructure. Similarly, Middlesex operates utilities in Delaware, which also allows for the implementation of a DISC for the recovery of depreciation and capital costs outside the context of a rate case. Delaware also allows plant expected to be constructed within three years from the end of the test period to be included in rate base. These attributes are attractive to investors, and none of them are available in Arizona.

Q38. HOW DO YOU RESPOND TO MR. MANRIQUE'S TESTIMONY ON PAGE 41 THAT INVESTORS CONTINUE TO ACQUIRE ARIZONA UTILITIES AND INVEST CAPITAL IN ARIZONA SO THERE IS NO REASON TO BELIEVE CAPITAL INVESTED IN ARIZONA IS AT A DISADVANTAGE?

A38. I am not aware of any recently acquired utilities. I am aware several Arizona

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[35] Bourassa COC Dt at 22.

[36] *Id.*

[37] *Id.*

utilities[38] who have expressed concerns over their ability to attract capital in Arizona. These concerns are directly related to the returns provided and the regulatory environment in Arizona. But that isn't the point. We are attempting to develop a fair and reasonable return on invested capital and, ultimately, rate of return on rate base. The Commission has broad discretion, and may choose to use historic test years with limited out-of-period adjustments, refuse to approve adjuster mechanisms for water and wastewater utilities, and impose inverted-tier water rates without considering the impact on the utility's revenues. But if it does choose to adopt these policies, it cannot also ignore the impact on investment risk. The criteria established by the Supreme Court in decisions such as *Bluefield Water Works* apply in Arizona too.

Q39. ARE YOU AWARE OF ANY STUDIES THAT SUPPORT YOUR TESTIMONY THAT ARIZONA IS NOT AN ATTRACTIVE REGULATORY ENVIRONMENT?

A39. Yes. Standard and Poor's, for example, issued a report in November 2008 that ranked Arizona among the least credit supportive regulatory environments.[39] Investors do recognize the overall effect of the unfavorable regulatory environment here in Arizona.

Q40. PLEASE RESPOND TO MR. MANRIQUE'S TESTIMONY ON PAGE 42 THAT REGULATORY RISK IS A FIRM-SPECIFIC RISK AND INVESTORS CANNOT EXPECT TO BE COMPENSATED FOR FIRM-SPECIFIC RISKS.

A40. Mr. Manrique's assertion is undermined by the fact that the *Bluefield* standard

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[38] e.g. Arizona-American Water Company, Arizona Water Company, American States Water Company, Algonquin Power & Utilities Corp.

[39] Assessing U.S. Utility Regulatory Environments, Rating Directs, Standard and Poor's (November 7, 2008).

requires the return on equity be commensurate with returns on enterprises with comparable risks (the "comparable earning standard"). The impact of the various factors on investment risk that I have discussed throughout my testimony, such as small size, construction risk, regulatory risk, lack of diversification, small customer base, liquidity risk, etc., are factors which make SWC more risky and therefore not comparable to the large publicly traded water companies.

Mr. Manrique does not dispute the data contained in Morningstar supporting small company risk premiums.[40] It stands to reason that SWC would have higher beta than the sample water companies.[41] Yet, Mr. Manrique blindly accepts that the average beta of the much larger publicly traded water utilities as the beta for SWC.[42]

Q41. ON PAGE 42 OF HIS TESTIMONY MR. MANRIQUE STATES THAT THERE IS NO ACCEPTED ANALYSIS THAT DEMONSTRATES THAT UTILITIES ARE SUBJECT TO THE SAME SIZE DEPENDENT BETAS AS THE MARKET. PLEASE RESPOND.

A41. I find it ironic that Mr. Manrique has now essentially admitted that the Staff's often cited Annie Wong study[43] does not prove that a firm size effect does not exist in the regulated utility industry. It would appear that the Commission's reliance on Staff's unequivocal conclusion that the firm size phenomenon does not exist for regulated utilities in the Black Mountain Gas rate case was unwarranted.[44]

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[40] Small company risk premiums are the risk premiums not explained by the higher betas for small companies.

[41] Bourassa COC Dt. at 8.

[42] Manrique Dt. at 28.

[43] Wong, Annie. "Utility Stocks and the Size Effect: An Empirical Analysis." *Journal of the Midwest Finance Association*. 1993. Pp. 95-101.

[44] Manrique Dt. at 42-43.

Q42. PLEASE CONTINUE.

A42. Risks that would obviously be considered by any rational investor are simply ignored by Mr. Manrique. Would a rational investor really regard an equity investment in SWC as presenting less risk than an equity investment in Aqua America or in Connecticut Water Services, which have AA- and A bond ratings, respectively? The answer is a resounding "no".

C. Risks Associated with Advances and Contributions

Q43. MR. MANRIQUE ALSO TESTIFIES THAT ADVANCES AND CONTRIBUTIONS REDUCE A UTILITY'S RISK. HOW DO YOU RESPOND TO THAT ASSERTION?

A43. I agree with Mr. Manrique that plant financed with AIAC and CIAC can provide benefits through access to zero-cost capital. This may eliminate the need to go into the capital markets to raise additional capital. As I stated, this is why many smaller utilities have higher proportions of these zero-cost capital sources.[45] But this has nothing to do with an equity investor's risk. The investor is concerned about earning a fair return on the funds he has invested.

Mr. Manrique suggests that because refunds are often revenue based that this decreases risk to the investor.[46] This does not make sense. Like debt service payments, AIAC refunds take priority over investor claims on the cash flows available to pay dividends. So, like debt, AIAC increases investor risk not the other way around.

Q44. WHAT ABOUT MR. MANRIQUE'S SUGGESTION ON PAGE 41 THAT

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[45] Bourassa COC Dt. at 20.

[46] Manrique Dt. at 40.

THE REFUNDS OF AIAC RESULT IN RATE BASE INCREASES ALLOWING FOR A GREATER POTENTIAL EARNINGS?

A44. I have two comments. First, refunds of AIAC do not necessarily result in an increase in rate base as implied by Mr. Manrique. It depends on the refund stream and how fast the AIAC funded plant is depreciated. Second, assuming that some increase in rate base does occur as a result of AIAC refunds, investors don't get higher returns on the increase in their investment. That is, they don't get 10 percent return before the refunds are made and 11 percent return after the refunds. In fact, until the increase is recognized, the return to investors goes down.

Q45. PLEASE EXPLAIN.

A45. Assume for simplicity that a utility's annual net earnings are $100 and the amount of rate base investment is $1,000. The utility is earning a 10 percent return ($100/$1,000 times 100). If a refund of AIAC is made that increases the utility's investment by $100, then the amount of investment has increased to $1,100. But if earnings are still $100, the return on rate base investment decreases to 9.1 percent ($100/$1,100).

Admittedly, this is a simplistic example. In reality, plant is depreciated and when refunds are made they do not result in a $1 for $1 increase in rate base. And, by the time the utility files its next rate case, the impact of the refunds on rate base may be completely wiped by the depreciation of plant. In the meantime, it is the investor who suffers from an erosion of his/her return. The bottom line is that the implication by Mr. Manrique that AIAC refunds decrease investment risk because they potentially increase earnings is wrong.

Q46. PLEASE CONTINUE.

A46. There are disadvantages to AIAC and CIAC. For example, a high percentage of zero-cost capital in a utility's capital structure is detrimental to the long-term cash

flows of the Company because (1) the utility is not allowed to earn a return on plant financed with AIAC and CIAC, and (2) the utility is not allowed to recover depreciation on plant financed with CIAC. Keep in mind that plant financed with AIAC and CIAC must be maintained and eventually has to be replaced. Further, advances have to be refunded, diverting the utility's cash flow. Together, these factors place additional stress on earnings and cash flows, which increases risk to the Company as the eventual plant replacements will require the Company to raise additional capital to fund the replacements.

Q47. BUT AREN'T THE COSTS TO MAINTAIN PLANT INCLUDED IN RATES, AS SUGGESTED BY MR. MANRIQUE?

A47. Not necessarily. Recovery of the level of expenses included in rates for maintenance and repair expenses is not guaranteed. Further, significant emergency repairs that are not contemplated in the level approved in a rate case are not recovered, and are often characterized as non-recurring. In addition, any capitalized repairs that the Company makes, like other investments, are recognized or recovered between rate cases.

D. <u>Rebuttal to Remaining Staff's Criticisms of SWC DCF Analysis</u>

Q48. PLEASE RESPOND TO MR. MANRIQUE'S TESTIMONY ON PAGE 40 REGARDING YOUR USE OF A 5-YEAR TIME PERIOD TO MEASURE HISTORICAL GROWTH RATES.

A48. Mr. Manrique criticizes my use of 5 years of historical data to estimate growth. I can provide similar criticism of Mr. Manrique's decision to use 10 years of historical data. I believe a 5-year historical time period is more appropriate because it includes one recent period of economic expansion and one period of economic recession. A 10-year period includes one period of economic expansion and two periods of economic recession. Regardless of the time period, however,

past growth rates may be misleading because past growth rates may reflect changes in relevant variables that may not be expected to continue in the future. Value Line reports both 5- and 10-year historical growth in earnings, dividends, book value, cash flow, and revenues. Long-term analysts' forecasts are reported for 5-year periods. This information would not be reported unless it represented value to investors, whether for informational, forecasting, or analytical purposes.

Q49. WOULD IT HAVE MATTERED IF YOU USED 10-YEAR HISTORICAL DATA IN YOUR ANALYSIS?

A49. For all practical purposes, my 5-year and 10-year estimates of growth as well as my overall cost of equity in the instant case would have been about the same.

Q50. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY ON COST OF CAPITAL?

A50. Yes. Although my silence on any issue not discussed herein does not necessarily constitute agreement with Staff.

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)
May 17, 2010

SCHEDULES

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Adjusted End of Test Year Percent of Total	Adjusted End of Test Year Cost Rate	Adjusted End of Test Year Weighted Cost	End of Projected Year Dollar Amount	End of Projected Year Percent of Total	End of Projected Year Cost Rate	End of Projected Year Weighted Cost
1	Long-Term Debt	2,816,714	18.02%	4.20%	0.76%	$ 2,724,070	16.57%	4.20%	0.70%
2									
3	Stockholder's Equity[1]	12,814,367	81.98%	10.90%	8.94%	13,712,994	83.43%	10.90%	9.09%
4									
5	Totals	$ 15,631,081	100.00%		9.69%	$ 16,437,064	100.00%		9.79%
6									
7									
8	[1] Adjustments to Equity								
9	Acumm. depreciation adjustment		$ 312,565						
10	CIAC adjustments		$ -						
11	Deferred Income Tax Adjustment		$ (186,736)						
12									
13									
14									
15									
16	SUPPORTING SCHEDULES:								RECAP SCHEDULES:
17	Rebuttal D-1								
18	Rebuttal D-2								
19	Rebuttal D-3								
20	Rebuttal D-4								
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Long Term Debt

Exhibit
Rebuttal Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	Adjusted End of Test Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1	WIFA Loan1	2,816,714	118,302	4.20%	4.20%	2,724,070	114,411	4.20%	4.20%
2			-	0.00%	0.00%	-	-	0.00%	0.00%
3			-	0.00%	0.00%	-	-	0.00%	0.00%
4			-	0.00%	0.00%	-	-	0.00%	0.00%
5			-	0.00%	0.00%	-	-	0.00%	0.00%
6			-	0.00%	0.00%	-	-	0.00%	0.00%
7			-	0.00%	0.00%	-	-	0.00%	0.00%
8			-	0.00%	0.00%	-	-	0.00%	0.00%
9			-	0.00%	0.00%	-	-	0.00%	0.00%
10			-	0.00%	0.00%	-	-	0.00%	0.00%
11			-	0.00%	0.00%	-	-	0.00%	0.00%
12									
13	Totals	$ 2,816,714	$ 118,302		4.20%	$ 2,724,070	114,411		4.20%
14									
15	SUPPORTING SCHEDULES:								
16	E-2								
17									
18									
19	[1] Financing approved in Decision 70984, May 5, 2009. WIFA loan of $4,694,523 with loan forgiveness of $1,877,809.								
20									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Preferred Stock

Exhibit
Rebuttal Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
18	E-1			D-1			
19							
20							

Sahuarita Water Company, LLC
Summary of Results

Exhibit
Rebuttal Schedule D-4.1

Line No.	Method	Low	High	Midpoint
6	Range DCF Constant Growth Estimates[1]	9.1%	10.5%	9.8%
8	Range of CAPM Estimates[2]	10.4%	14.6%	12.5%
11	Average of DCF and CAPM midpoint estimates	9.8%	12.6%	11.2%
14	Financial Risk Adjustment[3]	-0.8%	-0.8%	-0.8%
16	Specific Company Risk Premium[4]	0.5%	0.5%	0.5%
18	Indicated Cost of Equity	9.5%	12.3%	10.9%
22	Recommended Cost of Equity			10.9%

1 See Rebuttal Schedule D-4-8
2 See Rebuttal Schedule D-4.12
3 See Rebuttal Schedule D-4.16
4 See testimony.

Sahuarita Water Company, LLC
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rebuttal Schedule D-4.2

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1	1. American States	76%	$ 361.0	$ 962.1	A	A2
2	2. Aqua America	90%	$ 670.5	$ 2,790.5	AA-	NR
3	3. California Water	99%	$ 449.4	$ 1,079.9	AA-	NR
4	4. Connecticut Water	90%	$ 67.5	$ 273.1	A	NR
5	5. Middlesex	89%	$ 91.2	$ 329.7	A	NR
6	6. SJW Corp.	96%	$ 216.1	$ 523.7	NR	NR
7						
8	Average	90%	$ 309.3	$ 993.2		
9						
10	Sahuarita Water Company, LLC (as of December 31, 2008)	100%	$ 2.2	$ 21.0	NR	NR

[1]AUS Utility Reports (May 2010).

Sahuarita Water Company, LLC
Capital Structures

Exhibit
Rebuttal Schedule D-4.3

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States	47.7%	52.3%	31.7%	68.3%
2	Aqua America	55.7%	44.3%	35.7%	64.3%
3	California Water	47.2%	52.8%	31.7%	68.3%
4	Connecticut Water	51.0%	49.0%	35.5%	64.5%
5	Middlesex	47.4%	52.6%	34.0%	66.0%
6	SJW Corp.	49.8%	50.2%	33.2%	66.8%
7					
8	Average	49.8%	50.2%	33.6%	66.4%
9					
10	Sahuarita Water Company, LLC [2] (Adjusted as of December 31, 2008)	18.0%	82.0%	N/A	N/A

[1] Value Line Analyzer Data (April 23, 2010)
[2] Adjusted Per Rebuttal Schedule D-1

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.4

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	8.76%	4.98%	9.69%	2.88%	6.58%	5.38%	5.98%
9	2. Aqua America	NMF	6.20%	3.85%	8.81%	6.29%	9.02%	7.65%
10	3. California Water	4.93%	4.92%	6.62%	0.88%	4.34%	5.88%	5.11%
11	4. Connecticut Water	3.15%	2.88%	1.72%	1.39%	2.29%	7.25%	4.77%
12	5. Middlesex	2.61%	4.00%	0.41%	1.49%	2.13%	7.25%	4.69%
13	6. SJW Corp.	6.79%	5.68%	0.25%	5.53%	4.56%	7.25%	5.91%
16	GROUP AVERAGE	5.25%	4.78%	3.76%	3.50%	4.36%	7.01%	5.68%
17	GROUP MEDIAN	4.93%	4.95%	2.79%	2.18%	4.45%	7.25%	5.51%

[1] Average of changes in annual stock prices ending on April 23, 2010. Data from Yahoo Finance website.
[2] Data derived from Value Line Investment Survey and/or 10K Reports for period 2005 to 2010.
[3] See Rebuttal Schedule D-4.6.

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.5

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Ten-year historical average annual changes						
1	American States	8.60%	4.80%	5.36%	1.79%	5.14%	5.38%	5.26%
2	Aqua America	7.94%	8.19%	6.34%	7.67%	7.53%	9.02%	8.28%
3	California Water	7.79%	3.91%	4.09%	0.80%	4.15%	5.88%	5.01%
4	Connecticut Water	4.73%	3.77%	2.08%	1.31%	2.97%	7.25%	5.11%
5	Middlesex	4.64%	3.81%	1.24%	1.71%	2.85%	7.25%	5.05%
6	SJW Corp.	3.01%	5.25%	1.44%	5.53%	3.81%	7.25%	5.53%
7	GROUP AVERAGE	6.12%	4.96%	3.42%	3.13%	4.41%	7.01%	5.71%
8	GROUP MEDIAN	6.26%	4.36%	3.08%	1.75%	3.98%	7.25%	5.18%

[1] Average of changes in annual stock prices ending in 2009. Data from Yahoo Finance website.
[2] Data derived from Value Line Investment Survey and/or 10K Reports for period 2000 to 2009.
[3] See Rebuttal Schedule D-4.6.

Sahuarita Water Company, LLC
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rebuttal Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]	[5]
		ESTIMATES OF EARNINGS GROWTH				Average Growth (G)
	Company	Zacks[1]	Reuters[1]	Yahoo[1]	Value Line[1]	(Cols 1-4)[2]
1	1. American States	4.00%	4.00%	7.00%	6.50%	5.38%
2	2. Aqua America	8.00%	8.25%	8.33%	11.50%	9.02%
3	3. California Water	7.00%	4.00%	6.00%	6.50%	5.88%
4	4. Connecticut Water			15.00%		7.25%
5	5. Middlesex			8.00%		7.25%
6	6. SJW Corp.			10.00%		7.25%
7	GROUP AVERAGE	6.33%	5.42%	9.06%	8.17%	7.01%
8	GROUP MEDIAN					7.25%

[1] Data as of April 23, 2010

[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Sahuarita Water Company, LLC
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rebuttal Schedule D-4.7

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. American States	$ 38.09	$ 1.04	2.73%	2.86%
2	2. Aqua America	$ 18.47	$ 0.60	3.25%	2.80%
3	3. California Water	$ 38.90	$ 1.19	3.06%	3.12%
4	4. Connecticut Water	$ 23.95	$ 0.91	3.81%	3.58%
5	5. Middlesex	$ 18.12	$ 0.72	3.98%	3.99%
6	6. SJW Corp.	$ 27.28	$ 0.70	2.55%	2.27%
7	Average			3.23%	3.10%
8	Median			3.15%	2.99%

[1] Value Line Analyzer Data. Stock prices as of April 23, 2010.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Sahuarita Water Company, LLC
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal Schedule D-4.8

Line No.		[1] Average Spot Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Growth (g)		[4] Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.23%	3.41%	5.68%	3	9.1%
10	DCF - Future Growth	3.23%	3.46%	7.01%	4	10.5%
13		3.23%	3.43%	6.34%		9.8%

[1] Spot Dividend Yield = D_0/P_0. See Rebuttal Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Rebuttal Schedule D-4.4, column 7
4 Growth rate (g). Average of Analyst Estimates Future Growth. See Rebuttal Schedule D-4.6.

Sahuarita Water Company, LLC
Market Betas

Exhibit
Rebuttal Schedule D-4.9

Line No.		Company	Beta (β)[1]
1		Company	Beta (β)[1]
2	1.	American States	0.80
3	2.	Aqua America	0.65
4	3.	California Water	0.75
5	4.	Connecticut Water	0.80
6	5.	Middlesex	0.75
7	6.	SJW Corp.	0.95
8			
9		Average	**0.78**
10			
11			
12			
13		[1] Value Line Investment Analyzer data (April 23, 2010)	
14		Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15		in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16		(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17		derived from a regression analysis of the relationship between weekly percent-age changes in the	
18		price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19		the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20		The Betas are adjusted for their long-term tendency to converge toward 1.00.	

Sahuarita Water Company, LLC
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Rebuttal Schedule D-4.10

Line No.	Description	2011	2012	Average
1				
2				
3				
4	Description	2011	2012	Average
5				
6	Blue Chip Consensus Forecasts[1]	5.1%	5.5%	5.3%
7				
8	Value Line[2]	4.9%	5.3%	5.1%
9				
10	Average			5.2%
11				
12				
13				
14				
15	[1] December 2009 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury			
16	[2] Value Line Quarterly forecast, dated February 26, 2010, Long-term Treasury			
17				
18				
19				
20				
21				
22				
23				
24				

Sahuarita Water Company, LLC
Computation of Current Market Risk Premium

Exhibit
Rebuttal Schedule D-4.11

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 2009	4.86%	6.32%	+	30.02%	=	36.34%	-	3.13%	=	33.21%
5	Feb	5.50%	7.43%	+	35.13%	=	42.56%	-	3.59%	=	38.97%
6	Mar	4.21%	5.36%	+	27.33%	=	32.69%	-	3.64%	=	29.05%
7	April	3.66%	4.47%	+	22.05%	=	26.52%	-	3.76%	=	22.76%
8	May	3.46%	4.14%	+	19.67%	=	23.81%	-	4.23%	=	19.58%
9	Jun	3.25%	3.87%	+	19.16%	=	23.03%	-	4.52%	=	18.51%
10	Jul	2.90%	3.37%	+	16.31%	=	19.68%	-	4.41%	=	15.27%
11	Aug	2.82%	3.22%	+	14.21%	=	17.43%	-	4.37%	=	13.06%
12	Sept	2.80%	3.20%	+	14.32%	=	17.52%	-	4.19%	=	13.33%
13	Oct	2.75%	3.15%	+	14.49%	=	17.64%	-	4.19%	=	13.45%
14	Nov	2.68%	3.05%	+	13.88%	=	16.93%	-	4.31%	=	12.62%
15	Dec 2009	2.56%	2.88%	+	12.58%	=	15.46%	-	4.35%	=	11.11%
16	Jan 2010	2.64%	3.00%	+	13.71%	=	16.71%	-	4.48%	=	12.23%
17	Feb	2.59%	2.97%	+	14.65%	=	17.62%	-	4.48%	=	13.14%
18	Mar	2.44%	2.75%	+	12.69%	=	15.44%	-	4.48%	=	10.96%
22	Recommended	2.56%	2.91%	+	13.68%	=	16.59%	-	4.48%	=	12.11%
24	Short-term Trends										
25	Recent Twelve Months Avg	2.88%	3.34%	+	15.64%	=	18.98%	-	4.31%	=	14.67%
26	Recent Nine Months Avg	2.69%	3.07%	+	14.09%	=	17.16%	-	4.36%	=	12.80%
27	Recent Six Months Avg	2.61%	2.97%	+	13.67%	=	16.63%	-	4.38%	=	12.25%
28	Recent Three Months Avg	2.56%	2.91%	+	13.68%	=	16.59%	-	4.48%	=	12.11%

31 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

32 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).

33 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

34 [4] Montly average 30 year U.S. Treasury. Federal Reserve.

Sahuarita Water Company, LLC
Capital Asset Pricing Model (CAPM)

Exhibit
Rebuttal Schedule D-4.12

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	5.2%	+	0.78	x	6.7%	[4]	=	10.4%
4									
5	Current Market Risk Premium CAPM	5.2%	+	0.78	x	12.1%	[5]	=	14.6%
6									
7	Average								12.5%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Rebuttal Schedule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Rebuttal Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2010 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2009								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.11.								
17									
18									
19									
20									

Sahuarita Water Company, LLC
Financial Risk Computation

Exhibit
Rebuttal Schedule D-4.13

Line No.											
1	**CAPM**										
2		Rf		+	β		x	(Rp)			k
3	Historical Market Risk Premium	5.2%	1	+	0.78	2	x	6.7%	3	=	10.4%
4	Current Market Risk Premium	5.2%	1	+	0.78	2	x	12.1%	4	=	14.6%
5											
6	Average										12.5%
7											
8											
9	**CAPM Relevered Beta**										
10		Rf		+	β		x	(Rp)			k
11	Historical Market Risk Premium	5.2%	1	+	0.69	5	x	6.7%	3	=	9.8%
12	Current Market Risk Premium	5.2%	1	+	0.69	5	x	12.1%	4	=	13.6%
13											
14	Average										11.7%
15											
16	Financial Risk Adjustment										-0.8%
17											
18											

19 [1] Forecast of long-term treasury yields. See Rebuttal Schedule D-4.10
20 [2] Value Line Investment Analyzer data. See Rebuttal Schedule D-4.9
21 [3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2010 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2009
22 [4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
23 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.11
24 [5] Relevered bata found on Rebuttal Schedule D-4.15
25

Sahuarita Water Company, LLC
Financial Risk Computation
Unlevered Beta

Exhibit
Rebuttal Schedule D-4.14

Line No.		Company	VL Beta β_l [1]	Raw Beta Raw β_l [2]	Tax Rate t [3]	MV Debt D [4]	MV Equity E [4]	Unlevered Raw Beta β_u [5]
5	1.	American States	0.80	0.70	37.8%	31.7%	68.3%	0.54
6	2.	Aqua America	0.65	0.48	39.4%	35.7%	64.3%	0.36
7	3.	California Water	0.75	0.63	38.0%	31.7%	68.3%	0.49
8	4.	Connecticut Water	0.80	0.70	19.5%	35.5%	64.5%	0.49
9	5.	Middlesex	0.75	0.63	34.1%	34.0%	66.0%	0.47
10	6.	SJW Corp.	0.95	0.93	40.4%	33.2%	66.8%	0.72
13		Sample Water Utilities	0.78	0.68	34.8%	33.6%	66.4%	0.51

[1] Value Line Investment Analyzer data. See Table 13.
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2009.
[4] See Rebuttal Scehdule D-4.3
[5] Raw B_u = Raw B_L / (1+ (1-t)*D/E)

Sahuarita Water Company, LLC
Financial Risk Computation
Relevered Beta

Exhibit
Rebuttal Schedule D-4.15

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
5	Sahuarita Water Company, LLC	0.51	9.5%	90.5%	35.26%	0.54	0.69

[1] Unlevered Beta from Table 18.

[2] Capital Structure of Company (Projected)

	BV (in Thousands)			MV (in Thousands)	%
Long-term Debt	$ 2,814.52	1.00		$ 2,815	9.50%
Preferred Stock	-	1.00		-	0.0%
Common Stock	13,578.75	1.97	(a)	26,698	90.5%
Total Capital	$ 16,393			$ 29,512	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current Tax rate based on test year ending 2009. See Rebuttal Schedule D-1.

Sahuarita Water Company, LLC
Size Premium[1]

Exhibit
Rebuttal Schedule D-4.16

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.13	0.90%	
8	Low-Cap Companies[3]	1.26	1.56%	
10	Micro-Cap Companies[4]	1.51	2.83%	
12	Decile 10[5]	1.64	4.43%	2.29%

	Risk Premium for Small Water Utilities
Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-11 of Morningstar, *Ibbotson SBBI 2010 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,602 million and $5,936 million.
[3] Low-Cap companies includes companies with market capitalization between $432 million and $1,600 million.
[4] Micro-Cap companies includes companies with market capitalization less than $431 million.
[5] Decile 10 includes companies with market capitalization between $1.0 million and $214 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 659	Low-Cap	1.56%	2.87%	0.1666667	0.48%
2.	Aqua America	$ 2,501	Mid-Cap	0.90%	3.53%	0.1666667	0.59%
3.	California Water	$ 805	Low-Cap	1.56%	2.87%	0.1666667	0.48%
4.	Connecticut Water	$ 204	Decile 10	4.43%	0.00%	0.1666667	0.00%
5.	Middlesex	$ 243	Micro-Cap	2.83%	1.60%	0.1666667	0.27%
6.	SJW Corp.	$ 496	Low-Cap	1.56%	2.87%	0.1666667	0.48%
	Weighted Size Premium for Small Companies						2.29%

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.90% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	E-1	D-1
19		
20		

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)
May 17, 2010

EXHIBIT TJB-COC-RB1

Application No.: 07-05-007
Exhibit No.:
Witness: Gary H. Hayes
Date: August 28, 2007

Exhibit 4 D
CPUC Proceeding A-0 2-05-003 ET AL
Sponsor/Witness SDG&E/ HAYES
Date Ident. 9/12/07 Recd. 9/12/07
Michael J. Galvin
Administrative Law Judge

Application No. 07-05-007
Exhibit No. SDGE-5

SAN DIEGO GAS & ELECTRIC COMPANY

PREPARED REBUTTAL TESTIMONY OF

GARY H. HAYES

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 28, 2007

Appendix B

Analyst Growth-Forecast Research

This survey, prepared at the request of SDG&E by Dr. James H. Vander Weide, Research Professor of Finance and Economics at Duke University, summarizes nine articles that address whether analysts' growth forecasts are overly optimistic. Seven of the nine articles reviewed find no evidence that analysts' growth forecasts are overly optimistic. Two find evidence of optimism, but also conclude that optimism has been declining significantly over time. Of these two studies, one finds that analysts' forecasts for the S&P 500 are pessimistic for the last four years of the study. The summaries are listed in chronological order.

Crichfield, T., Thomas Dyckman and Josef Lakonishok (1978). "An evaluation of security analysts' forecasts." *The Accounting Review* 53(3): 651-668.

The authors study the ability of security analyst to provide unbiased estimates of earnings per share and compare analysts' forecasts to forecasts made using simple statistical models based on historical EPS data. Their study is based on data during the period 1967 – 1976 from the *Earnings Forecaster* published by Standard & Poor's, and the final sample consists of 46 firms. The authors conclude that the analysts perform well in terms of forecast accuracy when compared to the forecasts produced by five statistical models. Their tests also support the hypothesis that analysts predict EPS changes without significant systematic bias.

Elton, E. J., Martin J. Gruber and Mustafa N. Gultekin (1984). "Professional expectations: accuracy and diagnosis of errors." *Journal of Financial and Quantitative Analysis* 19(4): 351-363.

The authors examine five questions regarding analysts' EPS forecasts: (1) what is the size and pattern of analysts' errors; (2) what is the source of errors; (3) are some firms more difficult to predict than others; and (4) is there an association between errors in forecasts and divergence of analysts' estimates. The authors use the I/B/E/S database of earnings forecasts for a sample of 414 firms for the three years 1976 through 1978, and they compare the I/B/E/S forecasts to actual earnings for each of the next two years. The authors conclude that analysts were accurate in estimating the average level of growth in

earnings for all stocks in the sample. However, analysts did have greater divergence of opinion for some industries, and the diversion in analysts' opinions is positively related to forecast error.

Givoly, D., and Josef Lakonishok (1984). "Properties of analysts' forecasts of earnings: a review and analysis of the research." *Journal of Accounting Literature*.3: 119-148.

Givoly and Lakonishok review the status of the research on security analysts' forecasts up to 1984, and they conclude that: (1) the performance of analysts' forecasts is in general superior to that of statistical models, a result that is consistent with a rational market for forecasting services, where the higher costs of financial analysts' forecasts is compensated with better performance; and (2) financial analysts' forecasts incorporate the past history of realizations and predictions in an unbiased manner.

Brown, L. D. (1997). "Analyst forecasting errors: additional evidence." *Financial Analysts Journal November/December*: 81-88.

Using data from I/B/E/S for the period 1985 – 1996, Brown studies whether: (1) analysts' forecasts are optimistic; (2) potential optimistic bias is constant over time; and (3) analysts' forecasting errors are smaller for S&P 500 firms, firms with large market capitalization, firms with greater analyst following, and firms in particular industries. For the entire period, Brown finds that model and median values of analysts' forecast errors are zero, but mean errors are negative. He finds that the negative mean forecast error results from a relatively small number of large forecast errors, indicating that these errors are associated with large accounting write-offs for a small number of firms in certain years. In addition, he finds that: (1) the mean analyst forecast error decreases significantly over the period of his study; and (2) optimistic bias of mean forecasts for S&P 500 firms is significantly less than optimistic bias for all firms, and, indeed, analysts for S&P 500 firms are, on average, pessimistic for the years 1993 – 1996; (3)optimistic bias is less for large firms than for small firms; and (4) optimistic bias is less for firms in certain industries compared to other industries, with the best forecasts for the following industries: food and related products, transportation equipment, communications, and electric, gas, sanitary services.

Keane, M. P., and David E. Runkle (1998). "Are financial analysts' forecasts of corporate profits rational." *The Journal of Political Economy* 106(4): 768-805.

Keane and Runkle demonstrate that previous inferences regarding analyst optimism are strongly affected by correlation in analyst forecast errors across forecasts and firms and by unexpected accounting write-offs and special charges. They develop a new estimator of bias that gives correct statistical inference when forecast errors are correlated, and they show that previous studies' failure to account for correlation led to a conclusion that analysts are optimistic. Using an I/B/E/S database over the period 1983 – 1991, they also demonstrate that a correct test for analyst optimism leads to the conclusion that analysts are unbiased.

In addition to problems caused by correlation in analysts' earnings forecasts, the authors also address the problems caused by unanticipated accounting accruals. Similar to Abarbanell (2003), they demonstrate that statistical tests of optimism are distorted by discretionary special accounting charges in the forecast period. Failure to adjust for discretionary special accounting charges in the company sample under study distorts statistical results in the direction of favoring the conclusion of biased analysts' forecasts. The authors conclude that the evidence in their paper strongly supports the view that professional stock market analysts make rational forecasts of earnings per share for the companies they follow.

Abarbanell, J., and Reuven Lehavy (2003). "Biased forecasts or biased earnings? The role of reported earnings in explaining apparent bias and over/underreaction in analysts' earnings forecasts." *Journal of Accounting & Economics* 36: 105-146.

Abarbanell and Lehavy investigate whether the apparent bias in analysts' earnings forecasts that appears in some research studies is explained by large accounting write-offs and special charges made by a small number of sample firms. The Abarbanell/Lehavy study is based on a large database of consensus earnings forecasts provided by Zacks for the period 1985 – 1998. When Abarbanell/Lehavy examine the distribution of analysts' forecast errors over this time period, they find that the only statistical indication that supports the argument for analyst optimism is a fairly large negative mean forecast error. In contrast, the median error is zero, suggesting unbiased forecasts, while the percentage of positive errors is significantly greater than the percentage of negative errors (48 percent versus 40 percent), suggesting apparent analyst pessimism. Similar to Brown (1997), Abarbanell/Lehavy explain this phenomenon by observing that the left tail (the optimistic tail of the distribution) contains significantly more extreme errors of greater magnitude than the right tail (the pessimistic tail) of the distribution. Abarbanell/Lehavy's conclusion is supported by a correlation study that examines the relationship between extreme negative forecast errors with extreme negative unexpected accruals. The correlation study indicates a direct connection between the extreme errors in the left tail of the error distribution and unexpected accounting accruals. Once the effect of accounting accruals is removed the study, Abarbanell/Lehavy find that the mean forecast error becomes zero, indicating that there is no tendency for analysts' forecasts to be optimistic.

Ciccone, S. J. (2005). "Trends in analyst earnings forecast properties." *International Review of Financial Analysis* 14: 1-22.

Ciccone examines trends in analysts forecast dispersion, error, and optimism using First Call 120,022 quarterly observations from 1990 – 2001. He finds that analyst optimism declined significantly over the period of his study and that analysts' forecasts for profitable firms became pessimistic in the last several years of his study period. He concludes that analyst optimism is no longer an issue and that, "[i]f anything, analysts have a new concern: earnings pessimism for profit firms."

Clarke, J., Stephen P. Ferris, Narayanan Jayaraman, and Jinsoo Lee (2006). "Are analyst recommendations biased? Evidence from corporate bankruptcies." *Journal of Financial and Quantitative Analysis* 41(1): 169-196.

The authors test whether a bias exists in analysts' recommendations for firms that filed for bankruptcy in the period 1995 – 2001. Their database consists of a final set of 289 firms that filed for bankruptcy during this period and that have I/B/E/S analysts' forecasts. As a comparison sample, the authors identify a matching group of firms with the same SIC code and that have a similar likelihood of bankruptcy as measured by the Altman z-score. The authors test for optimism by comparing the analysts' recommendations for the companies in the bankrupt group to the matched sample of companies in the non-bankrupt group in five categories—strong buy, buy, hold, under-perform, and sell. They find that, on average, analysts' recommendations are significantly lower for the companies that eventually go bankrupt than for the matched companies that do not file for bankruptcy. From this comparison, the authors conclude that the hypothesis that analysts' recommendations are optimistic should be rejected.

Yang, R., and Yaw M. Mensah (2006). "The effect of the SEC's regulation fair disclosure on analyst forecast attributes." *Journal of Financial Regulation and Compliance* 14(2): 192-209.

Regulation fair disclosure ("Reg. FD"), issued on October 23, 2000, prohibits selective disclosure of material non-public information to financial analysts, institutional investors, and others prior to making it available to the general public. Before the implementation of Reg. FD, most conference calls with analysts were accessible only to certain analysts and institutional investors. The authors examine whether Reg. FD has influenced analysts' earnings forecast accuracy and forecast dispersion for companies that routinely conduct conference calls as well as for companies that do not conduct conference calls. Using I/B/E/S forecast data for the period October 1998 through September 2002 and 12,806 firm-quarter observations in pre-Reg FD period and 13,104 firm-quarter observations in the post-Reg FD period, the authors examine the descriptive statistics of analysts' forecast errors in the pre-Reg. FD and post-Reg. FD environments. They conclude that Reg. FD had little influence on analysts' forecast errors: the mean forecast error was approximately zero in both the pre-and post-Reg. FD periods.

Exhibit A-6
Thomas J. Bourassa

Prepared Rejoinder Testimony on Rate Base, Income Statement and Rate Design

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A-6
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718-09-0359 PREPARED TESTIMONY

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

(RATE BASE, INCOME STATEMENT, RATE DESIGN)

July 12, 2010

I. INTRODUCTION AND PURPOSE OF TESTIMONY.

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. On behalf of the applicant, Sahuarita Water Company ("SWC" or the "Company").

Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THE INSTANT CASE?

A3. Yes, my Direct and Rebuttal Testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

Q4. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A4. I will provide Rejoinder Testimony in response to the surrebuttal filing by Staff. More specifically, this first volume of my Rejoinder Testimony relates to rate base, income statement and rate design for SWC. In a second, separate volume of my testimony, I provide responses to Staff on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

II. SUMMARY OF SWC'S REJOINDER POSITION

Q6. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS PROPOSING AT THIS STAGE OF THE PROCEEDING?

A6. The Company is proposing a total revenue requirement of $3,484,737, which constitutes an increase in revenues of $1,269,594, or 57.31 percent over adjusted test year revenues.

Q7. HOW DOES THIS COMPARE WITH THE COMPANY'S REBUTTAL FILING?

A7. In the rebuttal filing, the Company requested a total revenue requirement of $3,518,855, which required an increase in revenues of $1,303,702, or 58.85 percent.

Q8. WHY IS THE REQUESTED REVENUE INCREASE LOWER IN SWC'S REJOINDER FILING?

A8. The decrease is primarily due to the fact that Company has adopted Staff's proposal to exclude approximately $33,000 in bonuses from salaries and wages. The Company has also revised its property tax and income tax adjustments to reflect the impact of this change on revenues and expenses.

Q9. PLEASE SUMMARIZE THE COMPANY'S REJOINDER RATE BASE AND REJOINDER ADJUSTMENTS.

A9. The Company does not propose any revisions or additions to the adjustments to rate base as set forth in its rebuttal filing. The Company continues to propose a rate base of $10,059,443 which includes the costs of Well #23 (post test year plant). The Company also continues to propose a return of 9.69 percent rate of return based on its weighted average cost of capital ("WACC").[1]

[1] *See* Rejoinder Schedule D-1.

Q10. DOES STAFF CONTINUE TO RECOMMEND THAT THE COSTS OF WELL #23 BE EXCLUDED FROM PLANT-IN-SERIVCE AND RATE BASE?

A10. Yes. Staff continues to assert that Well #23 is not needed for the ongoing provision of safe and reliable service.[2] The Company disagrees for the reasons set forth in Mr. Mark Taylor's Rebuttal and Rejoinder Testimony.

Q10. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF THE PROCEEDING?

A10. The proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company Rebuttal	$3,518,855	$1,303,702	58.85%
Staff Surrebuttal	$2,477,559	$ 262,416	11.85%
Company Rejoinder	$3,484,737	$1,269,594	57.31%

III. RATE BASE

Q11. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING?

A11. Yes, the rate bases proposed by the parties in the case, are as follows:

	OCRB	FVRB
Company Rebuttal	$10,059,443	$10,059,443
Staff Surrebuttal	$ 8,709,357	$ 8,709,357
Company Rejoinder	$10,059,443	$10,059,443

[2] Scott Sb. at 3.

A. **Plant-in-service.**

Q12. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A12. The Company's rebuttal rate base adjustments to OCRB are detailed on Rejoinder Schedules B-2, pages 3 through 6. Rejoinder Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rejoinder OCRB. The Company does not propose any changes from its rebuttal plant-in-service ("PIS").[3]

Q13. PLEASE SUMMARIZE THE PLANT-IN-SERVICE BALANCES RECOMMENDED BY THE PARTIES AT THIS STAGE OF THE PROCEEDING.

A13. The PIS balances proposed by the parties at this stage of the proceeding are:

Staff	$ 23,480,228[4]
Company	$ 25,274,421[5]

Q14. PLEASE DISCUSS THE DIFFERENCE BETWEEN THE COMPANY AND STAFF WITH RESPECT TO THE BALANCE OF PIS?

A14. The difference of $1,794,193 represents the costs of Well #23 which the Company seeks to include in PIS.[6] The Company believes this plant is used and useful and needed in the ongoing provision of safe and reliable service to its customers. Exclusion of well-conceived and necessary plant additions would send the wrong

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[3] *See* Rebuttal Testimony of Thomas J. Bourassa ("Bourassa Rb.") at 5-8.
[4] *See* Staff Surrebuttal Schedule JMM-2.
[5] *See* Company Rejoinder Schedule B-1.
[6] Bourassa Rb. at 7. Costs include $1,779,243 for new construction costs plus $15,000 for the cost of a pump motor transferred from Well #17.

message to utilities seeking to be proactive in addressing their system needs. Mr. Taylor addresses this issue in both his Rebuttal and Rejoinder Testimony.

B. Accumulated Depreciation.

Q15. PLEASE SUMMARIZE THE PARTIES ACCUMULATED DEPRECIATION BALANCE RECOMMENDATIONS.

A15. The accumulated depreciation ("A/D") balances proposed by the parties at this stage of the proceeding are:

Staff	$ 1,353,282[7]
Company	$ 1,368,282[8]

Q16. PLEASE DISCUSS THE DIFFERENCE BETWEEN THE COMPANY AND STAFF WITH RESPECT TO THE BALANCE OF ACCUMULATED DEPRECIATION?

A16. The $15,000 difference is the cost of a pump motor being used on Well #23.[9]

C. Contributions-in-aid of Construction ("CIAC") and Advances-in-aid of Construction ("AIAC").

Q17. PLEASE DISCUSS THE RECOMMENDED AIAC AND CIAC BALANCES.

A17. The Company and Staff propose an advances-in-aid of construction ("AIAC") balance of $9,258,917.[10] With respect to contributions-in-aid of construction ("CIAC"), the Company and Staff propose a CIAC balance of $4,314,264, and an accumulated amortization balance of $251,796.[11]

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[7] *See* Staff Surrebuttal Schedule JMM-2.
[8] *See* Company Rejoinder Schedule B-1.
[9] Bourassa Rb. at 8.
[10] *See* Rejoinder Schedule B-1; Staff Surrebuttal Schedule JMM-2
[11] *Id.*

Q18. PLEASE RESPOND TO MR. MICHLIK'S TESTIMONY REGARDING THE METHODOLOGY FOR COMPUTING AMORTIZATION OF CIAC?

A18. Mr. Michlik defends Staff's method of determining the amortization rate of CIAC (dividing depreciation expense by depreciable plant) by asserting that it's appropriate when the exact amount of CIAC plant in each account is not known it is appropriate to use a composite rate.[12] I do not disagree with Mr. Michlik on this point. However, Mr. Michlik goes on to state that non-depreciable plant such a land, organizational costs, and franchise costs should be excluded from the computation because the Company did not provide evidence showing that these costs were funded with CIAC.[13] That doesn't square with Mr. Michlik's argument that a composite rate is used when we do not know the exact amount of CIAC in each account (which includes the land, organization costs, and franchise account). This sort of "heads I win, tails you lose" construct is inherently unfair and should be rejected.

Q18. IN YOUR EXPERIENCE HAVE UTILITIES USED CIAC FUNDS TO PAY FOR LAND, ORGANIZATIONAL AND FRANCHISE COSTS?

A18. Yes. Contrary to Mr. Michlik's assertions, I have seen instances where a developer contributed land and reimbursed a utility for the costs of obtaining extensions of a utility's certificate of convenience and necessary (which may be recorded as either organizational or franchise costs by the utility).

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[12] Michlik Sb. at 16.
[13] *Id.* at *17.*

Q19. DOES THE COMPANY'S METHOD OF COMPUTING THE COMPOSITE RATE HAVE THE POTENTIAL OF HARMING CUSTOMERS?

A19. No. If we accept the premise underlying the use of a composite rate - that all plant is assumed to be funded with CIAC, then there is no harm to either the Company or rate payers. In fact, using the correct composite rate is revenue neutral. This is because the depreciation expense will be exactly offset by the CIAC amortization.

Q20. CAN YOU DEMONSTRATE THIS?

A20. Yes. Assume that a utility has $10 of non-depreciable plant such as land and $90 of depreciable plant funded with $100 of CIAC. Rate base is zero ($100 minus $100). The depreciation rate for depreciable plant is 3.33% and the annual depreciation is $3 ($90 times 3.33%). The composite rate for amortizing CIAC using all plant, not just depreciable plant is 3.0% ($3 divided by $100). The annual amortization of CIAC is $3 ($100 times 3%). Thus, the annual depreciation of $3 is exactly offset by the annual amortization of $3 so there is zero net impact on operating expense. Rate base also continues to be zero into the future. Depreciable net plant is reduced by $3 and net CIAC is reduced by $3.

In contrast, Staff's approach has a negative impact on cash flows related to depreciation and amortization. Using the example above, the composite rate for amortizing CIAC using just depreciable plant is 3.33% ($3 divided by $90). The annual amortization of CIAC is $3.33 ($100 times 3.33%). Thus, the annual depreciation is $3 and it is offset by annual amortization of $3.33 resulting in a negative cash flow of $0.33.

Q21. ISN'T THE COMPANY'S RECOMMENDED ACCUMULATED AMORTIZATION BALANCE FOR CIAC BASED ON A COMPOSITE

RATE THAT INCLUDES ALL PLANT, NOT JUST DEPRECIABLE PLANT?

A21. Yes, and as I testified earlier, Staff agrees with the Company proposed accumulated amortization balance. Staff's construction of its composite rate to amortize CIAC going forward is inconsistent with the composite rate used in the past.

D. <u>Accumulated Deferred Income Taxes ("ADITs").</u>

Q22. IS THE COMPANY PROPOSING ANY CHANGES TO ACCUMULATED DEFERRED INCOME TAXES IN ITS REJOINDER FILING?

A22. No.

Q23. DOES STAFF CONTINUE TO RECOMMED ZERO ACCUMULATED DEFERRED INCOMES TAXES?

A23. Yes. Staff has removed all ADIT from rate base.[14] As I testified in my Rebuttal Testimony, this is consistent with Staff's erroneous recommendation to exclude income taxes from the revenue requirement.[15] I will respond to Staff's Surrebuttal Testimony on the issue concerning the inclusion of income taxes later in my rejoinder testimony

E. <u>Remaining Rate Base Issues.</u>

Q24. PLEASE RESPOND TO STAFF SURREBUTTAL TESTIMONY ON THE ISSUE OF INCLUDING CUSTOMER SECURITY DEPOSITS AS A REDUCTION TO RATE BASE.

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[14] Michlik Dt. at 12. See also Staff Surrebuttal Schedule JMM-2.
[15] Bourassa Rb. at 9.

A24. Mr. Michlik provides a quotation from *Accounting for Public Utilities* (Deloitte & Touche")[16] which states that customer deposits are similar in nature to customer advances for construction and, like advances, customer deposits are available for use in support of a utility's rate base investment.[17] I have several comments in response to Mr. Michlik's testimony. First, I disagree with any notion that customer security deposits are like advances. Advances fund plant and equipment which are long-term assets. At best, security deposits can help support working capital. Moreover, the rate base investment referred to in *Accounting for Public Utilities* <u>includes</u> working capital. Arguably, without recognition of working capital as an offset to customer security deposits there is a mismatch in rate base. In that regard, working capital is described in *Accounting for Public Utilities* and one of the accepted methods of computing working capital is the formula method.[18] There is no mention as to whether the size of the utility has any bearing on the formula method's acceptability, which Staff so often uses as an excuse exclude working capital based on the formula method. Other authoritative sources also do not limit the use of the formula method based on the utility size.[19] In the instant case, the formula method produces a working capital amount of over $239,000 which would more than offset the $96,204 of customer deposits Staff seeks to include as a reduction to rate base. However, as previously noted, Staff is not proposing any allowance for working capital.

Second, the Rate Case Audit Manual, published by the National Association of Regulatory Commissions ("NARUC") specifically sets forth three methods for

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[16] Deloitte & Touche LLP, et. al. Accounting for Public Utilities. Lexus-Nexis (Mathew-Bender & Co.). 2009. Sec. 4.04[11](e). ("Deloitte & Touche")
[17] Michlik Sb. at 3.
[18] Deloitte & Touche, Chapter 5.
[19] National Association of Regulatory Commissioners , Rate Case and Audit Manual (Summer 2003), p 19-20.

the treatment of customer security deposits. A copy of the relevant section is included as Exhibit TJB-RB-1. One of the three methods set forth in the NARUC guide is the method proposed by the Company in the instant case. That is, rate base is not reduced by the customer security deposits and interest expense associated with the deposits is treated as a below-the-line (or non-operating expense). In fact, in my experience this has been the method traditionally used by Staff and the Commission in the past. It has only been in the past couple of years where Staff has changed its position on the treatment of customer deposits.

Q25. IS THE INCLUSION OF CUSTOMER DEPOSITS IN RATE BASE AS A DEDUCTION SET FORTH IN THE COMMISSION RULES GOVERNING RATE APPLICATIONS?

A25. No.[20] Further, I am not aware of any proposed rule-making proceedings which have modified these rules and/or provided input from all interested parties. In my view, Staff is changing the rules of the road without proper input from impacted parties.

Q26. PLEASE CONTINUE.

A26. Third, in the instant case, the customer security deposits are kept in a separate bank account and are not used by the Company for anything but support of the Company's receivables (bad debt expense) and refunds to customers.[21] As a result, this cannot even be remotely considered as non-investor supplied capital or as supporting rate base investment.

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[20] *See* R14-2-103, Appendix A - Rate Base Schedules B

[21] Bourassa Rb. at 15.

Finally, Staff now suggests that it would consider an "appropriate" amount of interest in operating expenses if the amount is appropriately supported.[22] I do not believe any more information is necessary.

Q27. WHAT DOES STAFF NEED TO DETERMINE AN APPROPIRATE AMOUNT?

A27. Staff suggests it needs substantial documentation showing the customer name, deposit amount and interest paid among other things.[23]

Q28. WHY DO YOU BELIEVE THIS INFORMATION IS NOT NECESSARY?

A28. Staff has no problem with the $96,204 it seeks to reduce rate base without this information. Staff proposes that the interest paid on customer deposits remain the same as set forth under the ACC Rules. The applicable rule (R-14-403.d) states the Company must pay an annual interest rate of 6% on customer deposits, so the computation is simple – 6% times $96,204 or $5,772.

IV. INCOME STATEMENT

Q29. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF.

A29. The Company's proposed rejoinder adjustments are detailed on Rejoinder Schedule C-2, pages 1-9. The rejoinder income statement with adjustments is summarized on Rejoinder Schedule C-1, pages 1-2. I have previously testified to the Company's

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[22] Michlik Sb. at 4.

[23] Id.

proposed adjustments to revenues and expenses in my Rebuttal Testimony.[24] The Company's proposes one additional adjustment to revenue and expenses and is proposing some revisions to its rebuttal adjustments as described below.

The Company is proposing an additional adjustment to salaries and wages (Adjustment Number 6) to remove test year bonuses paid to employees totaling $33,579. Although the Company disagrees with Staff's proposed removal of bonuses, the Company is adopting Staff's proposal to help eliminate issues between the parties.

Q30. WHAT IS THE COMPANY'S VIEW ON BONUSES AND WHY ARE THEY REASONABLE AND PRUDENT IN THE COMPANY VIEW?

A30. The Company views bonuses as an effective management tool allowing the Company to achieve superior levels of service to its rate payers. This is achieved because employees are provided an incentive to "go the extra mile" in operating the Company and providing superior service to its customers. At risk bonuses are withheld from base pay and paid if the employee meets certain targets, including safety, environmental stewardship, customer service, and financial metrics. In fact, the Company has been recognized for its superior service. The Company has recently been recognized by the Arizona Water Association as "The Small System Water Plant Of The Year in Arizona for 2010". Attached as Exhibit TJB-RJ-2 is a copy of the award.

Bonuses are also used to ensure the Company's employees are paid market rates. As the Rebuttal Testimony of Ms. Marian Homiak demonstrates, the total compensation of employees, even with bonuses, is at or below comparable market

[24] Bourassa Rb. at 4-9.

rates.[25] In fact, without the bonuses, compensation would be below market rates and employees conceptually could have the incentive to leave, increasing turnover and providing a reduced level of company performance and customer service.

Q31. PLEASE COMMENT ON MR. MICHLIK'S SUGGESTION ON PAGE 14 THAT IF BONUSES ARE INCLUDED IN THE REVENUE REQUIREMENT THAT THE MONEY FOR THE PAYMENT OF BONUSES IS GUARANTEED BUT THERE IS NO GUARANTEE THAT BONUSES WILL BE PAID IN THE FUTURE?

A31. I disagree that the inclusion of bonuses in the revenue requirement guarantees enough money to pay employees. Nothing is guaranteed. The Company may or may not generate the required revenues and it may or may not recover all of its incurred operating expenses. If the Company were guaranteed these things, then the Company would also be guaranteed to earn its rate of return – which it is not. Mr. Michlik should know better. Putting that aside, bonuses do not provide any more opportunity for the Company to over-earn by later "cutting bonuses" than it does if the Company uses furloughs or across the board wage cuts after a rate case test year, none of which this Company intends to do. Mr. Michlik's conjecture is disingenuous at best.

Q32. DOES STAFF NOW AGREE WITH THE COMPANY'S PRO-FORMA ADJUSTMENT FOR AN ADDITIONAL $40,500 OF WAGES FOR A VACANT POSITION DURING PART OF THE TEST YEAR?

A32. Yes.[26]

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[25] Homiak Rb. at 7-8.

[26] Michlik Sb. at 15.

Q33. DOES STAFF CONTINUE TO DISALLOW "AFFILIATE" SALARIES AND WAGES EXPENSE INCURRED DURING THE TEST YEAR?

A33. Yes, over $100,000 of salaries and wages expense.[27] Staff has excluded the costs of all indirect ("not dedicated") employees.[28]

Q34. PLEASE RESPOND TO THE TESTIMONY OF MR. MICHLIK CONCERNING THE DISALLOWANCE OF AFFILIATE WAGES AND SALARIES?

A34. Mr. Michlik no longer attempts to justify an adjustment to wages and salaries based on the notion that since the Management Agreement between SWC and Rancho Sahuarita Management Company ("Management Company") included a provision for mark-up of 25 percent.[29] Rather, Mr. Michlik now acknowledges that he could find no evidence of such a mark-up.[30] That is simply because there never was a 25 percent mark-up.[31]

Q35. ON PAGE 9, MR. MICHLIK EXPRESSED CONCERN THAT THE COMPANY COULD BE CHARGED THE 25 PERCENT MARK-UP IN THE FUTURE. DO YOU HAVE A RESPONSE?

Q35. Yes. I am not sure why Mr. Michlik has expressed this concern. If a 25 percent mark-up were to be charged in the future and rates to not reflect this cost, rate payers are certainly not disadvantaged. In that regard, I am not suggesting that the

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[27] Michlik Sb. at 14.

[28] Michlik Sb. at 13.

[29] Michlik Dt. at 20.

[30] Michlik Sb. at 9.

[31] Homiak Rb. at 5.

Management Company has any plans to charge a mark-up or that the Company itself will pay a mark-up.

Q36. PLEASE CONTINUE.

A36. It seems to me that Mr. Michlik, having found no mark-up, was faced with an adjustment in search of a reason. He summarily dismisses the wage survey information provided by Ms. Homiak which substantiated that wages paid by the Management Company are at or below wages for comparable positions.[32] One of those studies was from the American Water Works Association ("AWWA") which provides information specific to the water utility industry. However, Mr. Michlik contends that the surveys provided are not adequate substantiation and that the comparison should be made against similarly situated Class B utilities regulated by the Commission.

Q37. IS SUCH WAGE INFORMATION AVAILABLE?

A37. Not in any public form that I am aware of. In rate cases this information is not readily available except to the immediate parties. In my view, salary and wage information is confidential information and should remain so. Further, an apples-to –apples comparison can be jeopardized by the fact that some utilities are managed by an affiliate or parent company or may have operational and management services provided to it by a third party. This is why an analysis provided by Ms. Homiak is better for a comparison.[33] In any case, Staff does have extensive experience in the auditing of water utilities and should have this information

[32] Michlik Sb. at 7.

[33] Homiak Rb. at 8.

internally in order to make an assessment of the reasonableness of the wages paid by the Management Company. It seems to me that the "standard" set by Staff is an impossible standard for the Company to meet. Moreover, Staff has not submitted any information demonstrating that the salaries and wages paid by the Company during the test year were in any manner unreasonable or unjustified.

Q38. IN YOUR EXPERIENCE, ARE THE SALARIES AND WAGES PAID BY THE MANAGEMENT COMPANY REASONABLE?

A38. Yes. And, so are the costs allocated to SWC.

Q39. WHAT DOES MR. MICHLIK SAY ABOUT THE CUSTOMER COST COMPARISON PROVIDED BY MS. HOMIAK IN HER REBUTTAL TESTIMONY?

A39. He dismisses that information[34] as well stating that the comparison includes utilities that vary in size from the Company and the comparison does not contain any salary information.[35] However, and with respect to utilities of comparable size, there are at least nine other Class B sized companies in the comparison.[36] SWC is ranked 4 out the 10 Class B companies in terms of total cost per customer; 5 out of 10 in terms of cost per customer less depreciation and taxes; and, 5 out of 10 in terms of cost per customer less depreciation, taxes, purchased power and chemicals. Further, SWC is ranked 9 out of 25 in terms of total cost per customer for the entire universe of companies listed (Class A, B, and C) ; 7 out of 25 in

[34] *See* Exhibit D attached to the Rebuttal testimony of Marina Homiak.

[35] *Id.*

[36] Lago Del Oro Water Co., Bermuda Water Company, Arizona Water Company (Oracle/Overgaard), Rio Rico Utilities, Arizona Water Company (Coolidge), Arizona Water Company (Lakeside).

terms of cost per customer less depreciation and taxes; and, 9 out of 25 in terms of cost per customer less depreciation, taxes, purchased power and chemicals. Arguably the cost metric most controllable by a utility's management is the cost per customer less depreciation, taxes, purchased power and chemicals. I would also note that several of the companies listed (including Class B companies) are managed by a much larger parent company who can arguably achieve greater economies of scale and lower costs than SWC, so the analysis is a bit skewed in favor of those companies. But, by whatever metric you choose to compare, SWC ranks very favorably.

With respect to specific salary information, this information is not available as I discussed earlier. Further, the much larger parent companies of many of the companies allocate their labor costs to expense accounts other than salaries and wages making a meaningful comparison to a top line salary and wages expense amount an impossible task. But aside from the fact that specific salary information is not available and thus a meaningful direct comparison of the salaries and wage expense levels is not possible, Mr. Michlik misses the point. The point of the comparison was to show that SWC's operating costs, which include salaries and wages costs are reasonable by comparison and one cannot argue with the fact that SWC has achieved an exceptionally high level of service in a very cost effective way. It has achieved this by no small measure through the management, administrative, and operational team of employees provided by the Management Company, as the Arizona Water Association award noted previously recognized.

Q40. DO YOU BELIEVE COMPTETIVE BIDS ARE NECESSARY GIVEN THE INDICATIONS OF YOUR ANALYSIS?

A40. No. Again, the cost metrics discussed above demonstrate that SWC's cost are reasonable.

Q41. PLEASE COMMENT ON THE FACT THAT THE "NON-DEDICATED" EMPLOYEES DID NOT KEEP TIMESHEETS TO SUBSTANTIATE THEIR TIME SPENT PERFORMING WORK FOR SWC?

A41. First let me clarify the term "non-dedicated employee". In this context a non-dedicated employee refers to an employee of the Management Company who is not allocated on a full-time basis to the Company. Putting that aside, Mr. Michlik does not argue that no time was spent by the non-dedicated employees, only that the Company did not show adequate documentation of the time spent.[37] So, I believe that even Mr. Michlik would agree that the costs of non-dedicated employees should be somewhere between an amount greater than zero and the approximately $100,000 he seeks to remove, and certainly it should not be not be zero, as he proposes. The Company has provided Staff with the job descriptions, responsibilities, and duties of these non-dedicated employees with respect to the work performed on behalf of SWC and I believe that a reasonable determination of the time required to perform these duties can be made. The Company has the estimate of each employee's time from each employee who actually performed work for SWC. These employees should know best. Putting that aside, in total, the Management Company has allocated less than one-third of the cost of these employees to SWC. This is not unreasonable. In other words, the Company and rate payers have saved two-thirds of these costs by not having to hire full time employees to do the work.

[37] Michlik Sb. at 12.

Q42. PLEASE CONTINUE WITH YOUR DISCUSS OF REVISIONS TO THE REVENUE AND EXPENSES ADJUSTMENTS PROPOSED BY THE COMPANY.

A42. The Company's property tax adjustment (Adjustment Number 2) has been revised to reflect the Company's rejoinder proposed revenues. The detail of the Company's proposed property tax adjustment is detailed on Rejoinder Schedule C-2, page 3.

Finally, the Company's income tax adjustment has been revised to reflect the rejoinder revenues and expenses. The details of the Company's income tax adjustment are detailed on Rejoinder Schedule C-2, page 9.

Q43. STAFF CONTINUES TO EXCLUDE INCOME TAXES FROM EXPENSES, CORRECT?

A43. Yes.

Q44. PLEASE COMMENT ON THE SURREBUTTAL TESTIMONY OF MR. MICHLIK (PAGE 19) REGARDING THE ISSUE OF THE INCLUSION OF INCOME TAXES?

A44. I have two comments. First, Mr. Michlik does not dispute the testimony of Company witness, Mr. David Cutler, CPA, or myself, that the income attributed to SWC is reported to and included as income on the returns of the owners which is subject to tax.[38] Mr. Michlik confirms, as Mr. Culter has stated[39], the "IRS requires

[38] Cutler Rb. at 3-6; Bourassa.Rb at 11.

[39] Cutler Rb. at 3-4.

the pass-though entity to file an informational return to report the individual owner's pro-rate shares of the entity's income. This pro-rata share of income is reported for each owner in the Schedules K-1, for the owner's use in calculating and reporting his own income tax liability".[40] There should be no question that the income reported to owners are directly attributed to SWC and must be included as income on the returns of the owners. If the income were not required to be reported and included as income on the returns of the owners, the owner's would have a lower tax liability. As I have stated, ultimately the payment of taxes attributed to SWC is paid by the owners.[41] Mr. David Cutler provides additional discussion on this point in his Rejoinder Testimony. The bottom line is that there is no dispute regarding this point.

Q45. BY INCLUDING INCOME TAXES IN THE REVENUE REQUIREMENT, ARE RATE PAYERS PAYING THE PERSONAL INCOME TAXES OF THE OWNERS OF THE COMPANY?

A45. Only in a technical sense. The income taxes that are paid by the rate payers are those that are directly attributed to the income of SWC. Any other income or losses, deductions, and ultimately the tax paid by owners are not paid by rate payers. In fact, if the other income or losses, deductions, and ultimately the tax paid by the individual owners are considered, there would be cross-subsidization between the owners and rate payers. There is no doubt that if income taxes are excluded, the company's owners will in effect subsidize

[40] Michlik Sb. at 19.

[41] Bourassa Rb. at 11.

rate payers by paying taxes on the income attributed to the Company's operations.. And, thus rate payers will receive an unjustified windfall.[42]

Q46. HAS MR. MICHLIK CHALLENGED YOUR PREVIOUS TESTIMONY REGARDING HOW THIS COMMISSION TREATS INCOME TAXES FOR C-CORPORATION UTILITIES THAT FILE A CONSOLIDATED TAX RETURN WITH A PARENT COMPANY?

A46. No. Mr. Michlik has not even attempted to demonstrate that there is a substantive difference between a C-Corp that whose income is reported on a consolidated tax return with a parent company and tax pass-through entity whose income is reported on the individual returns of owners. This leads to my second comment. The entire basis of Mr. Michlik's argument is based on a classification under the federal tax law[43] - its form over substance. As you will recall, I pointed out that even though a C-Corp utility does not file an individual tax return, this Commission has treated the C-Corp utility as if it were paying taxes on a stand-alone basis.[44] The other income or losses, deductions, and taxes paid by the parent company are irrelevant (as they should be). In a technical sense, rate payers are paying the taxes of the parent company of a C-Corp utility just as rate payers are technically paying the income taxes of the individual owners of a tax pass-through entity. But, just as with a tax pass-through entity, the income taxes rate payers pay for a C-Corp's income taxes are based on the income directly attributed to the utility and not from any other source. Rate payers are not disadvantaged in any way as a result.

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[42] Bourassa Dt. at 12.

[43] Michlik Sb. at 19.

[44] Bourassa Dt. at 16.

Q47. DOES MR. MICHLIK CHALLENGE YOUR TESTIMONY THAT THE RETURN PROVIDED TO A C-CORPORATION UTILITY IS NOT THE SAME AS A TAX-PASS THROUGH ENTITY IF INCOME TAXES ARE EXCLUDED FOR THE TAX-PASS THROUGH ENTITY?

A47. No. And neither has Staff's cost of capital witness, Mr. Manrique. As you will recall, in my rebuttal cost of capital testimony I showed that the value of two firms (one a tax paying entity and one a non-tax paying entity) will have very different values if income tax recovery is allowed on one and not the other.[45] Also, as I stated, and which the analysis contained in my cost of capital presentation demonstrates, if the recovery of income taxes is denied for a tax pass-through entity but allowed for a tax paying entity, the investors in a tax pass-through entity will suffer a confiscation of investment value as a result.[46] Again, Staff has not disputed this point.

Q48. DO YOU HAVE OTHER CONCERNS?

A48. Yes. Under Staff's proposals (exclusion of Well #23 plant costs from rate base, exclusion of income taxes, and a 9.2 percent rate of return), the Company will have insufficient earnings from which to pay dividends at a level comparable to the publicly traded water utilities. Moreover, earnings will be insufficient to pay dividends irrespective of the recovery of income taxes and disallowing recovery of income taxes only compounds the situation. I discuss the sufficiency of earnings in more detail in my rejoinder cost of capital testimony.

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[45] Bourassa COC Rb. at 5-9.

[46] Bourassa Rb. at 12.

A. **Remaining Revenue and Expense Issues.**

Q49. PLEASE COMMENT ON STAFF'S PROPOSED RATE CASE EXPENSE.

A49. At this stage, both Staff and the Company agree on the total rate case expense but differ on the period of time (in years) used to determine the annual amount to be included in the revenue requirement. The Company believes the appropriate number of years should be 3 years, while Staff believes it should be 5 years.[47]

Q50. DOES THE COMPANY EXPECT TO FILE ANOTHER RATE CASE WITHIN 3 YEARS, AND, IF SO, WHY?

A50. Yes, because there are expected increases in arsenic operating expenses that are not being captured in the revenue requirement in the instant case.[48] The Company should be filing another rate case as soon as possible to minimize its losses. In addition, it is more likely than not that the Company will experience additional investment in plant-in-service that will be necessary for the Company to continue to provide safe and reliable service to customers.[49]

V. RATE DESIGN

Q51. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES?

A51. The rebuttal proposed rates are listed below.

All Classes

Meter	Monthly	Gallons included

[47] Bourassa Rb. at 15-16.

[48] Replacement of arsenic treatment filters alone will cost $15,000 to $20,000 annually.

[49] The anticipated capital projects over the next 3 years will cost between $500,000 to $1 million and include, but are not limited to: Well 14 & Well 18 rehabilitation work; Storage tank inspection and cleaning; SCADA control system upgrades and new website costs.

Size	Minimum	in Monthly Minimum
5/8	$ 24.24	0
3/4	$ 36.36	0
1	$ 60.60	0
1 1 /2	$ 121.20	0
2	$ 193.92	0
3	$ 387.64	0
4	$ 606.00	0
6	$1,212.00	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8x3/4 Residential	1 to 4,000	$3.50
	4,001 to 10,000	$4.25
	Over 10,000	$4.80
3/4 Residential	1 to 6,000	$3.50
	6,001 to 9,000	$4.25
	Over 9,000	$4.80
1 Residential	1 to 10,000	$3.50
	10,001 to 25,000	$4.25
	Over 25,000	$4.80
5/8x3/4 and 3/4 Commercial, Irrigation	1 to 10,000	$4.25
	Over 10,000	$4.80
1 Commercial, Irrigation	1 to 25,000	$4.25

	Over 25,000	$4.80
1 ½ Res., Com., Irr.	1 to 50,000	$4.25
	Over 50,000	$4.80
2 Res., Com., Irr.	1 to 80,000	$4.25
	Over 80,000	$4.80
3 Res., Com., Irr.	1 to 160,000	$4.25
	Over 160,000	$4.80
4 Res., Com., Irr.	1 to 250,000	$4.25
	Over 250,000	$4.80
6 Res., Com., Irr.	1 to 500,000	$4.25
	Over 500,000	$4.80
Standpipe (Construction)		
All Meter Sizes	All gallons	$4.80

Q52. HAVE YOU UPDATED YOUR COST OF SERVICE STUDY USING THE COMPANY REJOINDER PROPOSED RATES?

A52. Yes. As shown on Rejoinder Schedule G-2, the returns at the rejoinder proposed rates continue to vary substantially between the various meter sizes. While all the returns are positive, the 5/8x3/4 inch and ¾ inch residential customer classes provide returns below the 9.69 percent requested in the instant case at 7.26 percent and 7.38 percent, respectively. The larger sized meters, such as the 1 inch commercial, 2 inch commercial, 3 inch commercial are providing much higher returns at 11.12 percent, 35.00 percent, and 19.10 percent, respectively. The 1 inch irrigation, 1½ inch irrigation and 2 inch irrigation are providing returns of 21.60 percent, 23.50 percent, and 35.26 percent, respectively. This indicates that the larger meter customer classes continue to subsidize the 5/8 inch and ¾ inch

customer classes under the rebuttal proposed rates. However, consistent with the concept of gradualism, there is improvement in eliminating existing subsidization under the Company's proposed rates.

Q53. WHAT IS THE IMPACT OF THE COMPANY'S REJOINDER PROPOSED RATES ON AN AVERAGE 5/8x3/4 INCH METERED RESIDENTIAL CUSTOMER?

A53. The present monthly bill for a 5/8x3/4 inch metered residential customer using an average of 5,424 gallons is $27.12. The proposed monthly bill for a 5/8x3/4 inch metered residential customer using an average of 5,424 gallons would be $44.29, an increase of $17.17 or 63.32 percent compared to the present rates.

Q54. WHAT IS THE IMPACT OF THE COMPANY'S REJONDER PROPOSED RATES ON AN AVERAGE 3/4 INCH METERED RESIDENTIAL CUSTOMER?

A54. The present monthly bill for a 3/4 inch metered residential customer using an average of 6,142 gallons is $54.93. The proposed monthly bill for a 5/8 inch metered residential customer using an average of 6,142 gallons would be $57.96, an increase of $20.27 or 53.79 percent compared to the present rates.

Q55. HAS STAFF CORRECTED ITS PROPOSED RATES SO THAT THEY PRODUCE THE STAFF PROPOSED REVENUE REQUIREMENT?

A55. The problem of the Staff proposed rates having produced too much revenue[50] continues to exist, although the difference has narrowed from approximately

[50] Bourassa Rb. at 22-23.

$180,000 too much revenue to approximately $50,000 too much revenue. In light of this problem I will attempt to provide a detailed comparison of the Staff and Company proposed rate designs. The Company believes its rate design promote conservation while balancing the promotion of conservation with both revenue stability and fairness based on cost of service principles.

Q56. WHAT CONCERNS DO YOU HAVE WITH STAFF'S PROPOSED RATE DESIGN?

A56. Staff's rate design can be characterized as having relatively low monthly minimums, low first tier commodity rates for small residential customers, and high commodity rates for small commercial and irrigation customers, and larger metered customers. This is all to the benefit of small residential customers and at the cost of other customer classes. Staff's proposed rate design shifts revenue recovery away from the 5/8x3/4 inch residential class to the small commercial and irrigation customers, and larger metered customer classes.

Q57. CAN YOU SHOW THIS?

A57. Yes. I have prepared a number of exhibits for my discussion; Exhibit TJB-RJ -3, TJB-RJ-4, TJB-RJ-5, and TJB-RJ-6. First, Staff does not increase the monthly minimums for the 1 inch and smaller meters.[51] This results in a shift from in revenue recovery away from the monthly minimums to the commodity rates. In fact, the revenue recovery from the monthly minimums drops from approximately 51.6 percent under present rates to 43.19 percent under the Staff proposed rates. This is shown in Exhibit TJB-RJ-3, by comparing the cumulative percentage of

[51] *See* Staff Surrebuttal Schedule JMM-19, page 1 of 2.

Column A on page 1 (revenue breakdown under present rates) and the cumulative percentage of Column A on page 3 (revenue breakdown under Staff proposed rates). In contrast, the Company has increased the monthly minimums for all meter sizes. And, under the Company proposed rates, the revenue recovery from the monthly minimums is about 48.5 percent as shown for the cumulative percentage of Column A on page 2 of Exhibit TJB-RJ-3.

Second, Staff's first tier commodity rate for the smaller metered residential customers is increased from the present commodity rate of $2.05 to $2.39, an increase of $0.24 or about 16.6 percent. The first tier of the smaller metered commercial and irrigation customers and larger metered customers is increased from $2.05 to $3.56, an increase of $1.51 or about 73.6 percent. As a result, the revenue recovery from the monthly minimums and the first tier commodity rates is reduced from about 66.63 percent under present rates to only 49.69 percent under the Staff proposed rates. This is shown in Exhibit TJB-RJ-3 by comparing the cumulative percent of Column B on page 1 (revenue breakdown under present rates) and the cumulative percentage of Column B on page 3 (revenue breakdown under Staff proposed rates). In contrast, under the Company proposed rates the first tier commodity rates for the smaller metered residential customers is increased from $2.05 to $3.50, or an increase of $1.45 or about 70.7 percent. The first tier of the small commercial and irrigation and larger metered customers is increased from $2.05 to $4.25, an increase of $2.20 or about 107.3 percent. As a result, the revenue recovery from the monthly minimums and the first tier commodity rates under the Company proposed rates is about 58.7 percent as shown for the cumulative percentage of Column B on page 2 of Exhibit TJB-RJ-3. While this is a reduction compared to present rates at 64.6 percent, it does not go nearly as far as the Staff proposed rates. Under the Staff proposed rates more than half of the

Company's revenue requirement is being recovered from the 2nd and 3rd tier commodity rates; exposing the Company to a greater degree of revenue instability and revenue recovery risk.

Second, revenue recovery is shifted away from the 5/8x3/4 inch residential customers to the small commercial and irrigation customers and larger metered customers under the Staff proposed rate design. This can be shown by on Exhibit TJB-RB-4, page 1, where the percent of total revenues from the 5/8x3/4 inch residential customer under the Staff proposed rates decreases from 65.17 percent to 63.24 percent. The 5/8x3/4 inch residential customers comprise the largest class of customers at over 86 percent of the total customers yet this class contributes far less of a proportion of revenues at about 65 percent under present rates and even less under the Staff proposed rates.

Further, as a group, the residential class revenue recovery under the Staff proposed rates drops from 76.66 percent to 74.22 percent. Commercial customers, as a group, contribute 4.13 percent of revenues under present rates whereas this group contributes 4.69 percent of revenues under Staff proposed rates. Further, irrigation customers, as a group, contribute 17.14 percent of revenues under present rates whereas this group contributes 19.90 percent of revenues under Staff proposed rates.

Under the Company proposed rates (Rejoinder Schedule H-1, page 1) the 5/8x3/4 inch residential customers continue to contribute about 65 percent of revenues. The residential customers, as a group, continue to contribute about 76 percent of total revenues under the Company proposed rates. The commercial and irrigation customers, as groups, contribute only slightly greater percentages of total revenues at 4.26 percent and 17.79 percent, respectively.

Q58. THAT'S A LOT OF ANALYSIS. WHAT'S YOUR CONCLUSION WITH RESPECT TO STAFF'S RATE DESIGN?

A58. Staff is discounting water service and generating a subsidy (i.e., selling water below cost in the first rate block) for the 5/8x3/4 inch metered residential customers. As a result, customers that use large amounts of water for various residential and non-residential purposes will be required to pay more than the cost of service in order to subsidize the low use residential customers.

Q59. HAVE YOU PREPARED A SCHEDULE TO FURTHER ILLUSTRATE THIS?

A59. Yes, as shown on Exhibit TJB RJ-5, page 1 is similar to the H-2 schedule contained in the Company's rejoinder filing. The H-2 shows the average bill at present and proposed rates. Staff is recommending a revenue decrease of 17.74 percent. But, as shown on the schedule, Staff is increasing the 5/8x3/4 inch residential customer rates by about 17.3 percent and increasing the larger metered customers by far greater amounts for the commercial and irrigation customers.

Q60. HOW DOES STAFF'S PROPOSED RATE STACK UP AGAINST THE COST OF SERVICE?

A60. As shown on Exhibit TJB RB-6, page 1, which is similar to Rejoinder Schedule G-0, the Staff proposed rates result in returns for the 5/8x3/4 inch and ¾ inch residential customers of just 5.11 percent and 6.43 percent, respectively. As a group, the residential customers provide an over-all 5.30 percent return. Remember, Staff is recommending a 9.2 percent return on rate base. The differential between Staff's recommended return and the return provided by the 5/8x3/4 inch metered residential customers is over 400 basis points.

Q61. HOW DO THE COMPANY'S PROPOSED RATE COMPARE IN TERMS OF THE COST OF SERVICE?

A61. Under the Company proposed rates, the 5/8x3/4 inch metered residential customer provide for a 7.26 percent return. As a group, the residential customers provide an over-all 7.28 percent return. The Company is recommending an overall return of about 9.7 percent. The differential between the Company's recommended return and the return provided by the 5/8x3/4 inch residential class is about 240 basis points. Arguably, the Company's proposed rate design is more fair than Staff's from a cost of service perspective.

Q62. PLEASE COMMENT ON STAFF'S SURREBUTAL TESTIMONY CONCERNING THE COMPANY REQUEST TO TREAT CENTRAL ARIZONA GROUND WATER REPLENISHMENT DISTRICT FEES AS A PASS-THROUGH CHARGE?

A62. Company witness, Mr. Mark Seamans provides the Company response to Staff's Surrebuttal Testimony on the CAGRD fees.

Q63. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE COMPANY REGARDING SERVICE LINE AND METER INSTALLATION CHARGES?

A63. No.

Q64. DOES THERE CONTINUE TO BE DISAGREEMENT BETWEEN THE STAFF AND THE COMPANY REGARDING THE DEPOSIT INTEREST RATE ON CUSTOMER SECURITY DEPOSITS?

A64. Yes. Staff has not provided any additional testimony on this subject. The Company has not revised its position and has nothing to add.[52]

Q65. PLEASE EXPLAIN THE DISAGREEMENT OVER THE DEPOSIT INTEREST RATE.

A65. The Company continues to recommend a deposit interest rate of 1% whereas Staff recommends a deposit interest rate of 6%. The Company continues to believe its rate more accurately reflects the reality of very low interest rates at the present time than does Staff's. In fact, the current average national money market rate is 0.832%.[53]

Q66. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A66. Yes. Although my silence on any issue not discussed herein does not necessarily constitute agreement with Staff at this time.

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[52] Bourassa Rb. at 24-25.

[53] WWW.Bankrate.com, July 9, 2010.

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-RJ-1

RATE CASE AND AUDIT MANUAL

Prepared by:

NARUC Staff Subcommittee
on Accounting and Finance

Summer 2003

Customer Deposits

Customer deposits are shown as a liability on the utility's balance sheet and represent a source of non-investor supplied capital. Customer deposits are generally treated one of three ways.

The first method does not reduce rate base by the customer deposits balance and classifies any interest accrued or paid on those deposits as a below-the-line (or non-operating) expense. This method allows the utility to earn a return on a rate base that has not been reduced by the amount of customer deposits, and then allows it to use that return to pay the interest that is required to be returned to customers with the return of that deposit. One consideration in using this method is whether the return allowed on rate base is higher than the return that the utility is required to pay on its customer deposits. If so, the utility may be allowed to earn more than is necessary, and return that difference to shareholders.

The second method reduces rate base by the customer deposits balance, and classifies any interest accrued or paid on those deposits as an above-the-line (or operating) expense that is included in the revenue requirement computation. The interest that the utility must pay is generally deemed to be a legitimate expense that must be recovered in one form or another.

The third method includes the liability for customer deposits in the utility's capital structure at a zero cost, reducing the overall rate of return. If interest is paid on the customers' deposits, the utility can recover that interest expenses as an above-the line (or operating) expense.

When examining this item, the auditor may want to become familiar with the utility's deposit policies, to make sure that the amount of deposits it holds is consistent with any rules of the particular jurisdiction on the matter. One wants to make sure that the proper amount is being held, not only for the sake of customers who paid the deposits, but also to assure that too much interest expense is not being included in rates to be paid by the general body of ratepayers. One may want to look not only at the policy of how much is collected from any individual customer as a deposit, but whether deposit policies are consistent with minimizing uncollectibles. One may also wish to review policies of when deposits are returned to customers.

Prepayments

The auditor should examine the nature of the prepayments as well as the amounts of each type of prepayment. In looking at these items, one should look to see that they relate to the provision of utility service, and are the type of expense that is normally lumpy in nature, and therefore, paid periodically and then amortized over some number of months. An example of a commonly included prepayment is insurance. Watch the allocation of insurance as it often covers not only the regulated utility, but also affiliates and deregulated activities. Since the prepayment balance will vary during a period, the auditor may wish to consider using an average balance in order to reach a more normalized level for inclusion in rate base.

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-RJ-2

AZ Water

HONORS

SAHUARITA WATER COMPANY LLC

SAHUARITA

AS

WATER TREATMENT PLANT OF THE YEAR

WATER TREATMENT

SMALL SYSTEM

2010

Professionals Dedicated To Arizona's Water

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-RJ-3

Sahuarita Water Company
Revenue Breakdown Summary
Present Rates

		Current Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8 Inch	Residential	$ 776,064	$ 238,918	$ 342,120		$ 1,357,102
3/4 Inch	Residential	$ 129,000	$ 20,103	$ 51,655		$ 200,758
1 Inch	Residential	$ 24,480	$ 2,369	$ 7,250		$ 34,099
		$ 929,544	$ 261,391	$ 401,025	$ -	$ 1,591,960
Percent of Revenues		58.39%	16.42%	25.19%	0.00%	100.00%
Cummulative Percentage		58.39%	74.81%	100.00%	100.00%	
1 Inch	Commercial	$ 960	$ 111	$ 423		$ 1,493
2 Inch	Commercial	$ 23,040	$ 455	$ 68,782		$ 92,277
3 Inch	Commercial	$ 2,700	$ -	$ 3,802		$ 6,502
		$ 26,700	$ 566	$ 73,007	$ -	$ 100,273
Percent of Revenues		26.63%	0.56%	72.81%	0.00%	100.00%
Cummulative Percentage		26.63%	27.19%	100.00%	100.00%	
1 Inch	Public Authority	$ 480	$ 37	$ 244		$ 761
2 Inch	Public Authority	$ 11,520	$ 469	$ 1,844		$ 13,833
		$ 12,000	$ 506	$ 2,088	$ -	$ 14,595
Percent of Revenues		82.22%	3.47%	14.31%	0.00%	100.00%
Cummulative Percentage		82.22%	85.69%	100.00%	100.00%	
5/8x3/4 Inch	Irrigation	$ 2,112	$ 156	$ 20,362		$ 22,630
3/4 Inch	Irrigation	$ 3,000	$ 319	$ 2,146		$ 5,465
1 Inch	Irrigation	$ 20,160	$ 787	$ 33,391		$ 54,338
1.5 Inch	Irrigation	$ 8,100	$ 80	$ 13,830		$ 22,010
2 Inch	Irrigation	$ 54,720	$ 267	$ 183,101		$ 238,088
3 Inch	Irrigation	$ 2,700	$ -	$ 500		$ 3,200
		$ 90,792	$ 1,609	$ 253,331	$ -	$ 345,732
Percent of Revenues		26.26%	0.47%	73.27%	0.00%	100.00%
Cummulative Percentage		26.26%	26.73%	100.00%	100.00%	
3 Inch	Construction	$ 5,400	$ 4,336			$ 9,736
Percent of Revenues		55.46%	44.54%	0.00%	0.00%	100.00%
Cummulative Percentage		55.46%	100.00%	100.00%	100.00%	
Grand Total		$ 1,064,436	$ 268,407	$ 729,451	$ -	$ 2,062,294
Percent of Total Revenues		51.61%	13.01%	35.37%	0.00%	100.00%
Cummulative Percentage		51.61%	64.63%	100.00%	100.00%	

Sahuarita Water Company
Revenue Breakdown Summary
Company Proposed Rates

		Proposed Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 1,175,737	$ 205,968	$ 535,863	$ 269,449	$ 2,187,017
3/4 Inch	Residential	$ 187,618	$ 34,323	$ 62,046	$ 22,484	$ 306,470
1 Inch	Residential	$ 37,087	$ 4,039	$ 11,047	$ 137	$ 52,310
		$ 1,400,442	$ 244,330	$ 608,956	$ 292,070	$ 2,545,797
Percent of Total Revenues		55.01%	9.60%	23.92%	11.47%	100.00%
Cummulative Percentage		55.01%	64.61%	88.53%	100.00%	
1 Inch	Commercial	$ 1,454	$ 961	$ -		$ 2,415
2 Inch	Commercial	$ 37,233	$ 17,138	$ 99,147		$ 153,517
3 Inch	Commercial	$ 4,654	$ 5,973	$ -		$ 10,627
		$ 43,341	$ 24,072	$ 99,147	$ -	$ 166,559
Percent of Total Revenues		26.02%	14.45%	59.53%	0.00%	100.00%
Cummulative Percentage		26.02%	40.47%	100.00%	100.00%	
1 Inch	Public Authority	$ 727	$ 493	$ -		$ 1,220
2 Inch	Public Authority	$ 18,616	$ 4,063	$ -		$ 22,679
		$ 19,344	$ 4,556	$ -	$ -	$ 23,900
Percent of Total Revenues		80.94%	19.06%	0.00%	0.00%	100.00%
Cummulative Percentage		80.94%	100.00%	100.00%	100.00%	
5/8x3/4 Inch	Irrigation	$ 3,200	$ 519	$ 35,466		$ 39,184
3/4 Inch	Irrigation	$ 4,363	$ 2,225	$ 2,181		$ 8,769
1 Inch	Irrigation	$ 30,542	$ 18,243	$ 40,480		$ 89,265
1.5 Inch	Irrigation	$ 13,090	$ 5,206	$ 18,218		$ 36,514
2 Inch	Irrigation	$ 88,428	$ 30,948	$ 279,823		$ 399,199
3 Inch	Irrigation	$ 4,654	$ 795	$ -		$ 5,449
		$ 144,276	$ 57,936	$ 376,168	$ -	$ 578,381
Percent of Total Revenues		24.94%	10.02%	65.04%	0.00%	100.00%
Cummulative Percentage		24.94%	34.96%	100.00%	100.00%	
3 Inch	Construction	$ 9,308	$ 4,625			$ 13,933
Percent of Total Revenues		66.81%	33.19%	0.00%	0.00%	100.00%
Cummulative Percentage		66.81%	100.00%	100.00%	100.00%	
Grand Total		$ 1,616,711	$ 335,519	$ 1,084,270	$ 292,070	$ 3,328,570
Percent of Total Revenues		48.57%	10.08%	32.57%	8.77%	100.00%
Cummulative Percentage		48.57%	58.65%	91.23%	100.00%	

Sahuarita Water Company - Staff Proof Sb
Revenue Breakdown Summary
Staff Proposed Rates

		Proposed Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 776,064	$ 80,531	$ 448,120	$ 284,605	$ 1,589,321
3/4 Inch	Residential	$ 129,000	$ 6,188	$ 44,051	$ 51,954	$ 231,193
1 Inch	Residential	$ 24,480	$ 14,767	$ 440		$ 39,687
Subtotal		$ 929,544	$ 101,485	$ 492,612	$ 336,560	$ 1,860,201
Percent of Revenues		49.97%	5.46%	26.48%	18.09%	100.00%
Cummulative Percentage		49.97%	55.43%	81.91%	100.00%	
1 Inch	Commercial	$ 960	$ 805	$ -		$ 1,765
2 Inch	Commercial	$ 24,576	$ 15,279	$ 87,627		$ 127,481
3 Inch	Commercial	$ 3,072	$ 4,988	$ -		$ 8,060
Subtotal		$ 28,608	$ 21,071	$ 87,627	$ -	$ 137,306
Percent of Revenues		20.84%	15.35%	63.82%	0.00%	100.00%
Cummulative Percentage		20.84%	36.18%	100.00%	100.00%	
1 Inch	Public Authority	$ 480	$ 328	$ 89		$ 897
2 Inch	Public Authority	$ 12,288	$ 3,403	$ -		$ 15,691
Subtotal		$ 12,768	$ 3,731	$ 89	$ -	$ 16,588
Percent of Revenues		76.97%	22.49%	0.54%	0.00%	100.00%
Cummulative Percentage		76.97%	99.46%	100.00%	100.00%	
5/8x3/4 Inch	Irrigation	$ 2,112	$ 434	$ 32,699		$ 35,245
3/4 Inch	Irrigation	$ 3,000	$ 824	$ 3,139		$ 6,963
1 Inch	Irrigation	$ 20,160	$ 15,146	$ 37,139		$ 72,446
1.5 Inch	Irrigation	$ 8,640	$ 3,845	$ 16,682		$ 29,166
2 Inch	Irrigation	$ 58,368	$ 25,600	$ 252,287		$ 336,254
3 Inch	Irrigation	$ 3,072	$ 659	$ -		$ 3,731
Subtotal		$ 95,352	$ 46,508	$ 341,945	$ -	$ 483,805
Percent of Revenues		19.71%	9.61%	70.68%	0.00%	100.00%
Cummulative Percentage		19.71%	29.32%	100.00%	100.00%	
3 Inch	Construction	$ 16,896	$ (12,611)			$ 4,285
Percent of Revenues		394.31%	-294.31%	0.00%	0.00%	100.00%
Cummulative Percentage		394.31%	100.00%	100.00%	100.00%	
Grand Total		$ 1,083,168	$ 160,184	$ 922,273	$ 336,560	$ 2,502,185
Percent of Total Revenues		43.29%	6.40%	36.86%	13.45%	100.00%
Cummulative Percentage		43.29%	49.69%	86.55%	100.00%	

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-RJ-4

Sahuarita Water Company - Staff Proof Sb
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Page 1

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 1,314,948	$ 1,539,915	$ 224,967	17.11%	65.17%	63.24%
2	3/4 Inch	Residential	197,019	226,976	29,957	15.21%	9.76%	9.32%
3	1 Inch	Residential	34,678	40,366	5,688	16.40%	1.72%	1.66%
4								
5		Subtotal	1,546,644	1,807,257	260,612	16.85%	76.66%	74.22%
6								
7	1 Inch	Commercial	899	1,052	153	17.05%	0.04%	0.04%
8	2 Inch	Commercial	75,830	105,143	29,314	38.66%	3.76%	4.32%
9	3 Inch	Commercial	6,502	8,060	1,557	23.95%	0.32%	0.33%
10								
11		Subtotal	$ 83,231	$ 114,255	$ 31,024	37.27%	4.13%	4.69%
12								
13	1 Inch	Public Authority	$ 761	$ 897	$ 135	17.78%	0.04%	0.04%
14	2 Inch	Public Authority	13,833	15,691	1,858	13.43%	0.69%	0.64%
15								
16		Subtotal	14,595	16,588	1,993	13.66%	0.72%	0.68%
17								
18	5/8x3/4 Inch	Irrigation	$ 22,472	$ 34,988	$ 12,517	55.70%	1.11%	1.44%
19	3/4 Inch	Irrigation	4,820	6,135	1,314	27.27%	0.24%	0.25%
20	1 Inch	Irrigation	51,943	69,378	17,435	33.57%	2.57%	2.85%
21	1.5 Inch	Irrigation	22,010	29,166	7,156	32.51%	1.09%	1.20%
22	2 Inch	Irrigation	243,475	343,583	100,108	41.12%	12.07%	14.11%
23	3 Inch	Irrigation	1,175	1,427	251	21.38%	0.06%	0.06%
24								
25		Subtotal	345,895	484,677	138,782	40.12%	17.14%	19.90%
26								
27								
28	3 Inch	Construction	27,266	12,269	(14,996)	-55.00%	1.35%	0.50%
29								
30		Subtotal	27,266	12,269	(14,996)	-55.00%	1.35%	0.50%
31								
32	Total Revenues Before Annualization		$ 2,017,631	$ 2,435,046	$ 417,415	20.69%	100.00%	100.00%
33								
34								
35								
36								
37								
38								

Sahuarita Water Company - Staff Proof Sb
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Page 2

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	
1				Revenue Annualization					
2									
5	5/8x3/4 Inch	Residential	$ 42,154	$ 49,406	7,252	17.20%	1,553	8,429	C-2, pg 5.1
6	3/4 Inch	Residential	3,740	4,217	478	12.77%	105	551	C-2, pg. 5.2
7	1 Inch	Residential	(579)	(679)	(100)	0.00%	(11)	(67)	C-2, pg. 5.3
8									
9		Subtotal	$ 45,315	$ 52,944	$ 7,629	16.84%	1,647	8,913	
10									
11	1 Inch	Commercial	594	712	118	19.85%	9	99	C-2, pg. 5.4
12	2 Inch	Commercial	16,447	22,338	5,891	35.82%	31	4,675	C-2, pg. 5.5
13	3 Inch	Commercial	-	-	-	0.00%	-	-	
14					-				
15		Subtotal	$ 17,042	$ 23,051	$ 21,267	124.80%	40	4,774	
16									
17	1 Inch	Public Authority	-	-	-	0.00%	-	-	
18	2 Inch	Public Authority	-	-	-	0.00%	-	-	
19									
20		Subtotal	$ -	$ -	$ -	0.00%	-	-	
21									
22	5/8x3/4 Inch	Irrigation	$ 159	$ 257	98	61.71%	-	-	C-2, pg. 5.6
23	3/4 Inch	Irrigation	645	829	184	28.49%	14	127	C-2, pg. 5.7
24	1 Inch	Irrigation	2,395	3,068	672	28.07%	23	572	C-2, pg. 5.8
25	1.5 Inch	Irrigation	-	-	-	0.00%	-	-	
26	2 Inch	Irrigation	(5,387)	(7,329)	(1,942)	0.00%	(10)	(1,538)	C-2, pg. 5.9
27	3 Inch	Irrigation	2,025	2,304	279	13.78%	9	-	
28									
29		Subtotal	(164)	(872)	(709)	0.00%	36	(839)	
30									
31									
32	3 Inch	Construction	(17,530)	(7,984)	9,545	0.00%	(42)	(1,795)	C-2, pg. 5.10
33									
34		Subtotal	(17,530)	(7,984)	9,545	0.00%	(42)	(1,795)	
35									
36									
37	Total Revenue Annualization		$ 44,664	$ 67,138	$ 37,733	84.48%	$ 1,681	11,053	
38									

Sahuarita Water Company - Staff Proof Sb
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	$ 2,017,631	$ 2,435,046	$ 417,415	20.69%	100.00%	100.00%
4	Subtotal Revenue Annualization	44,664	67,138	22,475	50.32%	2.21%	2.76%
5	Total Metered Revenues	$ 2,062,294	$ 2,502,185	$ 439,890	21.33%		
6							
7	Misc. Revenues	$ 157,242	$ 157,242	-	0.00%	7.79%	6.46%
8	Reconciling Amount to GL/C-1	(4,394)	(51,238)	(46,844)	0.00%	-0.22%	-2.10%
9	Total Water Revenues	$ 2,215,142	$ 2,608,189	$ 393,046	17.74%	0.00%	0.00%
10							
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Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-RJ-5

Sahuarita Water Company - Staff Proof Sb
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Page 1

Line No.	Meter Size, Class		(a) Average Number of Customers at 12/31/2008	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	3,913	5,424	$ 27.12	$ 31.80	4.68	17.26%
2	3/4 Inch	Residential	421	6,142	37.69	43.36	5.67	15.03%
3	1 Inch	Residential	52	6,957	54.93	64.77	9.83	17.90%
4								
5		Subtotal	4,386					
6								
7	1 Inch	Commercial	1	8,467	59.08	70.14	11.06	18.72%
8	2 Inch	Commercial	13	128,857	470.16	621.20	151.04	32.13%
9	3 Inch	Commercial	1	116,750	541.86	671.63	129.77	23.95%
10								
11		Subtotal	16					
12								
13	1 Inch	Public Authority	1	9,667	62.38	74.41	12.03	19.28%
14	2 Inch	Public Authority	8	9,958	143.19	163.45	20.27	14.15%
15								
16		Subtotal	9					
17								
18	5/8x3/4 Inch	Irrigation	11	56,939	$ 168.38	$ 261.23	92.84	55.14%
19	3/4 Inch	Irrigation	9	8,236	43.45	54.32	10.87	25.02%
20	1 Inch	Irrigation	40	26,025	107.37	137.99	30.62	28.52%
21	1.5 Inch	Irrigation	9	48,130	203.16	251.34	48.19	23.72%
22	2 Inch	Irrigation	39	147,745	522.10	705.19	183.09	35.07%
23	3 Inch	Irrigation	0	61,667	390.38	475.53	85.15	21.81%
24								
25		Subtotal	108					
26								
27								
28	3 Inch	Construction	6	41,803	413.11	185.90	(227.22)	-55.00%
29								
30		Subtotal	6					
31								
32		Total	4,524					
33								

34 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-RJ-6

Sahuarita Water Company, LLC - Staff Sb.
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Summary by Customer Class - Present and Staff Proposed Rates

Line No.	Class	Meter Size	Rate Base	Present Rates Operating Income	Present Rates Rate of Return	Company Proposed Rates Operating Income	Company Proposed Rates Rate of Return
1							
2							
3							
4							
5	Residential	5/8x3/4 Inch	$ 6,790,076	$ 152,366	2.24%	$ 347,055	5.11%
6		3/4 Inch	904,305	31,566	3.49%	58,189	6.43%
7		1 Inch	146,936	5,418	3.69%	10,547	7.18%
8							
9	Residential		$ 7,841,317	$ 189,349	2.41%	$ 415,790	5.30%
10							
11	Commercial	1 Inch	$ 5,725	$ 397	6.94%	$ 649	11.34%
12		2 Inch	146,756	47,527	32.38%	81,787	55.73%
13		3 Inch	15,476	2,378	15.37%	3,909	25.26%
14							
15	Commercial		$ 167,957	$ 50,302	29.95%	$ 86,345	51.41%
16							
17	Public Authority	1 Inch	$ 2,908	$ 168	5.78%	$ 294	10.11%
18		2 Inch	65,242	1,025	1.57%	2,833	4.34%
19							
20	Public Authority		$ 68,150	$ 1,193	1.75%	$ 3,127	4.59%
21							
22	Irrigation	5/8x3/4 Inch	$ 24,373	$ 12,643	51.87%	$ 24,791	101.71%
23		3/4 Inch	21,161	1,363	6.44%	2,745	12.97%
24		1 Inch	128,737	21,848	16.97%	39,205	30.45%
25		1.5 Inch	46,862	9,034	19.28%	15,969	34.08%
26		2 Inch	365,459	114,315	31.28%	209,765	57.40%
27		3 Inch	14,425	269	1.86%	791	5.48%
28							
29	Irrigation		$ 601,018	$ 159,471	26.53%	$ 293,266	48.79%
30							
31	Constuction		$ 30,914	$ 1,687	5.46%	$ (3,480)	-11.26%
32							
33							
34							
35	Total		$ 8,709,357	$ 402,002	4.62%	$ 795,048	9.13%
36							
37							

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REJOINDER TESTIMONY
(RATE BASE, INCOME STATEMENT, AND RATE DESIGN)
July 12, 2010

SCHEDULES

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 10,059,443
2		
3	Adjusted Operating Income	152,805
4		
5	Current Rate of Return	1.52%
6		
7	Required Operating Income	$ 974,760
8		
9	Required Rate of Return on Fair Value Rate Base	9.69%
10		
11	Operating Income Deficiency	$ 821,955
12		
13	Gross Revenue Conversion Factor	1.5446
14		
15	Increase in Gross Revenue Revenue Requirement	1,269,594
16		
17	Adjusted Test Year Revenues	$ 2,215,143
18	Increase in Gross Revenue Revenue Requirement	$ 1,269,594
19	Proposed Revenue Requirement	$ 3,484,737
20	% Increase	57.31%

22	Customer		Present	Proposed	Dollar	Percent
23	Classification		Rates	Rates	Increase	Increase
24	5/8x3/4 Inch	Residential	$ 1,314,948	$ 2,118,206	$ 803,258	61.09%
25	3/4 Inch	Residential	197,019	300,740	103,721	52.65%
26	1 Inch	Residential	34,678	53,211	18,534	53.45%
27		**Subtotal**	$ 1,546,644	$ 2,472,157	$ 925,513	59.84%
28						
29	1 Inch	Commercial	$ 899	$ 1,449	$ 550	61.18%
30	2 Inch	Commercial	75,830	126,423	50,593	66.72%
31	3 Inch	Commercial	6,502	10,627	4,125	63.43%
32		**Subtotal**	$ 83,231	$ 138,499	$ 55,268	66.40%
33						
34	1 Inch	Public Authority	$ 761	$ 1,220	$ 459	60.30%
35	2 Inch	Public Authority	13,833	22,679	8,846	63.95%
36		**Subtotal**	$ 14,595	$ 23,900	$ 9,305	63.76%
37						
38	5/8x3/4 Inch	Irrigation	$ 22,472	$ 38,907	$ 16,435	73.14%
39	3/4 Inch	Irrigation	4,820	7,710	2,890	59.95%
40	1 Inch	Irrigation	51,943	85,406	33,463	64.42%
41	1.5 Inch	Irrigation	22,010	36,514	14,504	65.89%
42	2 Inch	Irrigation	243,475	408,081	164,605	67.61%
43	3 Inch	Irrigation	1,175	1,959	783	66.64%
44		**Subtotal**	$ 345,895	$ 578,576	$ 232,681	67.27%
45						
46	3 Inch	Construction	$ 27,266	$ 38,841	$ 11,575	42.45%
47						
48	**Subtotal Revenues before Annualization**		$ 2,017,631	$ 3,251,972	$ 1,234,342	61.18%
49	**Revenue Annualization**		44,664	76,598	31,934	71.50%
50	Other Water Revenues		157,242	157,242	-	0.00%
51	Reconciling Amount H-1 to C-1		(4,394)	(1,075)	3,319	-75.53%
52	**Total of Water Revenues**		$ 2,215,142	$ 3,484,737	$ 1,269,594	57.31%
53						

54 SUPPORTING SCHEDULES:
55 Rejoinder B-1
56 Rejoinder C-1
57 Rejoinder C-3
58 Rejoinder H-1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 25,274,471	$ 25,274,471
3	Less: Accumulated Depreciation	1,368,282	1,368,282
4			
5	Net Utility Plant in Service	$ 23,906,188	$ 23,906,188
6			
7	Less:		
8	Advances in Aid of		
9	Construction	9,258,917	9,258,917
10	Contributions in Aid of		
11	Construction	4,314,264	4,314,264
12			
13	Accumulated Amortization of CIAC	(251,796)	(251,796)
14			
15			
16	Deferred Income Taxes & Credits	525,361	525,361
17			
18			
19			
20	Plus:		
21	Unamortized Debt Issuance		
22	Costs	-	-
23	Deferred Reg. Assets	-	-
24	Working capital	-	-
25			
26			
27			
28			
29	Total Rate Base	$ 10,059,443	$ 10,059,443
30			
31			
32			
33	SUPPORTING SCHEDULES:		RECAP SCHEDULES:
34	Rejoinder B-2		Rejoinder A-1
35	Rejoinder B-3		
36	Rejoinder B-5		
37			
38			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustment Amount	Rejoinder Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 20,957,540	4,316,931	$ 25,274,471
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,680,847	(312,565)	1,368,282
7				
8				
9	Net Utility Plant			
10	in Service	$ 19,276,692		$ 23,906,188
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	9,334,999	(76,082)	9,258,917
15				
16	Contributions in Aid of			
17	Construction	2,436,455	1,877,809	4,314,264
18				
19	Accumulated Amort of CIAC	(251,796)	-	(251,796)
20				
21				
22	Deferred Income Taxes & Credits	338,625	186,736	525,361
23				
24				
25				
26	**Plus:**			
27	Unamortized Debt Issuance			
28	Costs	-		-
29	Deferred Reg. Assets	-	-	-
30	Working capital	-	-	-
31				
32				
33				
34				
35	Total	$ 7,418,410		$ 10,059,443
36				
37				
38				
39	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
40	Rejoinder B-2, pages 2			Rejoinder B-1
41				
42				
43				
44				
45				
46				
47				
48				

Sahuarita Water Company, LLC
Test Year Ended September 30, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustments 1 Plant	2 Accumulated Depr.	3 CIAC	4 AIAC	5 DIT	Rejoinder Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 20,957,540	4,316,931					$ 25,274,471
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	1,680,847		(312,565)				1,368,282
7								
8								
9	Net Utility Plant							
10	in Service	$ 19,276,692	$ 4,316,931	$ 312,565	$ -	$ -	$ -	$ 23,906,188
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	9,334,999				(76,082)		9,258,917
15								
16	Contributions in Aid of							
17	Construction (CIAC)	2,436,455			1,877,809			4,314,264
18								
19	Accumulated Amort of CIAC	(251,796)						(251,796)
20								
21								
22	Deferred Income Taxes & Credits	338,625					186,736	525,361
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28								
29	Allowance for Working Capital	-						-
30								
31	Total	$ 7,418,410	$ 4,316,931	$ 312,565	$ (1,877,809)	$ 76,082	$ (186,736)	$ 10,059,443
32								
33								
34								
35	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
36	Rejoinder B-2, pages 3-6						Rejoinder B-1	
37								
38								
39								
40								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Line No.				Adjustments						
1	Plant-in-Service			A	B	C	D	E	F	
2				PTY Plant						
3	Acct.		Adjusted Orginal	Arsenic Treatment	Reclassify Aresnic Media	Plant Not Used and	True-Up Costs for	Intentionally Left	Intentionally Left	Adjusted Original
4	No.	Description	Cost	Plant	Costs	Useful	Well #23	Blank	Blank	Cost
5	301	Organization Cost	7,541							7,541
6	302	Franchise Cost	350,861							350,861
7	303	Land and Land Rights	13,636							13,636
8	304	Structures and Improvements	171,671							171,671
9	305	Collecting and Impounding Res.	-							-
10	306	Lake River and Other Intakes	-							-
11	307	Wells and Springs	2,644,666			(236,483)	(65,027)			2,343,156
12	308	Infiltration Galleries and Tunnels	-							-
13	309	Supply Mains	-							-
14	310	Power Generation Equipment	335,668							335,668
15	311	Electric Pumping Equipment	43,912							43,912
16	320	Water Treatment Equipment	18,694	2,686,523	(120,000)					2,585,217
17	320.1	Water Treatment Plant	-							-
18	320.2	Chemical Solution Feeders	-							-
19	330	Dist. Reservoirs & Standpipe	1,811,998							1,811,998
20	330.1	Storage tanks	-							-
21	330.2	Pressure Tanks	-							-
22	331	Trans. and Dist. Mains	10,162,557	2,008,000		(30,250)				12,140,307
23	333	Services	2,081,553			(30,159)				2,051,394
24	334	Meters	1,222,335							1,222,335
25	335	Hydrants	672,037			(15,673)				656,364
26	336	Backflow Prevention Devices	816							816
27	339	Other Plant and Misc. Equip.	0							0
28	340	Office Furniture and Fixtures	283,991							283,991
29	340.1	Computers and Software	-							-
30	341	Transportation Equipment	146,129							146,129
31	342	Stores Equipment	-							-
32	343	Tools and Work Equipment	13,856							13,856
33	344	Laboratory Equipment	132							132
34	345	Power Operated Equipment	-							-
35	346	Communications Equipment	11,818							11,818
36	347	Miscellaneous Equipment	695							695
37	348	Other Tangible Plant	962,974							962,974
38	348.1	Other Tangible Plant - Arsenic Media	-		120,000					120,000
39		TOTALS	$ 20,957,540	$ 4,694,523	$ -	$ (312,565)	$ (65,027)	$ -	$ -	$ 25,274,471
40										
41	Plant-in-Service per Books									$ 20,957,540
42										
43	Increase (decrease) in Plant-in-Service									$ 4,316,931
44										
45	Adjustment to Plant-in-Service									$ 4,316,931
46										
47	SUPPORTING SCHEDULES									
48	Rejoinder B-2, pages 3.1-3.4									
49	Rejoinder B-2, pages 3.5-3.17									

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Plant At 12/31/1998	1998 Accum. Depr.	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Salvage A/D Only	1999 Plant Balance	1999 Deprec.
301	Organization Cost	0.00%	0.00%	-	-	-		-			-	-
302	Franchise Cost	0.00%	0.00%	-	-	-		-			-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-		-			-	-
304	Structures and Improvements	3.33%	3.33%	-	-	-		-			-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-	-	-		-			-	-
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-		-			-	-
309	Supply Mains	2.00%	2.00%	-	-	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-	-	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-	-	-		-			-	-
330.1	Storage tanks	2.22%	2.22%	-	-	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	-	-	-		-			-	-
333	Services	3.33%	3.33%	-	-	-		-			-	-
334	Meters	8.33%	8.33%	-	-	-		-			-	-
335	Hydrants	2.00%	2.00%	-	-	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-	-	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	-		-			-	-
340.1	Computers and Software	20.00%	20.00%	-	-	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-	-	-		-			-	-
342	Stores Equipment	4.00%	4.00%	-	-	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-	-	-		-			-	-
344	Laboratory Equipment	10.00%	10.00%	-	-	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-	-	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-	-	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-	-	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%			-		-			-	-
	Rounding											
	Plant Held for Future Use											
	TOTAL WATER PLANT			-	-	-	-	-	-	-	-	-

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.6

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2000 Plant Additions	2000 Plant Adjustments	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Salvage/Adj. A/D Only	2000 Plant Balance	2000 Deprec.
301	Organization Cost	0.00%	0.00%	210,753			210,753			210,753	-
302	Franchise Cost	0.00%	0.00%	-			-			-	-
303	Land and Land Rights	0.00%	0.00%	-			-			-	-
304	Structures and Improvements	3.33%	3.33%	167,307	(167,307)		-			-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-			-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-			-			-	-
307	Wells and Springs	3.33%	3.33%	217,088			217,088			217,088	3,615
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-			-			-	-
309	Supply Mains	2.00%	2.00%	-			-			-	-
310	Power Generation Equipment	5.00%	5.00%	-			-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-			-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-			-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-			-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-			-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	477,449			477,449			477,449	5,300
330.1	Storage tanks	2.22%	2.22%	-			-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-			-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	255,547	340,066		595,613			595,613	5,956
333	Services	3.33%	3.33%	172,759	(172,759)		-			-	-
334	Meters	8.33%	8.33%	22,464			22,464			22,464	936
335	Hydrants	2.00%	2.00%	-			-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-			-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-			-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	6,837			6,837			6,837	228
340.1	Computers and Software	20.00%	20.00%	-			-			-	-
341	Transportation Equipment	20.00%	20.00%	21,555			21,555			21,555	2,156
342	Stores Equipment	4.00%	4.00%	-			-			-	-
343	Tools and Work Equipment	5.00%	5.00%	4,766			4,766			4,766	119
344	Laboratory Equipment	10.00%	10.00%	-			-			-	-
345	Power Operated Equipment	5.00%	5.00%	-			-			-	-
346	Communications Equipment	10.00%	10.00%	-			-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-			-			-	-
348	Other Tangible Plant	10.00%	10.00%	-			-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-			-			-	-
	Rounding										
	Plant Held for Future Use										
	TOTAL WATER PLANT			1,556,525	-	-	1,556,525	-	-	1,556,525	18,309

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Salvage A/D Only	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.00%	0.00%		(203,211)	(203,211)			7,542	-
302	Franchise Cost	0.00%	0.00%		203,211	203,211			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			-	-
304	Structures and Improvements	3.33%	3.33%	4,215		4,215			4,215	70
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	29,843		29,843			246,931	7,726
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	184,600	(172,759)	11,841			607,454	12,031
333	Services	3.33%	3.33%	(172,759)	172,759	-			-	-
334	Meters	8.33%	8.33%	113,157		113,157			135,621	6,584
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	12,336		12,336			19,173	867
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	1,175		1,175			22,730	4,429
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			172,567	-	172,567	-	-	1,729,092	42,545

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Salvage A/D Only	2002 Plant Balance	2002 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	15,700		15,700			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,215	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	-		-			246,931	8,223
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	945,147		945,147			1,552,601	21,601
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	122,534		122,534			258,155	16,401
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	2,535		2,535			21,708	1,363
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%			-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,085,916	-	1,085,916	-	-	2,815,008	63,112

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	2003 Salvage A/D Only	2003 Plant Balance	2003 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%		(1)	(1)			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	41,429		41,429			288,360	8,913
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	192,243		192,243			1,744,844	32,974
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	177,795		177,795			435,950	28,909
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	10,216		10,216			31,924	1,789
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	-		-			4,766	238
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			421,683	(1)	421,682	-	-	3,236,690	88,109

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.10

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	2004 Salvage A/D Only	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	279,664		279,664			568,024	14,259
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	-		-			-	-
320	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			477,449	10,599
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	(1)		(1)			1,744,843	34,897
333	Services	3.33%	3.33%	-		-			-	-
334	Meters	8.33%	8.33%	279,898		279,898			715,848	47,972
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	31,691		31,691			63,615	3,186
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	-		-			22,730	4,546
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	718		718			5,484	256
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			591,970	-	591,970	-	-	3,828,660	115,856

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.11

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Salvage A/D Only	2005 Plant Balance	2005 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	-		-			4,214	140
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	23,015		23,015			591,039	19,298
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-		-			-	-
311	Electric Pumping Equipment	12.50%	12.50%	3,637		3,637			3,637	227
320	Water Treatment Equipment	3.33%	3.33%	6,906		6,906			6,906	115
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	5,011		5,011			482,460	10,655
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	3,076,432	(311,361)	2,765,071			4,509,914	62,548
333	Services	3.33%	3.33%	-	311,361	311,361			311,361	5,184
334	Meters	8.33%	8.33%	195,317		195,317			911,165	67,765
335	Hydrants	2.00%	2.00%	-		-			-	-
336	Backflow Prevention Devices	6.67%	6.67%	-		-			-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-		-			-	-
340	Office Furniture and Fixtures	6.67%	6.67%	3,777		3,777			67,392	4,369
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	33,954		33,954			56,684	7,941
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	4,762		4,762			10,246	393
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-		-			-	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-		-			-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			3,352,811	-	3,352,811	-	-	7,181,471	178,637

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.12

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Salvage (A/D Only)	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	0.00%	-		-			7,542	-
302	Franchise Cost	0.00%	0.00%	-		-			203,211	-
303	Land and Land Rights	0.00%	0.00%	-		-			15,700	-
304	Structures and Improvements	3.33%	3.33%	(167,307)	167,307	-			4,214	105
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	6,176		6,176			597,215	14,838
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	-	1,549	1,549			1,549	29
311	Electric Pumping Equipment	12.50%	12.50%	8,205		8,205			11,842	726
320	Water Treatment Equipment	3.33%	3.33%	3,657	4,865	8,522			15,428	279
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-			482,460	8,033
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	(144,054)	144,054	-			4,509,914	67,649
333	Services	3.33%	3.33%	1,329,426	(311,361)	1,018,065			1,329,426	20,489
334	Meters	8.33%	8.33%	105,903		105,903			1,017,068	60,233
335	Hydrants	2.00%	2.00%	426,659		426,659			426,659	3,200
336	Backflow Prevention Devices	6.67%	6.67%	345		345			345	9
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	10,434	(10,434)	(0)			(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	4,095		4,095			71,487	3,474
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	64,591		64,591			121,275	13,347
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	2,613		2,613			12,859	433
344	Laboratory Equipment	10.00%	10.00%	-		-			-	-
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	-	3,321	3,321			3,321	125
347	Miscellaneous Equipment	10.00%	10.00%	-		-			-	-
348	Other Tangible Plant	10.00%	10.00%	-	699	699			699	26
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			1,650,743	0	1,650,743	-	-	8,832,214	192,994

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.13

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2007 Plant Additions	2007 Plant Adjustments	2007 Adjusted Plant Additions	2007 Plant Retirements	2007 Salvage (A/D Only)	2007 Plant Balance	2007 Deprec.
301	Organization Cost	0.00%	0.00%	(1)		(1)			7,541	-
302	Franchise Cost	0.00%	0.00%		76,475	76,475			279,686	-
303	Land and Land Rights	0.00%	0.00%	(2,064)		(2,064)			13,636	-
304	Structures and Improvements	3.33%	3.33%	116,300		116,300			120,514	2,077
305	Collecting and Impounding Res.	2.50%	2.50%	-		-			-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-			-	-
307	Wells and Springs	3.33%	3.33%	203,181		203,181			800,396	23,270
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-			-	-
309	Supply Mains	2.00%	2.00%	-		-			-	-
310	Power Generation Equipment	5.00%	5.00%	155,594		155,594			157,143	3,967
311	Electric Pumping Equipment	12.50%	12.50%	30,223		30,223			42,065	3,369
320	Water Treatment Equipment	3.33%	3.33%	2,291		2,291			17,719	552
320.1	Water Treatment Equipment	3.33%	3.33%	-		-			-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-			-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	1,329,538		1,329,538			1,811,998	25,468
330.1	Storage tanks	2.22%	2.22%	-		-			-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-			-	-
331	Transmission and Distribution Mains	2.00%	2.00%	5,631,229	2,003	5,633,232			10,143,146	146,531
333	Services	3.33%	3.33%	752,127		752,127			2,081,553	56,793
334	Meters	8.33%	8.33%	184,973		184,973			1,202,041	92,426
335	Hydrants	2.00%	2.00%	245,378		245,378			672,037	10,987
336	Backflow Prevention Devices	6.67%	6.67%	471		471			816	39
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	141,696	(141,696)	0			(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	126,863		126,863			198,350	8,999
340.1	Computers and Software	20.00%	20.00%	-		-			-	-
341	Transportation Equipment	20.00%	20.00%	24,854		24,854			146,129	26,740
342	Stores Equipment	4.00%	4.00%	-		-			-	-
343	Tools and Work Equipment	5.00%	5.00%	(1,893)		(1,893)			10,966	596
344	Laboratory Equipment	10.00%	10.00%	132		132			132	7
345	Power Operated Equipment	5.00%	5.00%	-		-			-	-
346	Communications Equipment	10.00%	10.00%	8,636		8,636			11,957	764
347	Miscellaneous Equipment	10.00%	10.00%	695		695			695	35
348	Other Tangible Plant	10.00%	10.00%	-	63,218	63,218			63,917	3,231
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-		-			-	-
	Rounding									
	Plant Held for Future Use									
	TOTAL WATER PLANT			8,950,223	-	8,950,223	-		17,782,437	405,850

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.14

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	2008 Plant Additions	2008 Plant Adjustments	2008 Adjusted Plant Additions	2008 Plant Retirements	2008 Salvage (A/D Only)	Plant Adjmnts Per Direct	Plant Adjmnts Per Rebuttal	2008 Plant Balance	2008 Deprec.	A/D Adjmnts Per Rebuttal
301	Organization Cost	0.00%	0.00%	-		-					7,541	-	-
302	Franchise Cost	0.00%	0.00%	147,650	(76,475)	71,175					350,861	-	-
303	Land and Land Rights	0.00%	0.00%	-		-					13,636	-	-
304	Structures and Improvements	3.33%	3.33%	51,157		51,157					171,671	4,865	-
305	Collecting and Impounding Res.	2.50%	2.50%	-		-					-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-		-					-	-	-
307	Wells and Springs	3.33%	3.33%	-		-			1,844,270	(301,510)	2,343,156	26,653	(236,483)
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-		-					-	-	-
309	Supply Mains	2.00%	2.00%	-		-					-	-	-
310	Power Generation Equipment	5.00%	5.00%	180,074	(1,549)	178,525					335,668	12,320	-
311	Electric Pumping Equipment	12.50%	12.50%	1,847		1,847					43,912	5,374	-
320	Water Treatment Equipment	3.33%	3.33%	5,840	(4,865)	976				2,566,523	2,585,217	606	-
320.1	Water Treatment Equipment	3.33%	3.33%	-		-					-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-		-					-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-		-					1,811,998	40,226	-
330.1	Storage tanks	2.22%	2.22%	-		-					-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-		-					-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	21,414	(2,003)	19,411				1,977,750	12,140,307	203,057	(30,250)
333	Services	3.33%	3.33%	-		-				(30,159)	2,051,394	69,316	(30,159)
334	Meters	8.33%	8.33%	20,294		20,294					1,222,335	100,975	-
335	Hydrants	2.00%	2.00%	-		-				(15,673)	656,364	13,441	(15,673)
336	Backflow Prevention Devices	6.67%	6.67%	-		-					816	54	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	(152,130)	152,130	0					0	0	-
340	Office Furniture and Fixtures	6.67%	6.67%	85,641		85,641					283,991	16,086	-
340.1	Computers and Software	20.00%	20.00%	-		-					-	-	-
341	Transportation Equipment	20.00%	20.00%	-		-					146,129	29,226	-
342	Stores Equipment	4.00%	4.00%	-		-					-	-	-
343	Tools and Work Equipment	5.00%	5.00%	2,890		2,890					13,856	621	-
344	Laboratory Equipment	10.00%	10.00%	-		-					132	13	-
345	Power Operated Equipment	5.00%	5.00%	-		-					-	-	-
346	Communications Equipment	10.00%	10.00%	3,182	(3,321)	(139)					11,818	1,189	-
347	Miscellaneous Equipment	10.00%	10.00%	-		-					695	70	-
348	Other Tangible Plant	10.00%	10.00%	962,974	(63,917)	899,057					962,974	51,345	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%			-				120,000	120,000	-	-
	Rounding												
	Plant Held for Future Use												
	TOTAL WATER PLANT			1,330,833	-	1,330,833	-		1,844,270	4,316,931	25,274,471	575,436	(312,565)

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.15

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Year End Accumulated Depreciation by Account 1998	1999	2000	2001	2002	2003
301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	3.33%	3.33%	-	-	-	70	211	351
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-
307	Wells and Springs	3.33%	3.33%	-	-	3,615	11,340	19,563	28,476
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-	-	-	-
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-	-	-	-
320	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-	-
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	-	-	5,300	15,899	26,498	37,098
330.1	Storage tanks	2.22%	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	-	-	5,956	17,987	39,587	72,562
333	Services	3.33%	3.33%	-	-	-	-	-	-
334	Meters	8.33%	8.33%	-	-	936	7,520	23,921	52,830
335	Hydrants	2.00%	2.00%	-	-	-	-	-	-
336	Backflow Prevention Devices	6.67%	6.67%	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	228	1,095	2,459	4,247
340.1	Computers and Software	20.00%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	20.00%	20.00%	-	-	2,156	6,584	11,130	15,676
342	Stores Equipment	4.00%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	5.00%	-	-	119	357	596	834
344	Laboratory Equipment	10.00%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	5.00%	5.00%	-	-	-	-	-	-
346	Communications Equipment	10.00%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	10.00%	-	-	-	-	-	-
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-	-	-	-	-	-
	Rounding								
	Plant Held for Future Use			-					
	TOTAL WATER PLANT			-	-	18,309	60,853	123,965	212,074

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.16

Account No.	Description	Deprec. Rate Before	Deprec. Rate After	Year End Accumulated Depreciation by Account 2004	2005	2006	2007	2008
301	Organization Cost	0.00%	0.00%	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-
304	Structures and Improvements	3.33%	3.33%	491	632	737	2,814	7,678
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-
307	Wells and Springs	3.33%	3.33%	42,735	62,033	76,871	100,142	(109,688)
308	Infiltration Galleries and Tunnels	6.67%	6.67%	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	29	3,996	16,317
311	Electric Pumping Equipment	12.50%	12.50%	-	227	953	4,322	9,696
320	Water Treatment Equipment	3.33%	3.33%	-	115	394	946	1,552
320.1	Water Treatment Equipment	3.33%	3.33%	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	20.00%	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.22%	2.22%	47,697	58,352	66,385	91,854	132,080
330.1	Storage tanks	2.22%	2.22%	-	-	-	-	-
330.2	Pressure Tanks	5.00%	5.00%	-	-	-	-	-
331	Transmission and Distribution Mains	2.00%	2.00%	107,459	170,006	237,655	384,186	556,993
333	Services	3.33%	3.33%	-	5,184	25,673	82,466	121,623
334	Meters	8.33%	8.33%	100,802	168,568	228,801	321,227	422,202
335	Hydrants	2.00%	2.00%	-	-	3,200	14,187	11,955
336	Backflow Prevention Devices	6.67%	6.67%	-	-	9	47	102
339	Other Plant and Miscellaneous Equipment	6.67%	6.67%	-	-	(0)	(0)	(0)
340	Office Furniture and Fixtures	6.67%	6.67%	7,434	11,803	15,276	24,276	40,362
340.1	Computers and Software	20.00%	20.00%	-	-	-	-	-
341	Transportation Equipment	20.00%	20.00%	20,222	28,163	41,510	68,251	97,477
342	Stores Equipment	4.00%	4.00%	-	-	-	-	-
343	Tools and Work Equipment	5.00%	5.00%	1,090	1,484	1,917	2,512	3,133
344	Laboratory Equipment	10.00%	10.00%	-	-	-	7	20
345	Power Operated Equipment	5.00%	5.00%	-	-	-	-	-
346	Communications Equipment	10.00%	10.00%	-	-	125	888	2,077
347	Miscellaneous Equipment	10.00%	10.00%	-	-	-	35	104
348	Other Tangible Plant	10.00%	10.00%	-	-	26	3,257	54,602
348.1	Other Tangible Plant (Arsenic Media)	67.00%	67.00%	-	-	-	-	-
	Rounding							
	Plant Held for Future Use							
	TOTAL WATER PLANT			327,930	506,567	699,561	1,105,411	1,368,282

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number A

Exhibit
Rejoinder Schedule B-2
Page 3.1
Witness: Bourassa

Line No.			
1	Post Test Year - Arsenic Treatment Plant		
2			
3	Account	Description	Amount
4	320	Aresnic Treament Plant	$ 2,686,523
5	331	Transmission and Distribution Mains	2,008,000
6			
7			
8		Total	$ 4,694,523
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number B

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

Line No.			
1	Reclassify Arsenic Media Costs		
2			
3	Account	Description	Amount
4	320	Arsenic Treament Plant	$ (120,000)
5	348.1	Other Tangible Plant	120,000
6			
7			
8		Total	$ -
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.				
1	Plant Not Used and Useful			
2				
3	Account	Description		Amount
4	307	Well#17	$ (194,773)	
5		Less: Pump Motor Used on Well #23	15,000	
6	307	Net cost of Well #17		$ (179,773)
7	307	Well #12		(56,610)
8	307	Well #19		-
9	307	Well #20		(100)
10	331	Transmission and Distribution Mains		(30,250)
11	333	Services		(30,159)
12	335	Hydrants		(15,673)
13				
14				
15		Total		$ (312,565)
16				
17				
18				
19				
20				
21				
22	SUPPORTING SCHEDULE			
23	MSJ Table H-1 (Estancia De Corazon Subdivision)			
24				
25				
26				
27				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number D

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Bourassa

Line No.		
1	Post Test Year Plant - Well #23	
2		
3	Costs for Well #23 per Rejoinder Filing	$ 1,779,243
4	Costs for Well #23 per Direct Filing	1,844,270
5		
6		
7		
8	Increase (Decrease) in Plant (Account 307)	$ (65,027)
9		
10		
11		
12		
13		
14		
15	SUPPORTING SCHEDULE	
16	MSJ Table H-1 (Estancia De Corazon Subdivision)	
17		
18		
19		
20		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Line No.				A	B	C	D	E	
1	Accumulated Depreciation								
2			Per Books	Plant	Intentionally	Intentionally	Intentionally	Intentionally	Adjusted
3	Acct.		Accum.	Not Used	Left	Left	Left	Left	Accum.
4	No.	Description	Depr.	and Useful	Blank	Blank	Blank	Blank	Depr.
5	301	Organization Cost	-						-
6	302	Franchise Cost	-						-
7	303	Land and Land Rights	-						-
8	304	Structures and Improvements	7,678						7,678
9	305	Collecting and Impounding Res.	-						-
10	306	Lake River and Other Intakes	-						-
11	307	Wells and Springs	126,795	(236,483)					(109,688)
12	308	Infiltration Galleries and Tunnels	-						-
13	309	Supply Mains	-						-
14	310	Power Generation Equipment	16,317						16,317
15	311	Electric Pumping Equipment	9,696						9,696
16	320	Water Treatment Equipment	1,552						1,552
17	320.1	Water Treatment Plant	-						-
18	320.2	Chemical Solution Feeders	-						-
19	330	Dist. Reservoirs & Standpipe	132,080						132,080
20	330.1	Storage tanks	-						-
21	330.2	Pressure Tanks	-						-
22	331	Trans. and Dist. Mains	587,243	(30,250)					556,993
23	333	Services	151,782	(30,159)					121,623
24	334	Meters	422,202						422,202
25	335	Hydrants	27,628	(15,673)					11,955
26	336	Backflow Prevention Devices	102						102
27	339	Other Plant and Misc. Equip.	(0)						(0)
28	340	Office Furniture and Fixtures	40,362						40,362
29	340.1	Computers and Software	-						-
30	341	Transportation Equipment	97,477						97,477
31	342	Stores Equipment	-						-
32	343	Tools and Work Equipment	3,133						3,133
33	344	Laboratory Equipment	20						20
34	345	Power Operated Equipment	-						-
35	346	Communications Equipment	2,077						2,077
36	347	Miscellaneous Equipment	104						104
37	348	Other Tangible Plant	54,602						54,602
38			-						-
39		TOTALS	$ 1,680,847	$ (312,565)	$ -	$ -	$ -	$ -	$ 1,368,282
40									
41	Accumulated Depreciation per Books								$ 1,680,847
42									
43	Increase (decrease) in Accumulated Depreciation								$ (312,565)
44									
45	Adjustment to Plant-in-Service								$ (312,565)
46									
47	SUPPORTING SCHEDULES								
48	Rejoinder B-2, pages 3.1 to 3.12								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number A

Exhibit
Rejoinder Schedule B-2
Page 4.1
Witness: Bourassa

Line No.					
1	Plant Not Used and Useful				
2					
3	Account	Description			Amount
4	307	Well#17	($194,773)		
5		Less: Pump Motor Used on Well #23	15,000		
6	307	Net cost of Well #17		$	(179,773)
7	307	Well #12			(56,610)
8	307	Well #19			-
9	307	Well #20			(100)
10	331	Transmission and Distribution Mains (2007)			(30,250)
11	333	Services (2007)			(30,159)
12	335	Hydrants (2007)			(15,673)
13					
14					
15		Total		$	(312,565)
16					
17					
18					
19					
20					
21					
22	SUPPORTING SCHEDULE				
23	MSJ Table H-1 (Estancia De Corazon Subdivision)				
24					
25					
26					
27					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rejoinder Schedule B-2
Page 5
Witness: Bourassa

Line No.			
1	Contributions-in-Aid of Construction ("CIAC")		
2			
3			
4			
5	Original WIFA Loan	$	4,694,523
6			
7	Principal Forgiven	$	1,877,809
8			
9	WIFA Loan, net	$	2,816,714
10			
11			
12	Amount transferred to CIAC	$	1,877,809
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
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35			
36			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Rejoinder Schedule B-2
Page 6
Witness: Bourassa

Line No.			
1	Advances-in-Aid of Construction ("AIAC")		
2			
3			
4			
5	Remove AIAC (Estancia De Corazon subdivision)	$	(76,082)
6			
7			
8			
9			
10			
11			
12	Adjustment to AIAC	$	(76,082)
13			
14			
15			
16	SUPPORTING SCHEDULES		
17	MSJ Table H-1 (Estancia De Corazon Subdivision)		
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 7
Witness: Bourassa

Deferred Income Tax as of December 31, 2008

	Adjusted Book Value	Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Tax Rate[5]	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
Plant-in-Service	$ 25,274,471 [1]								
Accum. Deprec.	(1,368,282) [1]								
CIAC	(10,543,710) [2]								
Fixed Assets	$ 13,362,479	$ 9,094,773 [3]	100.0%	$ (4,267,705)	35.26%		-		$ (1,504,725)
AIAC		9,258,917 [4]	30.0%	$ 2,777,675 [4]	35.26%		$ 979,364		
						$ -	$ 979,364	$ -	$ (1,504,725)

Net Asset (Liability)	$ (525,361)
DIT Asset (Liability) per Direct	$ (338,625)
Adjustment to DIT	$ 186,736

1 Adjusted per Rejoinder Schedule B-2, page 2

[2] Tax Basis as of December 31, 2008

Unadjusted Cost Basis per 2008 Tax Return (Fiscal Year Ended 12/31/2008)		$ 7,813,696
Adjustments:		
Land not on tax return depreciation report		(1)
Tax accumulated depreciation through 12/31/2008		(1,309,012)
Bonus Depreciation/Section 179 deductions through 12/31/2008		(110,105)
Post Test Year Plant (Well #23)		1,779,243
Post Test Year Plant (arsenic treatment and associated mains less CIAC portion)		2,816,714
Bonus Depreciation on Post Test Year Plant (Estimate		(1,148,989)
Plant not used and useful (B-2 adjustments		(312,565)
Tax accumulated depreication on not used and useful plant		37,673
Timing Difference		(471,880)
Net tax value as of December 31, 2008		$ 9,094,773

[3] CIAC (including impact of change to probability of realization)

Gross CIAC per B-2		$ 4,314,264	
Less: Pre-1996 CIAC		-	
A.A per B-2	$ (251,796)		
A.A on Pre-1996 CIAC	-		
A.A. on Post 1996 CIAC		(251,796)	
Net CIAC before unrealized AIAC			$ 4,062,468
Unrealized AIAC Component			
Adjusted Net AIAC (see footnote 5 below)		$ 9,258,917	
Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%	
Addition to CIAC			$ 6,481,242
Total realizable CIAC			$ 10,543,710

[4] AIAC (including impact of change in probability of realization)

AIAC per B-2	$ 9,258,917	
Less: Pre-1996 AIAC included for book and tax purposes	-	
Net AIAC before unrealized portion		$ 9,258,917
Less: Unrealized AIAC (from Note 4, above)		$ (6,481,242)
Net realizable AIAC		$ 2,777,675

[5] Effective tax rates Per C-3 schedule

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	126,360
3	Pumping Power (1/24 of Pumping Power)		6,140
4	Purchased Water (1/24 of Purchased Water)		177
5	Prepaid Expenses		2,658
6	Meterials and Supplies		103,909
7			
8			
9	Total Working Capital Allowance	$	239,244
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	Rejoinder C-1	Rejoinder B-1	
17			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Adjusted Test Year Results	Adjustment	Rejoinder Adjusted Results	Proposed Rate Increase	Rejoinder Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 2,057,901	$ -	$ 2,057,901	$ 1,269,594	$ 3,327,495
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	157,242	-	157,242		157,242
5		$ 2,215,143	$ -	$ 2,215,143	$ 1,269,594	$ 3,484,737
6	**Operating Expenses**					
7	Salaries and Wages	$ -	-	$ -		$ -
8	Purchased Water	4,256	-	4,256		4,256
9	Purchased Power	147,364	-	147,364		147,364
10	Fuel for Power Production	-	-	-		-
11	Chemicals	11,866	-	11,866		11,866
12	Repairs and Maintenance	75,423	-	75,423		75,423
13	Materials & Supplies	30,131	-	30,131		30,131
14	Outside Services	770,603	(34,330)	736,273		736,273
15	Water Testing	8,750	1,632	10,382		10,382
16	Rents	13,195	(11,299)	1,896		1,896
17	Transportation Expenses	22,358	-	22,358		22,358
18	Insurance - General Liability	21,111	-	21,111		21,111
19	Insurance - Health and Life	-	-	-		-
20	Reg. Comm. Exp.	-	-	-		-
21	Reg. Comm. Exp. - Rate Case	75,000	-	75,000		75,000
22	Miscellaneous Expense	14,724	-	14,724		14,724
23	Bad Debt Expense	109	-	109		109
24	Depreciation Expense	610,853	123,307	734,160		734,160
25	Taxes Other Than Income	11,602	-	11,602		11,602
26	Property Taxes	122,230	1,697	123,927	-	123,927
27	Income Tax	104,948	(63,193)	41,755	447,639	489,394
28	**Total Operating Expenses**	$ 2,044,524	$ 17,814	$ 2,062,338	$ 447,639	$ 2,509,977
29	**Operating Income**	$ 170,618	$ (17,814)	$ 152,805	$ 821,955	$ 974,760
30	**Other Income (Expense)**					
31	Interest Income	-	-	-		-
32	Other income (loss)	-	-	-		-
33	Interest Expense	-	(76,134)	(76,134)		(76,134)
34	Other Expense	-	-	-		-
35		-	-	-		-
36	**Total Other Income (Expense)**	$ -	$ (76,134)	$ (76,134)	$ -	$ (76,134)
37	**Net Profit (Loss)**	$ 170,618	$ (93,947)	$ 76,671	$ 821,955	$ 898,626
38						
39	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
40	Rejoinder C-1, page 2				Rejoinder A-1	
41						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2
Witness: Bourassa

Line No.		LABEL>>>>> Adjusted Test Year Results	1 Depreciation Expense	2 Property Taxes	3 Rents - Building	4 Water Testing	5 Outside Services	6 Employee Bonuses	7 Interest Synch.	8 Income Tax	Rejoinder Adjusted Results
1	**Revenues**										
2	Metered Water Revenues	$ 2,057,901									$ 2,057,901
3	Unmetered Water Revenues	-									-
4	Other Water Revenues	157,242									157,242
5		$ 2,215,143	$ -	$ -	$ -	$ -			$ -	$ -	$ 2,215,143
6	**Operating Expenses**										
7	Salaries and Wages	$ -									$ -
8	Purchased Water	4,256									4,256
9	Purchased Power	147,364									147,364
10	Fuel for Power Production	-									-
11	Chemicals	11,866									11,866
12	Repairs and Maintenance	75,423									75,423
13	Materials & Supplies	30,131									30,131
14	Outside Services	770,603					(751)	(33,579)			736,273
15	Water Testing	8,750				1,632					10,382
16	Rents	13,195			(11,299)						1,896
17	Transportation Expenses	22,358									22,358
18	Insurance - General Liability	21,111									21,111
19	Insurance - Health and Life	-									-
20	Reg. Comm. Exp.	-									-
21	Reg. Comm. Exp. - Rate Case	75,000									75,000
22	Miscellaneous Expense	14,724									14,724
23	Bad Debt Expense	109									109
24	Depreciation Expense	610,853	123,307								734,160
25	Taxes Other Than Income	11,602									11,602
26	Property Taxes	122,230		1,697							123,927
27	Income Tax	104,948								(63,193)	41,755
28	**Total Operating Expenses**	$ 2,044,524	$ 123,307	$ 1,697	$ (11,299)	$ 1,632	$ (751)		$ -	$ (63,193)	$ 2,062,338
29	**Operating Income**	$ 170,618	$ (123,307)	$ (1,697)	$ 11,299	$ (1,632)	$ 751		$ -	$ 63,193	$ 152,805
30	**Other Income (Expense)**										
31	Interest Income	-									-
32	Other income (loss)	-									-
33	Interest Expense	-							(76,134)		(76,134)
34	Other Expense	-									-
35		-									-
36	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ -		$ (76,134)	$ -	$ (76,134)
37	**Net Profit (Loss)**	$ 170,618	$ (123,307)	$ (1,697)	$ 11,299	$ (1,632)	$ 751		$ (76,134)	$ 63,193	$ 76,671
38											
39	SUPPORTING SCHEDULES:										
40	Rejoinder C-2, page 1 to X										
41											

RECAP SCHEDULES:
Rejoinder C-1, page 1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustments to Revenues and/or Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1 Depreciation Expense	2 Property Taxes	3 Rent - Building	4 Water Testing	5 Outside Services Beverages	6 Employee Bonuses	Subtotal
1								
2								
3	Revenues							-
4								
5	Expenses	123,307	1,697	(11,299)	1,632	(751)		114,586
6								
7	Operating							
8	Income	(123,307)	(1,697)	11,299	(1,632)	751	-	(114,586)
9								
10	Interest							
11	Expense							-
12	Other							
13	Income /							-
14	Expense							
15								
16	Net Income	(123,307)	(1,697)	11,299	(1,632)	751	-	(114,586)
17								
18		Adjustments to Revenues and Expenses						
19		7 Interest Syncrhonization	8 Income Taxes	9	10	11	12	Subtotal
20								
21								
22	Revenues							-
23								
24	Expenses		(63,193)					51,393
25								
26	Operating							
27	Income	-	63,193	-	-	-	-	(51,393)
28								
29	Interest							
30	Expense	(76,134)						(76,134)
31	Other							
32	Income /							-
33	Expense							
34								
35	Net Income	(76,134)	63,193	-	-	-	-	(127,526)

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourassa

Line No.					
1	Depreciation Expense				
2					
3	Acct.		Adjusted Original	Proposed	Depreciation
4	No.	Description	Cost	Rates	Expense
5	301	Organization Cost	7,541	0.00%	-
6	302	Franchise Cost	350,861	0.00%	-
7	303	Land and Land Rights	13,636	0.00%	-
8	304	Structures and Improvements	171,671	3.33%	5,717
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	2,343,156	3.33%	78,027
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	335,668	5.00%	16,783
15	311	Electric Pumping Equipment	43,912	12.50%	5,489
16	320	Water Treatment Equipment	2,585,217	3.33%	86,088
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	1,811,998	2.22%	40,226
20	330.1	Storage tanks	-	2.22%	-
21	330.2	Pressure Tanks	-	5.00%	-
22	331	Trans. and Dist. Mains	12,140,307	2.00%	242,806
23	333	Services	2,051,394	3.33%	68,311
24	334	Meters	1,222,335	8.33%	101,821
25	335	Hydrants	656,364	2.00%	13,127
26	336	Backflow Prevention Devices	816	6.67%	54
27	339	Other Plant and Misc. Equip.	0	6.67%	0
28	340	Office Furniture and Fixtures	283,991	6.67%	18,942
29	340.1	Computers and Software	-	20.00%	-
30	341	Transportation Equipment	146,129	20.00%	29,226
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	13,856	5.00%	693
33	344	Laboratory Equipment	132	10.00%	13
34	345	Power Operated Equipment	-	5.00%	-
35	346	Communications Equipment	11,818	10.00%	1,182
36	347	Miscellaneous Equipment	695	10.00%	70
37	348	Other Tangible Plant	962,974	10.00%	96,297
38	348.1	Other Tangible Plant - Arsenic Media Costs	120,000	67.00%	80,400
39		TOTALS	$ 25,274,471		$ 885,273
40					
41					
42	Less: Amortization of Contributions		$ 4,314,264	3.5026%	$ (151,113)
43					
44					
45					
46	Total Depreciation Expense				$ 734,160
47					
48	Test Year Depreciation Expense				610,853
49					
50	Increase (decrease) in Depreciation Expense				123,307
51					
52	Adjustment to Revenues and/or Expenses				$ 123,307
53					
54	SUPPORTING SCHEDULE				
55	Rejoinder B-2, page 3		* Fully Depreciated		
56	Rejoinder B-2, page 6.5				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 2

Exhibit
Rejoinder Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Property Taxes:		
2			
3	Adjusted Revenues in year ended 12/31/08	$	2,215,143
4	Adjusted Revenues in year ended 12/31/08		2,215,143
5	Proposed Revenues		3,484,737
6	Average of three year's of revenue	$	2,638,341
7	Average of three year's of revenue, times 2	$	5,276,681
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		48,652
12			
13	Full Cash Value	$	5,228,029
14	Assessment Ratio		20%
15	Assessed Value		1,045,606
16	Property Tax Rate		11.8522%
17			
18	Property Tax		123,927
19	Plus: Tax on Parcels		0
20			
21	Total Property Tax at Proposed Rates	$	123,927
22	Adjusted Property Taxes		122,230
23	Change in Property Taxes	$	1,697
24			
25			
26	Adjustment to Revenues and/or Expenses	$	1,697
27			
28			
29			
30			
31			
32			
33			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	Rent - Building		
2			
3	Remove Test Year Rent Expense	$	(11,299)
4			
5			
6	Increase(decrease) Rent Expense	$	(11,299)
7			
8	Adjustment to Revenue and/or Expense	$	(11,299)
9			
10			
11			
12			
13	SUPPORTING SCHEDULES		
14	Staff Schedule JMM-14		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	Water Testing Expense		
2			
3			
4	Addtional Water Testing Expense	$	1,632
5			
6			
7			
8	Increase (decrease) in Water Testing Expense	$	1,632
9			
10			
11	Adjustment to Revenue and/or Expense	$	1,632
12			
13	SUPPORTING SCHEDULES		
14	Staff Schedule JMM-13		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Line No.			
1	Remove beverages costs from Outside Services		
2			
3			
4	Bevarages	$	(751)
5			
6			
7			
8	Increase (decrease) in Outside Services	$	(751)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(751)
12			
13	SUPPORTING SCHEDULES		
14	Staff Schedule JMM-12		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Line No.			
1	Remove Employee Bonuses		
2			
3			
4	Employee bonuses paid during test year	$	(33,579)
5			
6			
7			
8	Increase (decrease) in Outside Services	$	(33,579)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(33,579)
12			
13			
14			
15	SUPPORTING SCHEDULES		
16	Testimony		
17			
18			
19			
20			
21			
22			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

Line No.			
1	Interest Synchronization		
2			
3			
4	Fair Value Rate Base	$ 10,059,443	
5	Weighted Cost of Debt	0.76%	
6	Interest Expense		$ 76,134
7			
8	Test Year Interest Expense		$ -
9			
10	Increase (decrease) in Interest Expense		76,134
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (76,134)
15			
16			
17	Weighted Cost of Debt Computation		

18						Weighted
19			Amount	Percent	Cost	Cost
20	Debt	$	2,816,714	18.02%	4.20%	0.76%
21	Equity	$	12,814,367	81.98%	10.90%	8.94%
22	Total	$	15,631,081	100.00%		9.69%
23						
24						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 8

Exhibit
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase	
1	Income Tax Computation			
2				
3				
4				
5				
6				
7	Income Before Taxes	$ 118,426	$ 1,388,020	
8				
9	Less: Per Exemptions		$ 4,200	
10	Std Deduction		$ 9,354	
11	Arizona Income Before Taxes		$ 1,374,466	
12				
13	ARIZONA INCOME TAXES			
14	Less Than 10,000		-	
15	Less Than 25,000		-	
16	Less Than $50,000		-	
17	Less Than $150,000		-	
18	Over $150,000		60,323	
19	Less Arizona Income Tax		$ 60,323	4.35%
20				
21	Arizona Taxable Income		$ 1,314,143	
22				
23	Arizona Income Taxes		$ 60,323	
24				
25	Federal Income Before Taxes		$ 1,388,020	
26				
27	Less Arizona Income Taxes		$ 60,323	
28				
29	Exemptions		$ 7,300	
30	Std Deduction		$ 11,400	
31				
32	Federal Taxable Income		$ 1,308,997	
33				
34	FEDERAL INCOME TAXES:			
35	10% BRACKET		1,670	
36	15% BRACKET		7,680	
37	25% BRACKET		17,288	Federal
38	28% BRACKET		20,664	Effective
39	33% BRACKET		54,153	Tax
40	35% BRACKET		327,617	Rate
41	Federal Income Taxes		$ 429,071	30.91%
42				
43				
44	Total Income Tax		$ 489,394	
45				
46				
47	Effective Federal and State tax rate		35.26%	
48				
49	Adjusted Test Year Income Taxes at proposed rates	$ 41,755		
50				
51	Adjusted income taxes	$ 104,948		
52				
53	Increase (decrease) to Income Taxes	$ (63,193)		
54				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Adjustment to Revenues and/or Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line No.			Test Year Book Results		Test Year Adjusted Results		Adjusted with Rate Increase	
1	Income Tax Computation							
2								
3								
4								
5								
6								
7	Taxable Income		$ 275,567		$ 118,426		$ 1,388,020	
8								
9	Taxable Income		$ 275,567		$ 118,426		$ 1,388,020	
10								
11								
12								
13	Income Before Taxes		$ 275,567		$ 118,426		$ 1,388,020	
14								
15	Arizona Income Before Taxes		$ 275,567		$ 118,426		$ 1,388,020	
16								
17	Less Arizona Income Tax		$ 19,201		$ 8,252		$ 96,717	
18	Rate =	6.97%						
19	Arizona Taxable Income		$ 256,365		$ 110,174		$ 1,291,303	
20								
21	Arizona Income Taxes		$ 19,201		$ 8,252		$ 96,717	
22								
23	Federal Income Before Taxes		$ 275,567		$ 118,426		$ 1,388,020	
24								
25	Less Arizona Income Taxes		$ 19,201		$ 8,252		$ 96,717	
26								
27	Federal Taxable Income		$ 256,365		$ 110,174		$ 1,291,303	
28								
29								
30								
31	FEDERAL INCOME TAXES:							
32	15% BRACKET		$ 7,500		$ 7,500		$ 7,500	
33	25% BRACKET		$ 6,250		$ 6,250		$ 6,250	
34	34% BRACKET		$ 8,500	Federal	$ 8,500	Federal	$ 8,500	Federal
35	39% BRACKET		$ 60,982	Effective	$ 3,968	Effective	$ 91,650	Effective
36	34% BRACKET		$ -	Tax	$ -	Tax	$ 325,143	Tax
37				Rate		Rate		Rate
38	Federal Income Taxes		$ 83,232	30.20%	$ 26,218	22.14%	$ 439,043	31.63%
39								
40								
41	Total Income Tax		$ 102,434		$ 34,470		$ 535,760	
42								
43	Overall Tax Rate		37.17%		29.11%		38.60%	
44								
45	Income Tax at Proposed Rates Effective Rate →				$ 45,711			
46								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	30.912%
2		
3	State Income Taxes	4.346%
4		
5	Other Taxes and Expenses	0.000%
6		
7		
8	Total Tax Percentage	35.26%
9		
10	Operating Income % = 100% - Tax Percentage	64.74%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.5446
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		Rejoinder A-1
20		

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 1,314,948	$ 2,118,206	$ 803,258	61.09%	65.17%	65.14%
2	3/4 Inch	Residential	197,019	300,740	103,721	52.65%	9.76%	9.25%
3	1 Inch	Residential	34,678	53,211	18,534	53.45%	1.72%	1.64%
4								
5		Subtotal	1,546,644	2,472,157	925,513	59.84%	76.66%	76.02%
6								
7	1 Inch	Commercial	899	1,449	550	61.18%	0.04%	0.04%
8	2 Inch	Commercial	75,830	126,423	50,593	66.72%	3.76%	3.89%
9	3 Inch	Commercial	6,502	10,627	4,125	63.43%	0.32%	0.33%
10								
11		Subtotal	$ 83,231	$ 138,499	$ 55,268	66.40%	4.13%	4.26%
12								
13	1 Inch	Public Authority	$ 761	$ 1,220	$ 459	60.30%	0.04%	0.04%
14	2 Inch	Public Authority	13,833	22,679	8,846	63.95%	0.69%	0.70%
15								
16		Subtotal	14,595	23,900	9,305	63.76%	0.72%	0.73%
17								
18	5/8x3/4 Inch	Irrigation	$ 22,472	$ 38,907	$ 16,435	73.14%	1.11%	1.20%
19	3/4 Inch	Irrigation	4,820	7,710	2,890	59.95%	0.24%	0.24%
20	1 Inch	Irrigation	51,943	85,406	33,463	64.42%	2.57%	2.63%
21	1.5 Inch	Irrigation	22,010	36,514	14,504	65.89%	1.09%	1.12%
22	2 Inch	Irrigation	243,475	408,081	164,605	67.61%	12.07%	12.55%
23	3 Inch	Irrigation	1,175	1,959	783	66.64%	0.06%	0.06%
24								
25		Subtotal	345,895	578,576	232,681	67.27%	17.14%	17.79%
26								
27								
28	3 Inch	Construction	27,266	38,841	11,575	42.45%	1.35%	1.19%
29								
30		Subtotal	27,266	38,841	11,575	42.45%	1.35%	1.19%
31								
32	Total Revenues Before Annualization		$ 2,017,631	$ 3,251,972	$ 1,234,342	61.18%	100.00%	100.00%
33								
34								
35								
36								
37								
38								

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	
1			Revenue Annualization						
5	5/8x3/4 Inch	Residential	$ 42,154	$ 68,811	26,657	63.24%	1,553	8,429	C-2, pg 5.1
6	3/4 Inch	Residential	3,740	5,730	1,990	53.23%	105	551	C-2, pg. 5.2
7	1 Inch	Residential	(579)	(901)	(323)	0.00%	(11)	(67)	C-2, pg. 5.3
9		Subtotal	$ 45,315	$ 73,640	$ 28,324	62.51%	1,647	8,913	
11	1 Inch	Commercial	594	966	372	62.53%	9	99	C-2, pg. 5.4
12	2 Inch	Commercial	16,447	27,095	10,648	64.74%	31	4,675	C-2, pg. 5.5
13	3 Inch	Commercial	-	-	-	0.00%	-	-	
15		Subtotal	$ 17,042	$ 28,061	$ 67,668	397.07%	40	4,774	
17	1 Inch	Public Authority	-	-	-	0.00%	-	-	
18	2 Inch	Public Authority	-	-	-	0.00%	-	-	
20		Subtotal	$ -	$ -	$ -	0.00%	-	-	
22	5/8x3/4 Inch	Irrigation	$ 159	$ 277	118	74.55%	-	-	C-2, pg. 5.6
23	3/4 Inch	Irrigation	645	1,059	414	64.24%	14	127	C-2, pg. 5.7
24	1 Inch	Irrigation	2,395	3,859	1,464	61.13%	23	572	C-2, pg. 5.8
25	1.5 Inch	Irrigation	-	-	-	0.00%	-	-	
26	2 Inch	Irrigation	(5,387)	(8,881)	(3,494)	0.00%	(10)	(1,538)	C-2, pg. 5.9
27	3 Inch	Irrigation	2,025	3,491	1,466	72.37%	9	-	
29		Subtotal	(164)	(195)	(32)	0.00%	36	(839)	
32	3 Inch	Construction	(17,530)	(24,907)	(7,378)	0.00%	(42)	(1,795)	C-2, pg. 5.10
34		Subtotal	(17,530)	(24,907)	(7,378)	0.00%	(42)	(1,795)	
37	Total Revenue Annualization		$ 44,664	$ 76,598	$ 88,583	198.33%	$ 1,681	11,053	

Sahuarita Water Company
Test Year Ended December 31, 2008
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	$ 2,017,631	$ 3,251,972	$ 1,234,342	61.18%	100.00%	100.00%
4	Subtotal Revenue Annualization	44,664	76,598	31,934	71.50%	2.21%	2.36%
5	Total Metered Revenues	$ 2,062,294	$ 3,328,570	$ 1,266,275	61.40%		
6							
7	Misc. Revenues	$ 157,242	$ 157,242	-	0.00%	7.79%	4.84%
8	Reconciling Amount to GL/C-1	(4,394)	(1,075)	3,319	0.00%	-0.22%	-0.03%
9	Total Water Revenues	$ 2,215,142	$ 3,484,737	$ 1,269,594	57.31%	0.00%	0.00%
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

41
42

Sahuarita Water Company
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 12/31/2008	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	3,913	5,424	$ 27.12	$ 44.29	17.17	63.32%
2	3/4 Inch	Residential	421	6,142	37.69	57.96	20.27	53.79%
3	1 Inch	Residential	52	6,957	54.93	84.95	30.02	54.65%
4								
5		Subtotal	4,386					
6								
7	1 Inch	Commercial	1	8,467	59.08	96.58	37.50	63.47%
8	2 Inch	Commercial	13	128,857	470.16	768.43	298.28	63.44%
9	3 Inch	Commercial	1	116,750	541.86	884.03	342.17	63.15%
10								
11		Subtotal	16					
12								
13	1 Inch	Public Authority	1	9,667	62.38	101.68	39.30	63.00%
14	2 Inch	Public Authority	8	9,958	143.19	236.24	93.06	64.99%
15								
16		Subtotal	9					
17								
18	5/8x3/4 Inch	Irrigation	11	56,939	$ 168.38	$ 292.05	123.67	73.44%
19	3/4 Inch	Irrigation	9	8,236	43.45	71.36	27.91	64.25%
20	1 Inch	Irrigation	40	26,025	107.37	171.77	64.40	59.98%
21	1.5 Inch	Irrigation	9	48,130	203.16	325.75	122.59	60.34%
22	2 Inch	Irrigation	39	147,745	522.10	859.09	337.00	64.55%
23	3 Inch	Irrigation	0	61,667	390.38	649.92	259.54	66.48%
24								
25		Subtotal	108					
26								
27								
28	3 Inch	Construction	6	41,803	413.11	588.49	175.38	42.45%
29								
30		Subtotal	6					
31								
32		Total	4,524					
33								

34 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Sahuarita Water Company
Test Year Ended December 31, 2008
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 12/31/2008	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	3,913	5,000	$ 26.25	$ 42.49	16.24	61.87%
2	3/4 Inch	Residential	421	5,000	35.25	53.86	18.61	52.79%
3	1 Inch	Residential	52	6,000	52.30	81.60	29.30	56.02%
4								
5								
6		Subtotal	4,386					
7								
8	1 Inch	Commercial	1	9,000	60.55	98.85	38.30	63.25%
9	2 Inch	Commercial	13	78,000	330.30	525.42	195.12	59.07%
10	3 Inch	Commercial	1	134,500	590.68	959.47	368.79	62.44%
11								
12		Subtotal	16					
13								
14	1 Inch	Public Authority	1	9,000	59.18	96.73	37.55	63.46%
15	2 Inch	Public Authority	8	13,375	132.30	219.42	87.12	65.85%
16								
17		Subtotal	9					
18								
19	5/8x3/4 Inch	Irrigation	11	5,000	$ 26.25	$ 45.49	19.24	73.30%
20	3/4 Inch	Irrigation	9	3,000	31.15	49.11	17.96	57.66%
21	1 Inch	Irrigation	40	59,000	198.05	330.05	132.00	66.65%
22	1.5 Inch	Irrigation	9	22,500	132.68	216.83	84.15	63.43%
23	2 Inch	Irrigation	39	68,000	302.80	482.92	180.12	59.48%
24	3 Inch	Irrigation	0	9,000	245.55	426.09	180.54	73.52%
25								
26		Subtotal	108					
27								
28								
29	3 Inch	Construction	6	4,500	245.25	409.44	164.19	66.95%
30								
31		Subtotal	6					
32								
33		Total	4,524					
34								
35	(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.							
36								

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4Inch	$ 16.00	$ 24.24	$ 8.24	51.50%
2	3/4 Inch	25.00	36.36	11.36	45.44%
3	1 Inch	40.00	60.60	20.60	51.50%
4	1 1/2 Inch	75.00	121.20	46.20	61.60%
5	2 Inch	120.00	193.92	73.92	61.60%
6	3 Inch	225.00	387.84	162.84	72.37%
7	4 Inch	375.00	606.00	231.00	61.60%
8	6 Inch	750.00	1,212.00	462.00	61.60%
9					
10					
11					
12	Gallons In Minimum (All Classes)	-	-		
13					
14					
15			(Per 1,000 gallons)		
16	**Commodity Rates**	**Block**	**Present Rate**	**Proposed Rate**	
17					
18	5/8 Inch (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05		
19		over 6,000 gallons	$ 2.75		
20					
21	5/8 Inch - Residential	0 gallons to 4,000 gallons		$ 3.50	
22		4,001 to 10,000 gallons		$ 4.25	
23		over 10,000 gallons		$ 4.80	
24					
25	5/8 Inch - Commercial/Irrigation	0 gallons to 10,000 gallons		$ 4.25	
26		Over 10,000 gallons		$ 4.80	
27					
28	3/4 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05		
29		Over 6,000 gallons	$ 2.75		
30					
31	3/4 Inch Meter - Residential	1 gallons to 6,000 gallons		$ 3.50	
32		6,001 to 15,000 gallons		$ 4.25	
33		Over 15,000 gallons		$ 4.80	
34					
35	3/4 Inch - Commercial, Irrigation	0 gallons to 15,000 gallons		$ 4.25	
36		Over 15,000 gallons		$ 4.80	
37					
38					
39					
40					
41					
42					
43					
44					

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
5	1 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
6		Over 6,000 gallons	$ 2.75	
8	1 Inch Meter Residential	0 gallons to 10,000 gallons		$ 3.50
9		10,001 to 25,000 gallons		$ 4.25
10		Over 25,000 gallons		$ 4.80
12	1 Inch Meter Commercial/Irrigation	0 gallons to 25,000 gallons		$ 4.25
13		Over 25,000 gallons		$ 4.80
15	1.5 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
16		over 6,000 gallons	$ 2.75	
18	1.5 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 50,000 gallons		$ 4.25
19		over 50,000 gallons		$ 4.80
22	2 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
23		over 6,000 gallons	$ 2.75	
25	2 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 80,000 gallons		$ 4.25
26		over 80,000 gallons		$ 4.80
28	3 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 6,000 gallons	$ 2.05	
29		over 6,000 gallons	$ 2.75	
31	3 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 160,000 gallons		$ 4.25
32		over 160,000 gallons		$ 4.80
34	4 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
35		over 6,000 gallons	$ 2.75	
37	4 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 250,000 gallons		$ 4.25
38		over 250,000 gallons		$ 4.80

Sahuarita Water Company
Test Year Ended December 31, 2008
Present and Proposed Rates
Typical Rate Design

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
4	6 Inch Meter (All Classes, except Standpipe/Const.)	1 gallons to 6,000 gallons	$ 2.05	
5		over 6,000 gallons	$ 2.75	
7	6 Inch Meter (All Classes, except Standpipe/Const.)	0 gallons to 500,000 gallons		$ 4.25
8		over 500,000 gallons		$ 4.80
12	Standpipe (Construction)	All gallons	$ 4.50	$ 4.80

Sahuarita Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2008

Exhibit
Rebuttal Schedule H-3
Page 4
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1			
2			
3	Establishment	$ 25.00	$ 25.00
4	Establishment (After Hours)	$ 40.00	$ 40.00
5	Reconnection (Delinquent)	$ 25.00	$ 25.00
6	Reconnection (Delinquent) - After Hours	NT	$ 40.00
7	NSF Check	$ 15.00	$ 15.00
8	Meter test (If Correct)	$ 25.00	$ 25.00
9	Meter Reread (if Correct)	$ 15.00	$ 15.00
10	Deposit	*	*
11	Deposit Interest**	6%	1%
12	Reestablishment (within 12 months)	***	***
13	Late Payment Penalty	$ 5.00	$5.00 or 1.5% per month
14	Deferred Payment	1.5% per month	1.5% per month
15	Moving Meter at Customer Request	At Cost	At Cost
16	Main Extension & Addnl Facilities	At Cost	At Cost
17			
18			
19			
20			
21			
22			

23 * Per Commission Rule A.A.C. R-14-2-403(B)
24 ** Per Commission Rule A.A.C. R-14-2-403(B)
25 *** Per Commission Rule A.A.C. R14-2-403(D) - Months off the system times the monthly minimum.
26
27
28
29 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
30 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
31 TAX AND INCOME TAX. PER COMMISSION RULE 14-2-409D(5).
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Sahuarita Water Company
Test Year Ended December 31, 2008
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 5
Witness: Bourassa

Refundable Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge[1]	Proposed Meter Install-ation Charge[1]	Total Proposed Charge[1]
9	5/8 x 3/4 Inch			NT	$ 445	$ 155	$ 600
10	3/4 Inch			NT	$ 445	$ 255	$ 700
11	1 Inch			NT	$ 495	$ 315	$ 810
12	1 1/2 Inch			NT	$ 550	$ 525	$ 1,075
13	2 Inch - Turbine			$ 998	$ 830	$ 1,045	$ 1,875
14	2 Inch - Compound			$ 1,488	$ 830	$ 1,890	$ 2,720
15	3 Inch - Turbine			$ 1,378	$ 1,045	$ 1,670	$ 2,715
16	3 Inch - Compound			$ 1,928	$ 1,165	$ 2,545	$ 3,710
17	4 Inch - Turbine			$ 2,208	$ 1,490	$ 2,670	$ 4,160
18	4 Inch - Compound			$ 2,823	$ 1,670	$ 3,645	$ 5,315
19	6 inch - Turbine			$ 4,218	$ 2,210	$ 5,025	$ 7,235
20	6 inch - Compound			$ 5,498	$ 2,330	$ 6,920	$ 9,250
21	8 Inch			NT	At Cost	At Cost	At Cost
22	10 Inch			NT	At Cost	At Cost	At Cost
23	12 Inch			NT	At Cost	At Cost	At Cost

Sahuarita Water Company
Test Year Ended December 31, 2008
Hook-Up Fees

Exhibit
Rebuttal Schedule H-3
Page 6
Witness: Bourassa

Line No.			
1			
2	**Off-site Facilities Hook-up Fee**		
3			
4		Present	Proposed
5		Charge	Charge
6	5/8 x 3/4 Inch	$ 350	$ 350
7	3/4 Inch	420	420
8	1 Inch	700	700
9	1 1/2 Inch	1,400	1,400
10	2 Inch	2,240	2,240
11	3 Inch	4,200	4,200
12	4 Inch	7,000	7,000
13	6 Inch or larger	14,000	14,000
14			
15			
16			
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Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REJOINDER TESTIMONY
(COST OF SERVICE)
July 12, 2010

SCHEDULES

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Summary by Customer Class - Present and Proposed Rates

Exhibit
Rejoinder Schedule G-0
Page 1
Witness: Bourassa

Line No.	Class	Meter Size	Rate Base	Present Rates Operating Income	Present Rates Rate of Return	Company Proposed Rates Operating Income	Company Proposed Rates Rate of Return
5	Residential	5/8x3/4 Inch	$ 7,676,258	$ 16,414	0.21%	$ 557,097	7.26%
6		3/4 Inch	1,066,817	9,689	0.91%	78,680	7.38%
7		1 Inch	181,512	1,740	0.96%	13,596	7.49%
9	Residential		$ 8,924,587	$ 27,843	0.31%	$ 649,374	7.28%
11	Commercial	1 Inch	$ 7,062	$ 192	2.72%	$ 785	11.12%
12		2 Inch	194,029	29,137	15.02%	67,918	35.00%
13		3 Inch	20,850	1,350	6.48%	3,983	19.10%
15	Commercial		$ 221,942	$ 30,679	13.82%	$ 72,686	32.75%
17	Public Authority	1 Inch	$ 3,599	$ 74	2.04%	$ 370	10.28%
18		2 Inch	84,805	(24)	-0.03%	5,706	6.73%
20	Public Authority		$ 88,405	$ 50	0.06%	$ 6,076	6.87%
22	Irrigation	5/8x3/4 Inch	$ 29,736	$ 7,816	26.28%	$ 18,271	61.44%
23		3/4 Inch	25,005	634	2.53%	2,767	11.06%
24		1 Inch	161,083	12,515	7.77%	34,796	21.60%
25		1.5 Inch	61,566	5,230	8.49%	14,465	23.50%
26		2 Inch	486,202	69,307	14.25%	171,445	35.26%
27		3 Inch	19,273	11	0.06%	1,462	7.58%
29	Irrigation		$ 782,865	$ 95,512	12.20%	$ 243,205	31.07%
31	Constuction		$ 41,644	$ 677	1.63%	$ 3,419	8.21%
35	Total		$ 10,059,443	$ 154,762	1.54%	$ 974,760	9.69%

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Rejoinder Schedule G-1
Page 1
Witness: Bourassa

Line No.		Totals	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1										
2	Water Revenues	$ 2,017,631	$ 1,314,948	$ 197,019	$ 34,678	$ 899	$ 75,830	$ 6,502	$ 761	$ 13,833
3	Revenue Annualizations	44,664	42,154	3,740	(579)	594	16,447	-	-	-
4	Misc. Revenues[1]	157,242	136,272	14,497	1,719	67	539	34	34	270
5	Reconcilation H-1 to C-1[1]	(4,394)	(3,808)	(405)	(48)	(2)	(15)	(1)	(1)	(8)
6	Total Revenues	$ 2,215,142	$ 1,489,566	$ 214,850	$ 35,770	$ 1,559	$ 92,801	$ 6,535	$ 794	$ 14,095
7										
8	Operating Expenses[2]	$ 1,162,496	$ 869,369	$ 111,636	$ 17,557	$ 655	$ 27,371	$ 2,389	$ 369	$ 6,252
9	Depreciation and									
10	Amortization[2]	734,160	541,545	80,688	14,287	555	17,097	1,826	284	7,415
11	Property Tax[3]	123,927	83,334	12,020	2,001	87	5,192	366	44	789
12	Income Tax[4]	41,755	(21,097)	817	185	70	14,004	604	23	(337)
13	Total Operating Expenses	$ 2,062,338	$ 1,473,152	$ 205,161	$ 34,030	$ 1,367	$ 63,664	$ 5,185	$ 720	$ 14,119
14	Operating Income	$ 152,804	$ 16,414	$ 9,689	$ 1,740	$ 192	$ 29,137	$ 1,350	$ 74	$ (24)
15	Interest Expense[5]	70,308	58,097	8,074	1,374	53	1,468	158	27	642
16	Net Income	$ 82,497	$ (41,682)	$ 1,615	$ 366	$ 138	$ 27,669	$ 1,192	$ 46	$ (665)
17										
18			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
19										
20	Water Revenues		$ 22,472	$ 4,820	$ 51,943	$ 22,010	$ 243,475	$ 1,175	$ 27,266	
21	Revenue Annualizations		159	645	2,395	-	(5,387)	2,025	(17,530)	
22	Misc. Revenues[1]		371	337	1,416	303	1,281	34	67	
23	Reconcilation H-1 to C-1[1]		(10)	(9)	(40)	(8)	(36)	(1)	(2)	
24	Total Revenues		$ 22,991	$ 5,793	$ 55,714	$ 22,305	$ 239,333	$ 3,233	$ 9,802	
25										
26	Operating Expenses[2]		$ 7,751	$ 2,715	$ 21,522	$ 8,275	$ 80,459	$ 1,430	$ 4,745	
27	Depreciation and									
28	Amortization[2]		2,295	1,895	12,843	5,142	42,961	1,680	3,647	
29	Property Tax[3]		1,286	324	3,117	1,248	13,390	181	548	
30	Income Tax[4]		3,842	225	5,717	2,411	33,217	(68)	183	
31	Total Operating Expenses		$ 15,175	$ 5,159	$ 43,199	$ 17,076	$ 170,026	$ 3,222	$ 9,124	
32	Operating Income		$ 7,816	$ 634	$ 12,515	$ 5,230	$ 69,307	$ 11	$ 677	
33	Interest Expense[5]		-	-	-	-	-	-	-	
34	Net Income		$ 7,816	$ 634	$ 12,515	$ 5,230	$ 69,307	$ 11	$ 677	
35										
36			Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
37										
38										
39	**Rate Base[6]**	$ 10,059,443	$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
40	**Return on Rate Base[7]**	1.52%	0.21%	0.91%	0.96%	2.72%	15.02%	6.48%	2.04%	-0.03%
41										
42			Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
43										
44										
45	**Rate Base[6]**		$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
46	**Return on Rate Base[7]**		26.28%	2.53%	7.77%	8.49%	14.25%	0.06%	1.63%	
47										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Rejoinder Schedule G-1
Page 2
Witness: Bourassa

Line No.		Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
8	**Percent of Total Customers**	86.66%	9.22%	1.09%	0.04%	0.34%	0.02%	0.02%	0.17%

	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
	0.24%	0.21%	0.90%	0.19%	0.81%	0.02%	0.04%

[1] Allocated based on customer counts.
[2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
[3] Property Taxes allocation based on Revenues
[4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
[5] Interest Synchronized Interest Expense. Allocation based on Rate Base
[6] Rate Base computations are shown on Schedule G-3, Page 1
[7] Operating Income Divided by Rate Base

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Rejoinder Schedule G-2
Page 1
Witness: Bourassa

Line No.		Totals	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
3	Water Revenues	$ 3,251,972	$ 2,118,206	$ 300,740	$ 53,211	$ 1,449	$ 126,423	$ 10,627	$ 1,220	$ 22,679
4	Revenue Annualizations	76,598	68,811	5,730	(901)	966	27,095	-	-	-
5	Misc. Revenues[1]	157,242	136,272	14,497	1,719	67	539	34	34	270
6	Reconcilation H-1 to C-1[1]	(1,075)	(932)	(99)	(12)	(0)	(4)	(0)	(0)	(2)
7	Total Revenues	$ 3,484,737	$ 2,322,357	$ 320,868	$ 54,018	$ 2,482	$ 154,053	$ 10,661	$ 1,254	$ 22,947
9	Operating Expenses[2]	$ 1,162,496	$ 869,369	$ 111,636	$ 17,557	$ 655	$ 27,371	$ 2,389	$ 369	$ 6,252
10	Depreciation and									
11	Amortization[2]	734,160	541,545	80,688	14,287	555	17,097	1,826	284	7,415
12	Property Tax[3]	123,927	82,590	11,411	1,921	88	5,479	379	45	816
13	Income Tax[4]	489,394	271,756	38,452	6,656	399	36,189	2,083	187	2,758
14	Total Operating Expenses	$ 2,509,977	$ 1,765,261	$ 242,187	$ 40,421	$ 1,697	$ 86,135	$ 6,678	$ 884	$ 17,241
15	Operating Income	$ 974,760	$ 557,097	$ 78,680	$ 13,596	$ 785	$ 67,918	$ 3,983	$ 370	$ 5,706
16	Interest Expense[5]	76,134	58,097	8,074	1,374	53	1,468	158	27	642
17	Net Income	$ 898,626	$ 499,000	$ 70,606	$ 12,223	$ 732	$ 66,450	$ 3,825	$ 343	$ 5,064

		Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
20	Meter Size->							
21	Water Revenues	$ 38,907	$ 7,710	$ 85,406	$ 36,514	$ 408,081	$ 1,959	$ 38,841
22	Revenue Annualizations	277	1,059	3,859	-	(8,881)	3,491	(24,907)
23	Misc. Revenues[1]	371	337	1,416	303	1,281	34	67
24	Reconcilation H-1 to C-1[1]	(3)	(2)	(10)	(2)	(9)	(0)	(0)
25	Total Revenues	$ 39,552	$ 9,104	$ 90,672	$ 36,815	$ 400,472	$ 5,483	$ 14,000
27	Operating Expenses[2]	$ 7,751	$ 2,715	$ 21,522	$ 8,275	$ 80,459	$ 1,430	$ 4,745
28	Depreciation and	0	0	0	0	0	0	0
29	Amortization[2]	2,295	1,895	12,843	5,142	42,961	1,680	3,647
30	Property Tax[3]	1,407	324	3,225	1,309	14,242	195	498
31	Income Tax[4]	9,828	1,404	18,286	7,624	91,365	717	1,690
32	Total Operating Expenses	$ 21,281	$ 6,337	$ 55,876	$ 22,350	$ 229,027	$ 4,021	$ 10,581
33	Operating Income	$ 18,271	$ 2,767	$ 34,796	$ 14,465	$ 171,445	$ 1,462	$ 3,419
34	Interest Expense[5]	-	-	-	-	-	-	-
35	Net Income	$ 18,271	$ 2,767	$ 34,796	$ 14,465	$ 171,445	$ 1,462	$ 3,419

			Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
40	**Rate Base[6]**	$ 10,059,443	$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
41	**Return on Rate Base[7]**	9.69%	7.26%	7.38%	7.49%	11.12%	35.00%	19.10%	10.28%	6.73%

	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
46	$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644
47	61.44%	11.06%	21.60%	23.50%	35.26%	7.58%	8.21%

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Rejoinder Schedule G-2
Page 2
Witness: Bourassa

Line No.		Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
8	**Percent of Total Customers**	86.664%	9.220%	1.093%	0.043%	0.343%	0.021%	0.021%	0.172%

		Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"
13		0.236%	0.214%	0.901%	0.193%	0.815%	0.021%	0.043%

[1] Allocated based on customer counts.
[2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
[3] Property Taxes allocation based on revenues.
[4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
[5] Interest Synchronized Interest Expense. Allocation based on Rate Base
[6] Rate Base computations are shown on Schedule G-3, Page 1
[7] Operating Income Divided by Rate Base

Sahuarita Water Company, LLC
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes

Exhibit
Rejoinder Schedule G-3
Page 1
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)										
2	Commodity	$ 533,264	C-1	$ 330,195	$ 40,254	$ 5,619	$ 165	$ 26,898	$ 1,816	$ 150	$ 1,239
3	Demand	5,350,004	D-1	3,890,737	620,862	122,729	4,813	123,210	15,401	2,406	61,605
4	Customer	1,446,271	CS-1	1,253,394	133,340	15,815	620	4,961	310	310	2,481
5	Service	1,929,771	S-1	1,646,632	175,174	23,111	906	12,157	1,067	453	6,079
6	Meter	800,133	M-1	555,300	97,187	14,239	558	26,803	2,256	279	13,401
7	Totals	$ 10,059,443		$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
8											
9				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
10			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
11	Commodity		C-1	$ 9,745	$ 1,132	$ 16,230	$ 6,739	$ 89,264	$ 240	$ 3,577	
12	Demand		D-1	10,588	14,439	101,071	43,316	292,623	15,401	30,802	
13	Customer		CS-1	3,411	3,101	13,024	2,791	11,784	310	620	
14	Service		S-1	4,481	4,074	19,032	4,532	28,874	1,067	2,133	
15	Meter		M-1	1,511	2,260	11,726	4,188	63,657	2,256	4,511	
16				$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
17											
18				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
19				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
20											
21	Net Rate Base	$ 10,059,443		$ 7,676,258	$ 1,066,817	$ 181,512	$ 7,062	$ 194,029	$ 20,850	$ 3,599	$ 84,805
22											
23				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
24				5/8"	3/4"	1"	1.5"	2"	3"	3"	
25											
26				$ 29,736	$ 25,005	$ 161,083	$ 61,566	$ 486,202	$ 19,273	$ 41,644	
27											
28				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
29				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
30											
31	Allocation %	100.00%		76.31%	10.61%	1.80%	0.07%	1.93%	0.21%	0.04%	0.84%
32											
33				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
34				5/8"	3/4"	1"	1.5"	2"	3"	3"	
35											
36				0.30%	0.25%	1.60%	0.61%	4.83%	0.19%	0.41%	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes

Exhibit
Rejoinder Schedule G-4
Page 1
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
	Operation and Maintenance Expense (from Schedule G-6, Page 1)										
1	Commodity	$ 324,655	C-1	$ 201,025	$ 24,507	$ 3,421	$ 100	$ 16,375	$ 1,106	$ 92	$ 755
2	Demand	414,360	D-1	301,339	48,086	9,505	373	9,543	1,193	186	4,771
3	Customer	423,482	CS-1	367,005	39,043	4,631	182	1,453	91	91	726
4	Service	-	S-1	-	-	-	-	-	-	-	-
5	Meter	-	M-1	-	-	-	-	-	-	-	-
6	Totals	$ 1,162,496		$ 869,369	$ 111,636	$ 17,557	$ 655	$ 27,371	$ 2,389	$ 369	$ 6,252
7											
8				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
9			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
10											
11	Commodity		C-1	$ 5,933	$ 689	$ 9,881	$ 4,103	$ 54,345	$ 146	$ 2,178	
12	Demand		D-1	820	1,118	7,828	3,355	22,664	1,193	2,386	
13	Customer		CS-1	999	908	3,814	817	3,450	91	182	
14	Service		S-1	-	-	-	-	-	-	-	
15	Meter		M-1	-	-	-	-	-	-	-	
16	Totals			$ 7,751	$ 2,715	$ 21,522	$ 8,275	$ 80,459	$ 1,430	$ 4,745	
17											
18				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
19			Factor	5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
20	Depreciaton Expense on Plant (from Schedule G-6, Page 2)										
21	Commodity	$ 49,506	C-1	$ 30,654	$ 3,737	$ 522	$ 15	$ 2,497	$ 169	$ 14	$ 115
22	Demand	458,871	D-1	333,710	53,252	10,526	413	10,568	1,321	206	5,284
23	Customer	55,651	CS-1	48,229	5,131	609	24	191	12	12	95
24	Service	68,311	S-1	58,289	6,201	818	32	430	38	16	215
25	Meter	101,821	M-1	70,664	12,367	1,812	71	3,411	287	36	1,705
26	Totals	$ 734,160		$ 541,545	$ 80,688	$ 14,287	$ 555	$ 17,097	$ 1,826	$ 284	$ 7,415
27											
28				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
29			Factor	5/8"	3/4"	1"	1.5"	2"	3"	3"	
30											
31	Commodity		C-1	$ 905	$ 105	$ 1,507	$ 626	$ 8,287	$ 22	$ 332	
32	Demand		D-1	908	1,238	8,669	3,715	25,098	1,321	2,642	
33	Customer		CS-1	131	119	501	107	453	12	24	
34	Service		S-1	159	144	674	160	1,022	38	76	
35	Meter		M-1	192	288	1,492	533	8,101	287	574	
36	Totals			$ 2,295	$ 1,895	$ 12,843	$ 5,142	$ 42,961	$ 1,680	$ 3,647	
37											
38				Residential	Residential	Residential	Commercial	Commercial	Commercial	Public Authority	Public Authority
39				5/8" x 3/4"	3/4"	1"	1"	2"	3"	1"	2"
40	Total Expenses (excluding Income Tax and										
41	Property Taxes)	$ 1,896,656		$ 1,410,915	$ 192,324	$ 31,844	$ 1,210	$ 44,468	$ 4,216	$ 653	$ 13,667
42											
43				Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Irrigation	Construction	
44				5/8"	3/4"	1"	1.5"	2"	3"	3"	
45											
46				$ 2,295	$ 1,895	$ 12,843	$ 5,142	$ 42,961	$ 1,680	$ 3,647	
47											
48	Property Taxes, Allocated on Schedules G-1 & G-2	$ 123,927									
49	Income Tax, Allocated on Schedules G-1 & G-2	489,394									
50	Total Expenses	$ 2,509,977									
51											

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Summary of Allocation of Expenses to Customer Classes

Exhibit
Rejoinder Schedule G-4
Page 2
Witness: Bourassa

Line No.		Totals	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
1	Commodity	$ 374,161	C-1	$ 231,679	$ 28,244	$ 3,943	$ 116	$ 18,873	$ 1,274	$ 106	$ 870
2	Demand	873,231	D-1	635,049	101,338	20,032	786	20,110	2,514	393	10,055
3	Customer	479,132	CS-1	415,234	44,174	5,239	205	1,644	103	103	822
4	Service	68,311	S-1	58,289	6,201	818	32	430	38	16	215
5	Meter	101,821	M-1	70,664	12,367	1,812	71	3,411	287	36	1,705
6											
7											
8	Totals	$ 1,896,656		$ 1,410,915	$ 192,324	$ 31,844	$ 1,210	$ 44,468	$ 4,216	$ 653	$ 13,667
9											
10											
11			Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
12											
13	Commodity		C-1	$ 6,837	$ 794	$ 11,388	$ 4,729	$ 62,631	$ 168	$ 2,510	
14	Demand		D-1	1,728	2,357	16,497	7,070	47,762	2,514	5,028	
15	Customer		CS-1	1,130	1,027	4,315	925	3,904	103	205	
16	Service		S-1	159	144	674	160	1,022	38	76	
17	Meter		M-1	192	288	1,492	533	8,101	287	574	
18											
19	Totals			$ 10,046	$ 4,610	$ 34,365	$ 13,417	$ 123,420	$ 3,110	$ 8,393	
20											
21											
22				Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
23	Total Expenses (excluding Income Tax and										
24	Property Taxes)	$ 1,896,656		$ 1,410,915	$ 192,324	$ 31,844	$ 1,210	$ 44,468	$ 4,216	$ 653	$ 13,667
25											
26											
27				Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	
28											
29											
30				$ 10,046	$ 4,610	$ 34,365	$ 13,417	$ 123,420	$ 3,110	$ 8,393	
31											
32											
33											
34	Property Taxes, Allocated on Schedules G-1 & G	$ 123,927									
35	Income Tax, Allocated on Schedules G-1 & G-2	489,394									
36	Total Expenses	$ 2,509,977									
37											

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function

Exhibit
Rejoinder Schedule G-5
Page 1
Witness: Bourassa

Line No.		Adjusted	Demand	Commodity	Customer	Meter	Service
1	**Rate Base**						
2	Plant minus (Accumulated Depreciation	$ 10,059,443	$ 5,350,004	$ 533,264	$ 1,446,271	$ 800,133	$ 1,929,771
3	Contributions in Aid of Construction						
4	Advances in Aid of Construction,						
5	Meter Deposits and Deferred Income Tax)						
6							
7							
8							
9		10,059,443	5,350,004	533,264	1,446,271	800,133	1,929,771
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Factor	Demand	Commodity	Customer	Meter	Service
1	**Intangible**										
2	301	Organization	$ 7,541		$ 7,541	F-6	$ 7,541	$ -	$ -	$ -	$ -
3	302	Franchises	350,861		350,861	F-6	350,861	-	-		
4											
5	**Subtotal Intangible**		358,402		358,402		358,402	-	-	-	-
6											
7	**Source of Supply & Pumping Plant**										
8	303	Land and Land Rights	$ 13,636		$ 13,636	F-6	$ 13,636	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	171,671	7,678	163,993	F-4	163,993	-	-		
10	305	Collecting and Impounding Res.	-	-	-	F-1	-	-	-		
11	306	Lakes, Rivers, Other Intakes	-	-	-	F-1	-	-	-		
12	307	Wells and Springs	2,343,156	(109,688)	2,452,844	F-1	2,207,559	245,284	-		
13	308	Infiltration Galleries and Tunnels	-	-	-	F-1	-	-	-		
14	309	Supply Mains	-	0	-	F-1	-	-	-		
15	310	Power Generation Equipment	335,668	16,317	319,351	F-1	287,416	31,935	-		
16	311	Electric Pumping Equipment	43,912	9,696	34,216	F-2	30,795	3,422	-		
17	**Subtotal Source of Supply & Pumping Plant**		$ 2,908,043	$ (75,998)	$ 2,984,040		$ 2,703,399	$ 280,641	$ -	$ -	$ -
18											
19	**Water Treatment**										
20	320	Water Treatment Equipment	$ 2,585,217	$ 1,552	$ 2,583,665	F-5	$ 2,325,298	$ 258,366	$ -	$ -	$ -
21	**Subtotal Water Treatment**		$ 2,585,217	$ 1,552	$ 2,583,665		$ 2,325,298	$ 258,366	$ -	$ -	$ -
22											
23	**Transmission and Distribution Plant**										
24	330	Distribution Reservoirs & Standpipe	$ 1,811,998	$ 132,080	$ 1,679,918	F-3	$ 1,511,926	$ 167,992	$ -	$ -	$ -
25	331	Transmission and Distribution Mains	12,140,307	556,993	11,583,314	F-3	10,424,983	1,158,331	-	-	-
26	333	Services	2,051,394	121,623	1,929,771	F-8					1,929,771
27	334	Meters	1,222,335	422,202	800,133	F-9				800,133	
28	335	Hydrants	656,364	11,955	644,409	F-10	-	-	644,409		
29	336	Backflow Prevention Devices	816	102	714	F-1	643	71	-		
30	339	Other Plant and Miscellaneous Equip.	0	(0)	0	F-1	0	0	-		
31	**Subtotal Transmission and Distribution Plant**		$ 17,883,214	$ 1,244,954	$ 16,638,260		$ 11,937,552	$ 1,326,395	$ 644,409	$ 800,133	$ 1,929,771
32											
33	**General Plant**										
34	340	Office Furniture and Fixtures	$ 283,991	$ 40,362	$ 243,629	F-12	$ -	$ -	$ 243,629	$ -	$ -
35	304.1	Computer Equipment	-	-	-	F-12	-	-	-	-	-
36	341	Transportation Equipment	146,129	97,477	48,652	F-11	12,163	-	36,489		
37	342	Stores Equipment	-	-	-	SF-3			-		-
38	343	Tools and Work Equipment	13,856	3,133	10,723	SF-3			10,723		-
39	344	Laboratory Equipment	132	20	112	SF-3			112		
40	345	Power Operated Equipment	-	-	-	SF-3			-		
41	346	Communications Equipment	11,818	2,077	9,741	F-13	2,435	-	7,306		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values		Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**								-		
2	347	Miscellaneous Equipment	695	104	591	SF-3			591		
	348	Other Tangible Plant	962,974	54,602	908,372	F-1			908,372		
3	348.1	Other Tangible Plant	120,000	-	120,000	F-1			120,000		
4	**Subtotal General Plant**		$ 1,539,595	$ 197,774	$ 1,341,821		$ 14,598	$ -	$ 1,327,223	$ -	$ -
5	Total Plant		$ 25,274,471	$ 1,368,282	$ 23,906,188		$ 17,339,250	$ 1,865,402	$ 1,971,632	$ 800,133	$ 1,929,771
6											
7	Contributions in Aid of Construction, Net		(4,314,264)	251,796	(4,062,468)	F-1	$ (3,656,221)	$ (406,247)	$ -	$ -	$ -
8	Advances in Aid of Construction		(9,258,917)		(9,258,917)	F-3	(8,333,025)	(925,892)	-	-	-
9	Meter Deposits		-		-					-	
10	Deferred Income Tax		(525,361)		(525,361)	SF-3			(525,361)		
11	Deferred Reg Assets		-		-				-		
12	Unamortized Debt Service Costs		-		-				-		
13	Totals		$ 11,175,928	$ 1,620,079	$ 10,059,443		$ 5,350,004	$ 533,264	$ 1,446,271	$ 800,133	$ 1,929,771
14	Rate Bases (Plant -(AIAC, CIAC, Meter Deposits & Accum. Depr.)				$ 10,059,443		$ 5,350,004	$ 533,264	$ 1,446,271	$ 800,133	$ 1,929,771

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Functions

Exhibit
Rejoinder Schedule G-6
Page 1
Witness: Bourassa

Line No.	Description	Adjusted	Factor	Demand	Commodity	Customer	Meter	Service	Totals
1	Salaries and Wages[1]	$ -	E-1	$ -	$ -	$ -	$ -	$ -	$ -
2	Purchased Water[1]	4,256	E-5		4,256				4,256
3	Purchased Power[1]	147,364	E-4	-	147,364	-	-	-	147,364
4	Fuel For Power Production[1]	-	E-4	-	-	-	-	-	-
5	Chemicals[1]	11,866	E-9	-	11,866	-	-	-	11,866
6	Repairs and Maintenance[1]	75,423	E-1	67,881	7,542	-	-	-	75,423
7	Materials & Supplies	30,131	E-6	27,118	3,013	-			30,131
8	Outside Services[1]	736,273	E-3	294,509	147,255	294,509	-	-	736,273
9	Water Testing[1]	10,382	E-10	9,344	1,038	-	-	-	10,382
10	Rents	1,896	E-11	-	-	1,896	-	-	1,896
11	Transportation Expenses[1]	22,358	E-8	5,590	-	16,769	-	-	22,358
12	Insurance - General Liability	21,111	SE-3	5,278	-	15,833	-	-	21,111
13	Insurance - Health and Life	-	SE-3			-			-
14	Reg. Comm. Exp.	-	SE-3			-			-
15	Reg. Comm. Exp. - Rate Case	75,000	SE-3			75,000			75,000
16	Miscellaneous Expense	14,724	SE-3			14,724			14,724
17	Bad Debt Expense	109	SE-3			109			109
18									-
19	Depreciation Expense[2]	734,160		458,871	49,506	55,651	101,821	68,311	734,160
20	Taxes Other Than Income	11,602		4,641	2,320	4,641	-	-	11,602
21									-
22	Property Taxes, Allocated on Schedules G-1 & G-2	**123,927**							
23	Income Tax, Allocated on Schedules G-1 & G-2[3]	**489,394**							
24									
25	Total	$ 2,509,977		$ 873,231	$ 374,161	$ 479,132	$ 101,821	$ 68,311	$ 1,896,656
26									
27									

28 [1] Allocation factors see Schedule G-7, page 2.1.
29 [2] Depreciation allocation computed on Schedule G-6, Page 2.
30 [3] Income Taxes shown at proposed rates.
31
32

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Depreciation Expense to Functions

Exhibit
Rejoinder Schedule G-6
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Factor	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**Intangible**											
2	301	Organization	$ 7,541		$ -							
3	302	Franchises	350,861		-							
4												
5	**Subtotal Intangible**		$ 358,402		$ -		$ -	$ -	$ -	$ -	$ -	$ -
6												
7		**Source of Supply & Pumping Plant**										
8	303	Land and Land Rights	$ 13,636	0.000%	$ -		$ -	-	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	171,671	3.330%	5,717	F-4	5,717	5,717	-			
10	305	Collecting and Impounding Res.	-	2.500%	-	F-1	-	-	-			
11	306	Lakes, Rivers, Other Intakes	-	2.500%	-	F-1	-	-	-			
12	307	Wells and Springs	2,343,156	3.330%	78,027	F-1	78,027	70,224	7,803			
13	308	Infiltration Galleries and Tunnels	-	6.670%	-	F-1	-	-	-			
14	309	Supply Mains	-	2.000%	-	F-1	-	-	-			
15	310	Power Generation Equipment	335,668	5.000%	16,783	F-1	16,783	15,105	1,678			
16	311	Electric Pumping Equipment	43,912	12.500%	5,489	F-2	5,489	4,940	549			
17	**Subtotal Source of Supply & Pumping Plant**		$ 2,908,043		$ 106,016		$ 106,016	$ 95,986	$ 10,030	$ -	$ -	$ -
18												
19	**Water Treatment**											
20	320	Water Treatment Equipment	2,585,217	3.330%	86,088	F-5	86,088	77,479	8,609	-		
21	**Subtotal Water Treatment**		$ 2,585,217		$ 86,088		$ 86,088	$ 77,479	$ 8,609	$ -	$ -	$ -
22												
23	**Transmission and Distribution Plant**											
24	330	Distribution Reservoirs & Standpipe	$ 1,811,998	2.220%	$ 40,226	F-3	$ 40,226	$ 36,204	$ 4,023	$ -	$ -	$ -
25	331	Transmission and Distribution Mains	12,140,307	2.000%	242,806	F-3	242,806	218,526	24,281			
26	333	Services	2,051,394	3.330%	68,311	F-8	68,311	-	-	-		68,311
27	334	Meters	1,222,335	8.330%	101,821	F-9	101,821	-	-	-	101,821	
28	335	Hydrants	656,364	2.000%	13,127	F-10	13,127	-	-	13,127		
29	336	Backflow Prevention Devices	816	6.670%	54	F-1	54	49	5	-		
30	339	Other Plant and Miscellaneous Equipment	0	6.670%	0	F-1	0	0	0	-		
31	**Subtotal Transmission and Distribution Plant**		$ 17,883,214		$ 466,346		$ 466,346	$ 254,778	$ 28,309	$ 13,127	$ 101,821	$ 68,311
32												
33	**General Plant**											
34	340	Office Furniture and Fixtures	$ 283,991	6.670%	$ 18,942	F-12	$ 18,942	$ -	$ -	$ 18,942		
35	340.1	Computer Equipment*	-	20.000%	-	F-12	-	-	-	-		
36	341	Transportation Equipment	146,129	20.000%	29,226	F-11	29,226	7,306	-	21,919		
37	342	Stores Equipment	-	4.000%	-	SF-3	-			-		
38	343	Tools and Work Equipment	13,856	5.000%	693	SF-3	693			693		
39	344	Laboratory Equipment	132	10.000%	13	SF-3	13			13		
40	345	Power Operated Equipment	-	5.000%	-	SF-3	-			-		
41	346	Communications Equipment	11,818	10.000%	1,182	F-13	1,182	295	-	886		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Allocation of Depreciation Expense to Functions

Exhibit
Rejoinder Schedule G-6
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Factor	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**											
2	347	Miscellaneous Equipment	695	10.00%	70	SF-3	70			70		
	348	Other Tangible Plant	962,974	10.00%	96,297	F-1	96,297	86,668	9,630			
3	348.1	Other Tangible Plant	120,000	67.00%	80,400	F-1	80,400	72,360	8,040	-		
4	**Subtotal General Plant**		$ 576,621		$ 226,823		$ 226,823	$ 166,630	$ 17,670	$ 42,523	$ -	$ -
5	**Total Plant**		$ 24,311,497		$ 885,273		$ 885,273	$ 594,873	$ 64,617	$ 55,651	$ 101,821	$ 68,311
6												
7												
8	Less: Amortization of Contributions											
9	Gross Contributions-in-aid of construction		$ (4,314,264)	3.5026%	$ (151,113)	F-1	$ (151,113)	$ (136,002)	$ (15,111)	$ -		
10					-		-	-	-			
11					-		-					-
12					-		-				-	
13					-		-			-		
14	Total Depreciation Expense		(4,314,264)		$ 734,160		$ 734,160	$ 458,871	$ 49,506	$ 55,651	$ 101,821	$ 68,311
15												
16												
17												
18	* Fully Depreciated											
19												

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Commodity - Demand Method Functions Factors

Exhibit
Rejoinder Schedule G-7
Page 1
Witness: Bourassa

Line No.	Description	Factor	Residential 5/8" x 3/4"	Residential 3/4"	Residential 1"	Commercial 1"	Commercial 2"	Commercial 3"	Public Authority 1"	Public Authority 2"
3	Commodity	C-1	61.920%	7.549%	1.054%	0.031%	5.044%	0.341%	0.028%	0.232%
4	Demand	D-1	72.724%	11.605%	2.294%	0.090%	2.303%	0.288%	0.045%	1.151%
5	Customer	CS-1	86.664%	9.220%	1.093%	0.043%	0.343%	0.021%	0.021%	0.172%
6	Services	S-1	85.328%	9.077%	1.198%	0.047%	0.630%	0.055%	0.023%	0.315%
7	Meters	M-1	69.401%	12.146%	1.780%	0.070%	3.350%	0.282%	0.035%	1.675%

Line No.	Description	Factor	Irrigation 5/8"	Irrigation 3/4"	Irrigation 1"	Irrigation 1.5"	Irrigation 2"	Irrigation 3"	Construction 3"	Totals
12	Commodity	C-1	1.827%	0.212%	3.043%	1.264%	16.739%	0.045%	0.671%	100.000%
13	Demand	D-1	0.198%	0.270%	1.889%	0.810%	5.470%	0.288%	0.576%	100.000%
14	Customer	CS-1	0.236%	0.214%	0.901%	0.193%	0.815%	0.021%	0.043%	100.000%
15	Services	S-1	0.232%	0.211%	0.986%	0.235%	1.496%	0.055%	0.111%	100.000%
16	Meters	M-1	0.189%	0.282%	1.466%	0.523%	7.956%	0.282%	0.564%	100.000%

25 SUPPORTING SCHEDULES
26 G-7, page 3

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations Functions

Exhibit
Rejoinder Schedule G-7
Page 2
Witness: Bourassa

Line No.	Description	Factor	Total	Demand	Commodity	Customer	Meter	Service
1								
2	Description	Factor	Total	Demand	Commodity	Customer	Meter	Service
3	Wells	F-1	1.00	0.90	0.10			
4	Pumps & Equipment	F-2	1.00	0.90	0.10			
5	Trans. & Dist. Mains	F-3	1.00	0.90	0.10			
6	Structures & Improv.	F-4	1.00	1.00				
7	Water Treatment Equip.	F-5	1.00	0.90	0.10			
8	Land	F-6	1.00	1.00				
9	Customer	F-7	1.00			1.00		
10	Services	F-8	1.00					1.00
11	Meters	F-9	1.00				1.00	
12	Fire Hydrants	F-10	1.00			1.00		
13	Transportation Equip.	F-11	1.00	0.25		0.75		
14	Office Furniture	F-12	1.00			1.00		
15	Communication Equip.	F-13	1.00	0.25		0.75		
16	Specific	SF-1	1.00	1.00				
17	Specific	SF-2	1.00		1.00			
18	Specific	SF-3	1.00			1.00		
19								
20								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Development Of Expense Allocation Factors

Exhibit
Rejoinder Schedule G-7
Page 2.1
Witness: Bourassa

Line No.	Expense Type	Factor	Total	Demand	Commodity	Customer	Meters	Services
1								
2	Salaries and Wages[8]	E-1	1.00	0.40	0.20	0.40		
3	Repairs and Maintenance[1]	E-2	1.00	0.90	0.10			
4	Oustside Services[2]	E-3	1.00	0.40	0.20	0.40		
5	Purchased Power/Fuel for Power Prod.[3]	E-4	1.00		1.00			
6	Purchased Water[4]	E-5	1.00		1.00			
7	Materials and Supplies	E-6	1.00	0.90	0.10			
8	Rents	E-7	1.00			1.00		
9	Transportation[5]	E-8	1.00	0.25	-	0.75		
10	Chemicals[6]	E-9	1.00		1.00			
11	Water Testing[7]	E-10	1.00	0.90	0.10			
12	Specific	SE-1	1.00	1.00				
13	Specific	SE-2	1.00		1.00			
14	Specific	SE-3	1.00			1.00		
15	Specific	SE-4	1.00				1.00	
16	Specific	SE-5	1.00					1.00
17								
18								

19 [1] Estimated based on examination of costs in repairs and maintenance and professional judgement.
20 [2] Estimated based on examination of costs included in contractual services and professional judgement.
21 [3] 100% related to pumping and water production.
22 [4] 100% related to pumping and water production.
23 [5] Based on allocation of transportation equipment. See G-7, page 2.
24 [6] 100% related to water production.
25 [7] Based on allocation of well plant and equipment. See G-7, page 2.
26 [8] The Company does not have recorded salaries and wages expense. See allocation of contractual services.
27
28
29
30
31

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study, Using Commodity Demand Method
Development of Class Allocation Factors

Exhibit
Rejoinder Schedule G-7
Page 3
Witness: Bourassa

COMMODITY ALLOCATION FACTOR (C-1)

Meter Size	Class	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8 Inch	Res	254,678	61.92%
3/4 Inch	Res	31,048	7.55%
1 Inch	Res	4,334	1.05%
1 Inch	Com	127	0.03%
2 Inch	Com	20,746	5.04%
3 Inch	Com	1,401	0.34%
1 Inch	Public Auth	116	0.03%
2 Inch	Public Auth	956	0.23%
5/8 Inch	Irr	7,516	1.83%
3/4 Inch	Irr	873	0.21%
1 Inch	Irr	12,518	3.043%
1.5 Inch	Irr	5,198	1.264%
2 Inch	Irr	68,849	16.739%
3 Inch	Irr	185	0.045%
3 Inch	Const	2,759	0.671%
Totals		411,304	100.00%

DEMAND ALLOCATION FACTOR (D-1)

Meter Size	Class	Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8 Inch	Res	4,042	1.0	4,042	72.72%
3/4 Inch	Res	430	1.5	645	11.60%
1 Inch	Res	51	2.5	128	2.29%
1 Inch	Com	2	2.5	5	0.09%
2 Inch	Com	16	8.0	128	2.30%
3 Inch	Com	1	16.0	16	0.29%
1 Inch	Public Auth	1	2.5	3	0.04%
2 Inch	Public Auth	8	8.0	64	1.15%
5/8 Inch	Irr	11	1.0	11	0.20%
3/4 Inch	Irr	10	1.5	15	0.27%
1 Inch	Irr	42	2.5	105	1.89%
1.5 Inch	Irr	9	5.0	45	0.81%
2 Inch	Irr	38	8.0	304	5.47%
3 Inch	Irr	1	16.0	16	0.29%
3 Inch	Const	2	16.0	32	0.58%
Totals		4,664		5,558	100.00%

CUSTOMER ALLOCATION FACTOR (CS-1)

Meter Size	Class	Number of Meters	Percent of Total
5/8 Inch	Res	4,042	86.66%
3/4 Inch	Res	430	9.22%
1 Inch	Res	51	1.09%
1 Inch	Com	2	0.04%
2 Inch	Com	16	0.34%
3 Inch	Com	1	0.02%
1 Inch	Public Auth	1	0.02%
2 Inch	Public Auth	8	0.17%
5/8 Inch	Irr	11	0.24%
3/4 Inch	Irr	10	0.21%
1 Inch	Irr	42	0.90%
1.5 Inch	Irr	9	0.19%
2 Inch	Irr	38	0.81%
3 Inch	Irr	1	0.02%
3 Inch	Const	2	0.04%
Totals		4,664	100.00%

SERVICES ALLOCATION FACTOR (S-1) (b)

Meter Size	Class	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8 Inch	Res	4,042	$ 445.00	1,798,690	85.33%
3/4 Inch	Res	430	445.00	191,350	9.08%
1 Inch	Res	51	495.00	25,245	1.20%
1 Inch	Com	2	495.00	990	0.05%
2 Inch	Com	16	830.00	13,280	0.63%
3 Inch	Com	1	1,165.00	1,165	0.06%
1 Inch	Public Auth	1	495.00	495	0.02%
2 Inch	Public Auth	8	830.00	6,640	0.31%
5/8 Inch	Irr	11	445.00	4,895	0.23%
3/4 Inch	Irr	10	445.00	4,450	0.21%
1 Inch	Irr	42	495.00	20,790	0.99%
1.5 Inch	Irr	9	550.00	4,950	0.23%
2 Inch	Irr	38	830.00	31,540	1.50%
3 Inch	Irr	1	1,165.00	1,165	0.06%
3 Inch	Const	2	1,165.00	2,330	0.11%
Totals		4,664		2,107,975	100.00%

METER ALLOCATION FACTOR (M-1) (b)

Meter Size	Class	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8 Inch	Res	4,042	$ 155.00	626,510	69.40%
3/4 Inch	Res	430	255.00	109,650	12.15%
1 Inch	Res	51	315.00	16,065	1.78%
1 Inch	Com	2	315.00	630	0.07%
2 Inch	Com	16	1,890.00	30,240	3.35%
3 Inch	Com	1	2,545.00	2,545	0.28%
1 Inch	Public Auth	1	315.00	315	0.03%
2 Inch	Public Auth	8	1,890.00	15,120	1.67%
5/8 Inch	Irr	11	155.00	1,705	0.19%
3/4 Inch	Irr	10	255.00	2,550	0.28%
1 Inch	Irr	42	315.00	13,230	1.47%
1.5 Inch	Irr	9	525.00	4,725	0.52%
2 Inch	Irr	38	1,890.00	71,820	7.96%
3 Inch	Irr	1	2,545.00	2,545	0.28%
3 Inch	Const	2	2,545.00	5,090	0.56%
Totals		4,664		902,740	100.00%

(a) Includes customer and gallon sold annualization.
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Using Function Costs and Expenses

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Bourassa

Line No.						Customer	Service	Meter
1	Return on Rate Base	9.69%				140,144	77,533	186,995
2	Misc. Revenues					(932)		
3	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)					479,132	68,311	101,821
4	Property Taxes					123,927		
5	Income Taxes					489,394		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)					1,231,665	145,844	288,815
7								
8	**Customer Charge**							
9	Number of Bills =	4,664	times		12	55,968		
10								
11	**Charge per Bill**					$ 22.01		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)							
13								
14	**Service Line and Meter Charge**							
15	Equivalent 5/8 Meters		5,558	times	12		66,696	66,696
16								
17	**Charge per Equivalent Meter**						$ 2.19	$ 4.33
18								
19								
20	**CUSTOMER CHARGE:**							
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)							
22	Charge per Bill						$ 22.01	
23	Charge per Equivalent Service Line						2.19	
24	Charge per Equivalent Meter						4.33	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)							
26	Monthly Minimum for 5/8 Inch Meter, **WITHOUT** Demand Charge Included						$ 28.52	

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Demand Charge

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Bourassa

Line No.	DEMAND CHARGE:		
1			
2	Return on Rate Base 9.69%		518,415
3	Demand Expenses, from Schedule G-6, Page 1		873,231
4			
5	Totals		1,391,646
6	Total Revenue Requirement / Demand Component		
7	Equivalent Number of 5/8 Meters billings		66,516
8	Demand Charge for 5/8 Inch Meter		$ 20.92
9			
10		5/8" Demand	Meter	Demand
11	Demand Charge Per Equivalent	Charge	Ratio	Charge
12	5/8 Inch Meter	$ 20.92	1.0	$ 20.92
13	3/4 Inch Meter	$ 20.92	1.5	$ 31.38
14	1 Inch Meter	$ 20.92	2.5	$ 52.30
15	1 1/2 Inch Meter	$ 20.92	5.0	$ 104.61
16	2 Inch Meter	$ 20.92	8.0	$ 167.38
17	3 Inch Meter	$ 20.92	16.0	$ 334.75
18	4 Inch Meter	$ 20.92	25.0	$ 523.05
19	6 Inch Meter	$ 20.92	50.0	$ 1,046.10
20				
21				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Bourassa

Line No.			Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	9.69%	51,673	140,144	186,995	77,533	518,415
2	Less: Miscellaneous Revenues			(157,242)			
3							
4	Expenses (From Sch. G-6. Page 1)		374,161	479,132	68,311	101,821	873,231
5	Property taxes			123,927			
6	Income Taxes			489,394			
7	Total Revenue Requirement by function		425,834	1,075,355	255,306	179,353	1,391,646
8	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)		411,304				
9	Computed Commodity Rate		$ 1.0353				
10	Annualized Number of Bills			55,968			
11	Equivalent Meters and Service Lines				66,696	66,696	66,696
12	Customer Charge (line 18 divided by line 21)			$ 19.21			
13	Meter, Service Line & Demand Charge (Line 18 divided by Line 22)				$ 3.83	$ 2.69	$ 20.87
14	Total Monthly Minimum Charge for a 5/8 Inch Meter (Sum of Customer,						
15	Service Line, Meter and Demand Charge on Lines 23 & Line 24)						$ 46.60
16							
17							

	Monthly Minimum	5/8" Monthly Minimum	Meter Ratio	Demand Charge
19	5/8 Inch Meter	$ 46.60	1.0	$ 46.60
20	3/4 Inch Meter	$ 46.60	1.5	$ 69.89
21	1 Inch Meter	$ 46.60	2.5	$ 116.49
22	1 1/2 Inch Meter	$ 46.60	5.0	$ 232.98
23	2 Inch Meter	$ 46.60	8.0	$ 372.77
24	3 Inch Meter	$ 46.60	16.0	$ 745.54
25	4 Inch Meter	$ 46.60	25.0	$ 1,164.91
26	6 Inch Meter	$ 46.60	50.0	$ 2,329.81
27	8 Inch Meter	$ 46.60	80.0	$ 3,727.70
28				
29				
30				
31				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Bourassa

Line No.					
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
4		Total		Portion of	
5		Rev. Req.	%	Rev. Req.	
6	Customer, Service, and Meter Costs	$ 1,510,015	45%	$ 679,507	
7	Demand Costs	1,391,646	45%	626,241	
8	Commodity Costs	425,834	100%	425,834	
9	Total Costs to be Collected via Commodity			$ 1,731,581	
10	Gallons Sold			411,304	
11					
12	Commodity Charge (per 1,000 gallons)			$ 4.210	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 3,327,495	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,731,581)	
19	Balance to be Recovered through Monthly Minimum			$ 1,595,914	47.96%
20					
21	Number of Equivalent 5/8 Inch Meter Billings			66,696	
22					
23	Computed Monthly Minimum 5/8 Inch Meter			$ 23.93	
24					
25					
26		5/8"	Meter	Monthly	
27	Meter Size	Minimum	Ratio	Minimum	
28	5/8 Inch Meter	$ 23.93	1.0	$ 23.93	
29	3/4 Inch Meter	$ 23.93	1.5	$ 35.89	
30	1 Inch Meter	$ 23.93	2.5	$ 59.82	
31	1 1/2 Inch Meter	$ 23.93	5.0	$ 119.64	
32	2 Inch Meter	$ 23.93	8.0	$ 191.43	
33	3 Inch Meter	$ 23.93	16.0	$ 382.85	
34	4 Inch Meter	$ 23.93	25.0	$ 598.20	
35	6 Inch Meter	$ 23.93	50.0	$ 1,196.41	
36	8 Inch Meter	$ 23.93	80.0	$ 1,914.25	
37	10 Inch Meter				
38					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 5/8 Inch Residential Meter

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 24.24	$ -	$ 24.24	$ 20.87	$ 19.21	$ 3.83	$ 2.69	0	$ 46.60	$ (22.36)
2	1,000	24.24	3.50	27.74	20.87	19.21	3.83	2.69	1.035	47.63	(19.89)
3	2,000	24.24	7.00	31.24	20.87	19.21	3.83	2.69	2.071	48.67	(17.43)
4	3,000	24.24	10.50	34.74	20.87	19.21	3.83	2.69	3.106	49.70	(14.96)
5	4,000	24.24	14.00	38.24	20.87	19.21	3.83	2.69	4.141	50.74	(12.50)
6	5,000	24.24	18.25	42.49	20.87	19.21	3.83	2.69	5.177	51.77	(9.28)
7	6,000	24.24	22.50	46.74	20.87	19.21	3.83	2.69	6.212	52.81	(6.07)
8	7,000	24.24	26.75	50.99	20.87	19.21	3.83	2.69	7.247	53.84	(2.85)
9	8,000	24.24	31.00	55.24	20.87	19.21	3.83	2.69	8.283	54.88	0.36
10	9,000	24.24	35.25	59.49	20.87	19.21	3.83	2.69	9.318	55.91	3.58
11	10,000	24.24	39.50	63.74	20.87	19.21	3.83	2.69	10.353	56.95	6.79
12	12,000	24.24	49.10	73.34	20.87	19.21	3.83	2.69	12.424	59.02	14.32
13	14,000	24.24	58.70	82.94	20.87	19.21	3.83	2.69	14.495	61.09	21.85
14	16,000	24.24	68.30	92.54	20.87	19.21	3.83	2.69	16.565	63.16	29.38
15	18,000	24.24	77.90	102.14	20.87	19.21	3.83	2.69	18.636	65.23	36.91
16	20,000	24.24	87.50	111.74	20.87	19.21	3.83	2.69	20.707	67.30	44.44
17	25,000	24.24	111.50	135.74	20.87	19.21	3.83	2.69	25.883	72.48	63.26
18	30,000	24.24	135.50	159.74	20.87	19.21	3.83	2.69	31.060	77.66	82.08
19	35,000	24.24	159.50	183.74	20.87	19.21	3.83	2.69	36.236	82.83	100.91
20	40,000	24.24	183.50	207.74	20.87	19.21	3.83	2.69	41.413	88.01	119.73
21	45,000	24.24	207.50	231.74	20.87	19.21	3.83	2.69	46.590	93.19	138.55
22	50,000	24.24	231.50	255.74	20.87	19.21	3.83	2.69	51.766	98.36	157.38
23	60,000	24.24	279.50	303.74	20.87	19.21	3.83	2.69	62.120	108.72	195.02
24	70,000	24.24	327.50	351.74	20.87	19.21	3.83	2.69	72.473	119.07	232.67
25	80,000	24.24	375.50	399.74	20.87	19.21	3.83	2.69	82.826	129.42	270.32
26	90,000	24.24	423.50	447.74	20.87	19.21	3.83	2.69	93.179	139.78	307.96
27	100,000	24.24	471.50	495.74	20.87	19.21	3.83	2.69	103.533	150.13	345.61

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 3/4 Inch Residential Meter

Exhibit
Rejoinder Schedule G-9
Page 2
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues									(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 36.36	$ -	$ 36.36	$ 31.30	$ 28.82	$ 5.74	$ 4.03	0	$ 69.89	$ (33.53)
2	1,000	36.36	3.50	39.86	31.30	28.82	5.74	4.03	1.035	70.93	(31.07)
3	2,000	36.36	7.00	43.36	31.30	28.82	5.74	4.03	2.071	71.97	(28.61)
4	3,000	36.36	10.50	46.86	31.30	28.82	5.74	4.03	3.106	73.00	(26.14)
5	4,000	36.36	14.00	50.36	31.30	28.82	5.74	4.03	4.141	74.04	(23.68)
6	5,000	36.36	17.50	53.86	31.30	28.82	5.74	4.03	5.177	75.07	(21.21)
7	6,000	36.36	21.00	57.36	31.30	28.82	5.74	4.03	6.212	76.11	(18.75)
8	7,000	36.36	25.25	61.61	31.30	28.82	5.74	4.03	7.247	77.14	(15.53)
9	8,000	36.36	29.50	65.86	31.30	28.82	5.74	4.03	8.283	78.18	(12.32)
10	9,000	36.36	33.75	70.11	31.30	28.82	5.74	4.03	9.318	79.21	(9.10)
11	10,000	36.36	38.00	74.36	31.30	28.82	5.74	4.03	10.353	80.25	(5.89)
12	12,000	36.36	46.50	82.86	31.30	28.82	5.74	4.03	12.424	82.32	0.54
13	14,000	36.36	55.00	91.36	31.30	28.82	5.74	4.03	14.495	84.39	6.97
14	16,000	36.36	64.05	100.41	31.30	28.82	5.74	4.03	16.565	86.46	13.95
15	18,000	36.36	73.65	110.01	31.30	28.82	5.74	4.03	18.636	88.53	21.48
16	20,000	36.36	83.25	119.61	31.30	28.82	5.74	4.03	20.707	90.60	29.01
17	25,000	36.36	107.25	143.61	31.30	28.82	5.74	4.03	25.883	95.78	47.83
18	30,000	36.36	131.25	167.61	31.30	28.82	5.74	4.03	31.060	100.95	66.66
19	35,000	36.36	155.25	191.61	31.30	28.82	5.74	4.03	36.236	106.13	85.48
20	40,000	36.36	179.25	215.61	31.30	28.82	5.74	4.03	41.413	111.31	104.30
21	45,000	36.36	203.25	239.61	31.30	28.82	5.74	4.03	46.590	116.48	123.13
22	50,000	36.36	227.25	263.61	31.30	28.82	5.74	4.03	51.766	121.66	141.95
23	60,000	36.36	275.25	311.61	31.30	28.82	5.74	4.03	62.120	132.01	179.60
24	70,000	36.36	323.25	359.61	31.30	28.82	5.74	4.03	72.473	142.37	217.24
25	80,000	36.36	371.25	407.61	31.30	28.82	5.74	4.03	82.826	152.72	254.89
26	90,000	36.36	419.25	455.61	31.30	28.82	5.74	4.03	93.179	163.07	292.54
27	100,000	36.36	467.25	503.61	31.30	28.82	5.74	4.03	103.533	173.43	330.18

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Comparison of Proposed Rates to Computed Costs
For a 1 Inch Residential Meter

Exhibit
Rejoinder Schedule G-9
Page 3
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 60.60	$ -	$ 60.60	$ 52.16	$ 48.03	$ 9.57	$ 6.72	0	$ 116.49	$ (55.89)
2	1,000	60.60	3.50	64.10	52.16	48.03	9.57	6.72	1.035	117.53	(53.43)
3	2,000	60.60	7.00	67.60	52.16	48.03	9.57	6.72	2.071	118.56	(50.96)
4	3,000	60.60	10.50	71.10	52.16	48.03	9.57	6.72	3.106	119.60	(48.50)
5	4,000	60.60	14.00	74.60	52.16	48.03	9.57	6.72	4.141	120.63	(46.03)
6	5,000	60.60	17.50	78.10	52.16	48.03	9.57	6.72	5.177	121.67	(43.57)
7	6,000	60.60	21.00	81.60	52.16	48.03	9.57	6.72	6.212	122.70	(41.10)
8	7,000	60.60	24.50	85.10	52.16	48.03	9.57	6.72	7.247	123.74	(38.64)
9	8,000	60.60	28.00	88.60	52.16	48.03	9.57	6.72	8.283	124.77	(36.17)
10	9,000	60.60	31.50	92.10	52.16	48.03	9.57	6.72	9.318	125.81	(33.71)
11	10,000	60.60	35.00	95.60	52.16	48.03	9.57	6.72	10.353	126.84	(31.24)
12	12,000	60.60	43.50	104.10	52.16	48.03	9.57	6.72	12.424	128.91	(24.81)
13	14,000	60.60	52.00	112.60	52.16	48.03	9.57	6.72	14.495	130.99	(18.39)
14	16,000	60.60	60.50	121.10	52.16	48.03	9.57	6.72	16.565	133.06	(11.96)
15	18,000	60.60	69.00	129.60	52.16	48.03	9.57	6.72	18.636	135.13	(5.53)
16	20,000	60.60	77.50	138.10	52.16	48.03	9.57	6.72	20.707	137.20	0.90
17	25,000	60.60	98.75	159.35	52.16	48.03	9.57	6.72	25.883	142.37	16.98
18	30,000	60.60	122.75	183.35	52.16	48.03	9.57	6.72	31.060	147.55	35.80
19	35,000	60.60	146.75	207.35	52.16	48.03	9.57	6.72	36.236	152.73	54.62
20	40,000	60.60	170.75	231.35	52.16	48.03	9.57	6.72	41.413	157.90	73.45
21	45,000	60.60	194.75	255.35	52.16	48.03	9.57	6.72	46.590	163.08	92.27
22	50,000	60.60	218.75	279.35	52.16	48.03	9.57	6.72	51.766	168.26	111.09
23	60,000	60.60	266.75	327.35	52.16	48.03	9.57	6.72	62.120	178.61	148.74
24	70,000	60.60	314.75	375.35	52.16	48.03	9.57	6.72	72.473	188.96	186.39
25	80,000	60.60	362.75	423.35	52.16	48.03	9.57	6.72	82.826	199.32	224.03
26	90,000	60.60	410.75	471.35	52.16	48.03	9.57	6.72	93.179	209.67	261.68
27	100,000	60.60	458.75	519.35	52.16	48.03	9.57	6.72	103.533	220.02	299.33

Exhibit A-7
Thomas J. Bourassa

Prepared Rejoinder Testimony on Cost of Capital

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09

EXHIBIT
A7
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	)	DOCKET NO. W-03718A-09-0359 PREPARED TESTIMONY

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF SAHUARITA WATER COMPANY

(COST OF CAPITAL)

July 12, 2010

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. I am testifying on behalf of the applicant, Sahuarita Water Company ("SWC" or the "Company").

Q3. ARE YOU THE SAME THOMAS J. BOURASSA THAT FILED DIRECT AND REBUTTAL TESTIMONY IN THIS DOCKET?

A3. Yes. I am submitting separately bound rejoinder testimony on rate base, income statement, revenue requirement and rate design, along with this rejoinder testimony on the cost of capital

Q4. WHAT IS THE PURPOSE OF THIS VOLUME OF YOUR REJOINDER TESTIMONY?

A4. I will summarize the rejoinder position of the Company and provide a response, as appropriate, to the Surrebuttal Testimony of Mr. Manrique on behalf of Staff.

II. SUMMARY OF REJOINDER TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

A. Summary of Company's Rejoinder Recommendation

Q5. WHAT IS THE COMPANY'S REJOINDER POSITION ON THE COST OF CAPITAL?

A5. The Company's position regarding the cost of equity has not changed since my rebuttal testimony was filed on May 17, 2010. The Company's proposed capital structure is 18.02 percent debt and 81.98 percent equity. I continue to recommend a cost of equity of 10.9 percent, which results in a weighted cost of capital

("WACC") of 9.69 percent.

As I explained in my rebuttal testimony, I believe that a return on equity of 10.9 percent is fair and reasonable, and properly takes into account SWC's financial and business risk. It is based on applying the Discounted Cash Flow ("DCF") model and the Capital Asset Pricing Model ("CAPM") to the sample group of publicly traded water utilities normally used by Staff and approved by the Commission in setting rates for numerous water and wastewater utilities. The return produced by those models was then adjusted downward by 70 basis points to account for the absence of debt in the Company's capital structure, and then, finally, upward by 50 basis points to account for the Company's extremely small size, lack of investment liquidity, and the additional risk that results from the particular rate-making methods employed in Arizona. The table below summarizes the Company's final position:

Method	Low	High	Midpoint
Range DCF Constant Growth Estimates	9.1%	10.5%	9.8%
Range of CAPM Estimates	10.4%	14.6%	12.5%
Average of DCF and CAPM midpoint estimates	9.8%	12.6%	11.2%
Financial Risk Adjustment	-0.7%	-0.7%	-0.7%
Specific Company Risk Premium	0.5%	0.5%	0.5%
Indicated Cost of Equity	**9.6%**	**12.4%**	**11.0%**
Recommended Cost of Equity			**10.9%**

The schedules containing the cost of capital analysis are attached to my cost of capital rejoinder testimony. There have been no significant changes in the

financial markets that affect that analysis, which was performed approximately seven weeks ago.

Q6. PLEASE SUMMARIZE YOUR RECOMMENDED REJOINDER COST OF DEBT AND EQUITY, AND YOUR RECOMMENDED REJOINDER RATE OF RETURN ON RATE BASE.

A6. The Company's recommended capital structure consists of 18 percent debt and 82 percent common equity as shown on Rejoinder Schedule D-1. Based on my updated cost of capital analysis, I am recommending a cost of equity of 10.9 percent. Based on my 10.9 percent recommended cost of equity and 4.2 percent cost of debt, the Company's weighted cost of capital ("WACC") is 9.69 percent, as shown on Rejoinder Schedule D-1.

B. <u>Summary of the Staff Recommendation.</u>

Q7. PLEASE SUMMARIZE THE RECOMMENDATION OF STAFF FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.

A7. Staff is recommending a capital structure consisting of 17.8 percent debt and 81.2 percent equity.[1] Staff determined a cost of equity of 10.3 percent based on the average cost of equity produced by its DCF and CAPM models.[2] Staff also determined the cost of debt to be 4.2 percent.[3] Based on its 17.8 percent debt and 81.2 percent equity capital structure, Staff determined the WACC for SWC to be 9.2 percent.[4]

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[1] *See* Surrebuttal Testimony of Juan C. Manrique ("Manrique Sb.") at 2.

[2] *Id.*

[3] *Id.*

[4] *Id.*

The most significant problems with Staff's recommendations are, in summary:

(1) Staff ignores the fact that SWC is riskier than the publicly traded utilities in the sample group, despite SWC's small size, lack of liquidity and Arizona's unfavorable regulatory climate. Empirical financial data demonstrate that there exists a relationship between firm size and return.[5] No rational investor would agree with Staff's position, which violates the comparable earnings standard.

(2) Staff improperly double-counts historic growth rates in estimating the future dividend growth rate – g – in the DCF model, and fails to properly utilize the best estimate of expected dividend growth, analysts' forecasts. Historic growth is already reflected in the current stock prices of the publicly traded sample utilities and is considered by analysts in developing their growth rate forecasts. This error depresses the result produced by the DCF model.

(3) Staff determines an after-tax rate of return based upon publicly traded water utilities but Staff is recommending the disallowance of income taxes in the revenue requirement for SWC. The comparison to the publicly traded water utilities is only meaningful when SWC's earnings are determined on an after-tax basis. In fact, when incomes taxes are disallowed the cash flows available dividends are significantly reduced and the value of an investment in SWC is significantly diminished.[6]

(4) Based on the Staff recommendations in the instant case (exclusion of Well #23 plant costs from rate base and a 9.2 percent rate of return), the Company will have <u>insufficient earnings</u> from which to pay dividends (distributions) at a

[5] Morningstar, Ibbotson SBBI 2010 Valuation Yearbook p85-107

[6] *See* Rebuttal Cost of Capital Testimony of Thomas J. Bourassa ("Bourassa COC Rb.") at 5-9.

level comparable to the publicly traded utilities. Moreover, the insufficiency of earnings is compounded by Staff recommendation to disallow income taxes. As a result, Staff's recommendations fail to meet the standards set forth in *Hope* and *Bluefield* and must be rejected.

Q8. DOES MR. MANRIQUE CHALLENGE YOUR TESTIMONY THAT THE RETURN PROVIDED TO A C-CORPORATION UTILITY IS NOT THE SAME AS A TAX-PASS THROUGH ENTITY IF INCOME TAXES ARE EXCLUDED FOR THE TAX-PASS THROUGH ENTITY?

A8. No. And neither has Staff's witness, Mr. Michlik. As you will recall, in my rebuttal cost of capital testimony I showed that the value of two firms (one a tax paying entity and one a non-tax paying entity) will have very different values if income tax recovery is allowed on one and not the other.[7] Also, as I stated, and which the analysis contained in my rebuttal cost of capital presentation demonstrates, if the recovery of income taxes is denied for a tax pass-through entity but allowed for a tax paying entity, the investors in a tax pass-through entity will suffer a confiscation of investment value as a result.[8] Again, Staff has not disputed this point.

Q9. PLEASE EXPLAIN WHY UNDER THE STAFF RECOMMENDATIONS IN THE INSTANT CASE THE COMPANY WILL HAVE INSUFFICIENT EARNINGS TO PAY DIVIDENDS AT A LEVEL COMPARABLE TO THE PUBLICLY TRADED WATER UTILITIES.

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[7] Bourassa COC Rb. at 5-9.
[8] Bourassa Rb. at 12.

A9. In order for the Company to pay dividends which produce a dividend yield equivalent to the dividend yield of the publicly traded water utilities, the Company will need to pay dividends of about $715,000. However, the earnings available for dividends will only be about $683,000. Let me explain. The Company has an adjusted equity balance (book value) of approximately $12.8 million.[9] If the publicly traded water utilities are comparable to SWC, as Staff assumes it is, then SWC's equity would trade at 1.8 times the book value[10] or approximately $23.0 million (1.8 times $12.8 million). Staff has computed an expected dividend yield of 3.6 percent.[11] Thus, the expected dividend payment is $715,000 ($23.0 million times 3.6 percent). Further, Staff's recommendation of 9.2 percent return produces a required operating income of about $801,000.[12] Out of this amount approximately $118,000 of interest must be paid[13], leaving net earnings available for dividends of approximately $683,000 ($801,000 minus $118,000). As a result of the inadequacy of earnings, the Company will have a negative retained earnings or a payout ratio of over 100 percent. A payout ratio of over 100 percent this is not sustainable and is in no way comparable to the publicly traded water utilities.

Q10. WHAT IS THE 5 YEAR AVERAGE PAYOUT RATIO OF THE PUBLICLY TRADED WATER UTILITIES?

A10. The 5 year historical average payout ratio of the publicly traded water utilities is

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[9] *See* Rejoinder Schedule D-1.

[10] *See* Staff Surrebuttal COC Schedule JCM-7. As shown, the market-to-book ratio is 1.8.

[11] *See* Staff Surrebuttal COC Schedule JCM-3.

[12] *See* Staff Surrebuttal Schedule JMM-1.

[13] See Rejoinder Schedule D-2. Balance of debt at end of test year is $2,816,714. This interest rate is 4.2%. Interest on this debt is $118,302.

about 75 percent. If SWC paid out 75 percent of its net earnings so that it is comparable to the publicly traded water utilities, it would pay dividends totaling about $512,000 ($683,000 times 75 percent). However, this would translate to a dividend yield of only 2.22 percent ($512,000 divided by $23 million). Of course, investors expect a dividend yield of 3.6 percent, so the value of an investment in SWC would need to decrease to about $14.2 million ($512,000 divided by 3.6 percent) in order for investors to receive a 3.6 percent dividend yield. In other words, SWC investors will lose approximately $9 million of investment value.

Q11. WHAT WOULD THE RATE OF RETURN THAT IS APPLIED TO STAFF'S PROPOSED RATE BASE NEED TO BE IN ORDER FOR THE COMPANY TO BE COMPARABLE TO THE PUBLICLY TRADED WATER COMPANIES?

A11. 12.3 percent. Let me explain. If SWC has a payout ratio of 75 percent, then it must have earnings after interest of about $953,000 ($715,000 divided by 75 percent). Adding back interest of $118,000 to the $953,000 results in a required operating income of approximately $1.07 million. Staff's proposed rate base is approximately $8.71 million[14], so the return required is 12.3 percent ($1.07 million divided by $8.71 million).

Q12. WHAT DOES THE RETURN ON EQUITY NEED TO BE IN ORDER TO PRODUCE A 12.3 PERCENT OVERALL RETURN?

A12. 14.1 percent. This can be found by first subtracting the weight cost of debt from the 12.3 percent return to get the weighted cost of equity then dividing the

[14] *See* Staff Surrebuttal Schedule JMM-1.

weighted cost of equity by the percentage of equity in the capital structure. Staff weighted cost of debt is 0.7 percent[15] and the percentage of equity in the capital structure is 82.2 percent. So, the computation is ((12.3% minus 0.7%) divided by 82.2%).

Q13. HOW DO INCOME TAXES COME INTO PLAY IN THE ABOVE ANALYSIS?

A13. A tax-paying entity pays dividends out of after-tax earnings. Under the Staff proposals and in the analysis above, the $715,000 in dividends (distributions) is paid out of pre-tax earnings. The investors of SWC will have to pay personal income tax on the Company's earnings if they are not reimbursed for those taxes. The taxes on the earnings will be approximately $270,000 assuming a 39.5 percent personal tax rate ($683,000 times 39.5 percent). As a result, the investors of SWC will net $445,231 ($715,000 minus $270,000). Alternatively, SWC could reimburse the investors for the income taxes, but this will leave the Company even less available earnings from which to pay dividends (distributions). In fact, the earnings available for dividends will be about $413,000 ($683,000 minus $270,000) compared to the $683,000 noted earlier.

Q14. DOESN'T AN INVESTOR IN A C-CORPORATION HAVE TO PAY THE TAXES ON DIVIDENDS?

A14. Yes. The tax rate on qualified dividends is 0 percent or 15 percent (depending on the individual's income tax rate). Further, the investor only pays taxes on the dividends received and not on the C-Corporations taxable income.

Q15. ISN'T THE PROBLEM OF SUFFICIENCY OF EARNINGS A FUNCTION

[15] *See* Staff Schedule JCM-1.

OF THE AMOUNT OF RATE BASE THAT STAFF IS PROPOSING AND THE AMOUNT INVESTED CAPITAL IN THE CAPITAL STRUCTURE?

A15. Yes. Staff's rate base is approximately $8.71 million[16] while total capital in the capital structure is over $15.6 million[17]. The inequality between Staff's rate base and invested capital in the instant case is partly the result of Staff's proposed disallowance of approximately $1.8 million of plant (Well #23) in rate base. But, whatever the reason for the inequality between rate base and capital, investor supplied capital always has an earnings requirement (interest, dividends, and earnings). As stated by Dr, Morin[18],

> The totality of a company's capital has to be serviced, whether through the medium of operating revenues or in part the accrual of AFUDC. Therefore, the allowed rate of return on common equity is applicable to the total common equity component of the total investments of the utility company. Anything less than that has the direct and immediate effect of reducing common equity return below the level needed to meet the capital attraction and comparable earnings standards articulated in the *Hope* and *Bluefield* decisions. To apply an allowed rate of return to a rate base that does not provide for total common equity investment does not maintain the integrity of that capital and does not enable the company to attract capital.

Q16. THE COMPANY PROPOSED RATE BASE IS LESS THAN INVESTED CAPITAL. WILL THE COMPANY HAVE SUFFICIENT EARNINGS FROM WHICH TO PAY DIVIDENDS (DISTRBUTIONS)?

A16. Yes. The Company is recommending a rate base of approximately $10.1 million. However, the earnings available to pay the $715,000 dividends will be about $857,000. Let me explain. The Company proposed operating income (after-tax) is

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[16] *See* Staff Surrebuttal Schedule JMM-1

[17] *See* Rejoinder Schedule D-1.

[18] Roger A. Morin. *New Regulatory Finance* (2006) 496-497 (emphasis added).

about $975,000.[19] As discussed above, interest expense will be $118,000, so the earnings available for dividends will be about $857,000 ($975,000 minus $118,000). After paying dividends of $715,000 the earnings retained by the Company will be $141,458. The payout ratio will be a bit higher than the publicly traded water utilities at about 83.5 percent ($715,000 divided by $857,000), but retained earnings are positive. The Company will still able to service the totality of its capital despite the inequality between its proposed rate base and total invested capital.

A. Firm Specific Risk

Q17. PLEASE RESPOND TO MR. MANRIQUE'S TESTIMONY ON PAGE 3 THAT YOU HAVE "CHERRY PICKED" CERTAINS ASPECTS OF OTHER REGULATORY ENVIRONMENTS TO DISPUTE HIS TESTIMONY THAT DOING BUSINESS IN ARIZONA IS NO LESS RISKY THAT OTHER STATES.

A17. The accusation that I "cherry picked" certain attributes of other regulatory environments is simply not true. Mr. Manrique has not provided specific examples of attributes of other regulatory jurisdictions that I have over looked nor has Mr. Manrique disputed my testimony concerning the attributes of other regulatory environments that reduce regulatory and investment risk. [20] I could similarly accuse Mr. Manrique of "cherry picking" his so-called "attractive" Arizona regulatory attributes that he cited in his testimony.[21] The important difference between Mr. Manrique and me is that I addressed and refuted each one of the

[19] *See* Rejoinder Schedule C-1, page 1.

[20] Bourassa COC Rb. at 21-26.

[21] See Direct Testimony of Juan C. Manrique ("Manrique Dt.") at 41.

Arizona attributes he cited with specific responses and examples as to why they did not make Arizona more attractive than other jurisdictions. Just as important, Mr. Manrique has not disputed that testimony. Consequently, Mr. Manrique fails to support his assertion that Arizona is no different than other jurisdictions because as he states, "it is the overall effect that is relevant".[22]

Q18. ARE THE HIGHER RISKS ASSOCIATED WITH SMALLER FIRMS A UNIQUE RISK THAT INVESTORS CANNOT EXPECT TO BE COMPENSATED FOR?

A18. No. We know that based on empirical financial data that the firm size phenomenon is real. Moreover, we know that the capital asset pricing model is incomplete and does not fully account for the higher returns on small company stocks. In other words, the higher risks associated with smaller firms is not fully accounted for by beta.

With respect to the relationship between firm size and return, *Morningstar* states[23]:

> One of the most remarkable discoveries of modern finance is that of a relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies which have higher returns than larger ones. Many studies have looked at the effect of firm size and return…

With respect to the CAPM, *Morningstar* states[24]:

> The firm size phenomenon is remarkable in several ways. First, the greater risk of small stocks does not, in the context of the capital asset pricing model (CAPM), fully account for their higher returns over the long term. In the CAPM only systematic, or beta risk, is rewarded; small company stocks have had returns in excess of those implied by their betas.

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[22] Manrique Sb. at 3.

[23] Morningstar, *Ibbotson SBBI 2010 Valuation Yearbook*, at 85.

[24] Morningstar at 89.

Q19. IS THERE A WAY TO ESTIMATE THE COST OF EQUITY FOR A NON-PUBLICLY TRADED COMPANY THAT DOES REQUIRE A MARKET BETA AND THE USE OF THE CAPM?

A19. Yes, it is called the Build-up Method.[25] This is a common and effective method used by appraisers and valuation experts.[26] The Build-up Method is an additive model in which the return on a security is the sum of a risk-free rate and more or more risk premia. Each premium represents the reward an investor receives for taking on a specific risk. The elegance of the Build-up Method is that it does not require an estimate of market beta which is problematic for non-publicly traded companies such as SWC. The Build-up Method can be stated as follows:

[1] $k = R_f + RP_m + RP_s +/- RP_u$

where k = the expected return

R_f = risk-free rate

RP_m = equity risk premium for the market

RPs = equity risk premium for size

RP_u = risk premium attributed to the specific company or to the industry (often call the company specific risk premium)

Or alternatively as:

[2] $k = R_f + RP_{ms} +/- RP_u$

where k = the expected return

R_f = risk-free rate

RP_{m+s} = equity risk premium for the market and size

[25] *Morningstar*, Chapter 3.

[26] *Id.* at 27.

RP_u = risk premium attributed to the specific company or to the industry (often call the company specific risk premium)

The data for the equity risk premium for the market (RP_m), the equity risk premium for size (RP_s), and the company specific or industry risk premium (RP_u) can be ready obtained from *Morningstar* and/or other size premium studies such as the *Duff & Phelps* study.[27] *Morningstar* quantifies the size premium separate from the market risk premium by market capitalization as a measure of size whereas *Duff & Phelps* study quantifies the risk premium (RP_{m+s}) (market premium (RP_m) plus the size premium (RP_s)) by book value of common equity, 5 year average net income, market value of invested capital, total assets (as reported on balance sheet), 5-year average of earnings before interest, income taxes, depreciation and amortization (EBITDA), sales, and number of employees in addition to market capitalization – all of which have been shown to be highly correlated with market returns. I should note that the authors of the *Duff & Phelps* study concludes that, by whatever measures of size is used, the results are clear that there is an inverse relationship between size and historical equity returns – small companies have higher returns than larger companies.[28] They also explain, as I have previously, in the context of the CAPM, the greater betas of smaller companies explain some, but not all of the higher average returns in their size-ranked portfolios.[29]

[27]Duff & Phelps LLC, *Risk Premium Report 2010.*

[28]Duff & Phelps at 10.

[29] *Id.*

Q20. HAVE YOU PREPARED AN ESTIMATE OF THE COST OF EQUITY USING THE BUILD-UP METHOD FOR SWC USING DATA FROM MORNINGSTAR?

A20. Yes. Using the Build-up Method, I estimate the cost of equity for SWC to be 13.18 percent. This is based upon the data from Morningstar as contained Table C-1 (the risk-rate would be 4.6 percent[30], the equity risk premium would be 6.7 percent[31], the small company risk premium of 6.28 percent[32]) and data contained in Table 3-5 – Industry Premia Estimates (negative 4.40 for the water supply industry SIC code 494). The calculation is shown as follows:

[1] $k = R_f + RP_m + RP_s +/- RP_u$

[2] $k = 4.6\% + 6.7\% + 6.28\% - 4.4\%$

[3] $k = 13.18\%$

Q21. HAVE YOU PREPARED A COST OF EQUITY ESTIMATE FOR SWC USING THE DUFF&PHELPS STUDY?

A21. Yes. Please see **Exhibit TJB-RJ-1**. I have included cost of equity estimates for the water sample companies. These estimates have been adjusted for leverage (financial risk) differences between the companies in the size portfolios contained in the study and the water sample companies and SWC. Further, like the Build-up Method cost of equity estimate using the Morningstar data, the cost of equity estimates includes a water industry risk premium adjustment. Based on various measures of size the results are as follows[33]:

---

[30] Long-term (20 year) U.S. Treasury Bond Yield

[31] Long-horizon historical equity risk premium

[32] Decile 10 – smallest, market capitalization of 1 million to 214 million.

[33] *See* Exhibit TJB-RJ-1, Table 7.

Stock Symbol	Company	Cost of Equity
AWR	American States Water Co.	11.92%
WTR	Aqua America	10.77%
CWT	California Water Services Group	11.75%
CTWS	Connecticut Water Services	11.47%
MSEX	Middlesex Water Company	12.88%
SJW	SJW Corp.	12.60%
	Average	11.90%
	Sahuarita Water Company	11.98%

Q22. WHAT DOES ALL THIS MEAN?

A22. It means that my cost of equity estimate of 10.9 percent for SWC is very conservative given its size. It also shows that my size premium used in my cost of capital analysis of 50 basis points is likely far too low and should be much higher. Even accounting for financial risk differences, the indicated cost of equity for SWC based on the *Duff & Phelps* study is 10 basis points higher than the sample water companies.

B. Estimates of Growth

Q23. ON PAGE 4, MR. MANRIQUE STATES THAT YOU MAKE THE ASSERTION THAT THE ONLY FACTOR INVESTORS LOOK AT IS ANALSYTS' ESTIMATES OF GROWTH. DO YOU HAVE A COMMENT?

A23. Yes. First, let me state that I do not use analyst estimates exclusively in my cost of

capital analysis.[34] Second, Mr. Manrique has misunderstood my testimony and misses the point. That is, if analysts' estimates already consider past growth, then Staff vastly overstates the impact of past growth rates in its DCF model. And, because Staff overstates the impact of historical growth rates in its estimate of growth, Staff's models reflect a type of "double-counting" that produces extremely low results.[35] And, as I have stated, Staff gives less weight to what is arguably the best estimate of growth.[36]

Q24. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY ON COST OF CAPITAL?

A24. Yes. Although my silence on any issue not discussed herein does not necessarily constitute agreement with Staff.

[34] Bourassa COC Dt. at 30.

[35] Bourassa COC Rb. at 14.

[36] Bourassa COC Rb. at 13.

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA, CPA
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT TJB-COC-RJ-1

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

TABLE 1

	Company	Symbol	Measures of size (Millions) MV Equity[1]	Book Equity[1]	MVIC[1]	Total Assets[2]	5 Yr Avg. EBITDA[3]
1.	American States	AWR	$ 659	$ 336	$ 965	$ 1,113	$ 92
2.	Aqua America	WTR	$ 2,501	$ 1,101	$ 3,887	$ 3,763	$ 304
3.	California Water	CWT	$ 805	$ 419	$ 1,180	$ 1,526	$ 100
4.	Connecticut Water	CTWS	$ 204	$ 108	$ 316	$ 415	$ 20
5.	Middlesex	MSEX	$ 243	$ 138	$ 368	$ 458	$ 29
6.	SJW Corp.	SJW	$ 496	$ 249	$ 743	$ 878	$ 73
	Sahuarita Water Company, LLC		$ 25.2 (Estimate)	$ 13	$ 28.0 (Estimate)	$ 17.6	$ 0.8

[1] From Value Line data (12/31/2009)
[2] From Zacks Investment Research. From E-1 for subject utility.
[3] Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

MRP_{m+s} Estimates Using Duff & Phelps Study (Levered)

TABLE 2

Data Smoothing with Regression Analysis ***Snoothed Premium = Constant + X Coefficients * Log(Relevent Metric)***	MV Equity (Table A-1)	Book Equity (Table A-2)	MVIC (Table A-4)	Total Assets (Table A-5)	5 Yr Avg. EBITDA (Table A-6)
Constant	17.357%	15.190%	17.375%	15.804%	13.723%
X Coefficient(s)	-2.924%	-2.296%	-2.154%	-2.230%	-2.141%

			MRP_{m+s} Estimates (Levered)					
	Company	Symbol	MV Equity	Book Equity	MVIC	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	9.11%	9.39%	10.95%	9.01%	9.52%	9.60%
2.	Aqua America	WTR	7.42%	8.21%	9.64%	7.83%	8.41%	8.30%
3.	California Water	CWT	8.86%	9.17%	10.76%	8.70%	9.44%	9.39%
4.	Connecticut Water	CTWS	10.61%	10.52%	11.99%	9.97%	10.96%	10.81%
5.	Middlesex	MSEX	10.38%	10.27%	11.85%	9.87%	10.58%	10.59%
6.	SJW Corp.	SJW	9.47%	9.69%	11.19%	9.24%	9.73%	9.86%
	Average (Unlevered)		9.31%	9.54%	11.06%	9.10%	9.77%	9.76%
	Sahuarita Water Company, LLC		13.26%	12.65%	14.26%	13.03%	13.91%	13.42%

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

Average Debt to Market Value of Equity for MRP_{m+s} for Portfilios used in Duff & Phelps RP Study
(from Duff & Phelps RP Study (W_d/W_e) for use in un-levering MRP_{m+s} . See Table 4)

TABLE 3

	Company	Symbol	W_d/W_e (Table C-1)	(Table C-2)	(Table C-4)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	34.10%	32.60%	36.10%	37.10%	35.50%	35.08%
2.	Aqua America	WTR	30.90%	33.30%	36.70%	41.50%	34.40%	35.36%
3.	California Water	CWT	32.40%	33.40%	34.90%	35.90%	35.50%	34.42%
4.	Connecticut Water	CTWS	36.60%	32.90%	35.30%	31.60%	30.70%	33.42%
5.	Middlesex	MSEX	35.70%	32.90%	34.80%	32.10%	34.40%	33.98%
6.	SJW Corp.	SJW	35.00%	34.60%	35.60%	35.60%	34.50%	35.06%
	Average		34.12%	33.28%	35.57%	35.63%	34.17%	34.55%

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

MRP Estimates Using Duff & Phelps Study (Un-levered)

TABLE 4

Un-levered realized risk premium = {[Levered realized risk prelum * 100) + (W_d/W_e)*b_d/[1 +W_d/W_e]}/100

			MRP_{m+s} (Un-levered)					
	Company	Symbol	MV Equity	Book Equity	MVIC	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	6.85%	7.13%	8.10%	6.63%	7.08%	7.16%
2.	Aqua America	WTR	5.72%	6.21%	7.11%	5.59%	6.31%	6.19%
3.	California Water	CWT	6.74%	6.92%	8.03%	6.46%	7.02%	7.03%
4.	Connecticut Water	CTWS	7.82%	7.97%	8.92%	7.62%	8.43%	8.15%
5.	Middlesex	MSEX	7.70%	7.78%	8.84%	7.52%	7.93%	7.95%
6.	SJW Corp.	SJW	7.07%	7.25%	8.31%	6.87%	7.29%	7.36%
	Average MRP (Unlevered)		6.98%	7.21%	8.22%	6.78%	7.34%	7.31%
	Sahuarita Water Company, LLC		9.89%	9.49%	10.52%	9.60%	10.37%	9.97%
	Implied small company risk premium over sample publicly traded water utilities							2.67%

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

MRP Estimates Using Duff & Phelps Study (Relevered)
(using W_d/W_e data from Table 4)

TABLE 5

			MRP_{m+s} (Relevered)						
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	55.3%	10.53%	10.97%	12.47%	10.16%	10.88%	11.00%
2.	Aqua America	WTR	61.2%	9.09%	9.88%	11.34%	8.89%	10.05%	9.85%
3.	California Water	CWT	55.6%	10.38%	10.66%	12.38%	9.94%	10.81%	10.83%
4.	Connecticut Water	CTWS	30.2%	10.12%	10.31%	11.54%	9.86%	10.92%	10.55%
5.	Middlesex	MSEX	51.6%	11.58%	11.69%	13.30%	11.30%	11.92%	11.96%
6.	SJW Corp.	SJW	60.5%	11.22%	11.51%	13.21%	10.90%	11.57%	11.68%
	Average MRP (Relevered)		52.41%	10.49%	10.84%	12.37%	10.18%	11.02%	10.98%
	Sahuarita Water Company, LLC		11.18%	10.97%	10.53%	11.67%	10.66%	11.50%	11.07%

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

Equity Risk Premium Adjustment and Other meterics used in Build-up Method

TABLE 6

[1] Estimate of Current Market Risk Premium	4.25%
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2009)	4.25%
[3] Equity Risk Premium Adjustment ([1] - [2])	0.00%
[4] Average MRP (relevered) for publicly traded water companies (from Table 5)	10.98%
[5] MRP (relevered) for publicly traded water companies (R_{m+s}) ([3] + [4])	10.98%
[6] Equity Risk Premium Adjustment ([3])	0.00%
[7] Average MRP (relevered) for subject utlity company (from Table 5)	11.07%
[8] MRP (relevered) for subject utility company (R_{m+s}) ([6] + [7])	11.07%
[9] Industry Risk Premium (From *Ibbotson* for SIC 494 Water Supply Industry Table 3-5)	-4.40%
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.7%[1])	0.6343
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-2.79%
[12] Risk Free Rate (Ibbotson LT U.S. Treasury Yield) (R_f)[2]	3.71%

[1] From *Ibbotson SBBI 2010 Valuation Edition Yearbook*. Long-Horison Equity Risk Premium (1926-2009)
[2] 20 year U.S. Treasury Bond Yield at July 1, 2010

Sahuarita Water Company, LLC
COST OF EQUITY (COE) USING BUILD-UP METHOD

Cost of Equity (COE) Estimate using Build-up Method

TABLE 7

$E(R_i) = R_f + RP_{m+s} + R_i + R_u$

	Sample Publicly Traded Water Utilities	Bella Vista
Where:		
$E(R_i)$ =Expected rate of return		
R_f = Risk-free rate of return. See Table 6.	3.71%	3.71%
RP_{m+s} = Market risk premium including size premium. See Table 5	See Table 5	See Table 5
R_i = Industry risk premium (adjusted) See Table 6	-2.79%	-2.79%
R_u = Company-specific risk premium	0.00%	0.00%

			Indicated COE					
	Company	Symbol	MV Equity	Book Equity	MVIC	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	11.44%	11.89%	13.38%	11.10%	11.80%	11.92%
2.	Aqua America	WTR	10.01%	10.80%	12.26%	9.81%	10.97%	10.77%
3.	California Water	CWT	11.30%	11.58%	13.30%	10.86%	11.73%	11.75%
4.	Connecticut Water	CTWS	11.04%	11.23%	12.46%	10.78%	11.83%	11.47%
5.	Middlesex	MSEX	12.50%	12.61%	14.22%	12.22%	12.83%	12.88%
6.	SJW Corp.	SJW	12.14%	12.43%	14.13%	11.82%	12.49%	12.60%
	Average COE estimate		11.40%	11.76%	13.29%	11.10%	11.94%	11.90%
	Sahuarita Water Company, LLC		11.89%	11.45%	12.59%	11.57%	12.42%	11.98%

Sahuarita Water Company
Docket No. W-03718A-09-0359

THOMAS J. BOURASSA
REJOINDER TESTIMONY
(COST OF CAPITAL)
July 12, 2010

SCHEDULES

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Cost of Capital

Exhibit
Rejoinder Schedule D-'
Page 1
Witness: Bourassa

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Adjusted End of Test Year Percent of Total	Adjusted End of Test Year Cost Rate	Adjusted End of Test Year Weighted Cost	End of Projected Year Dollar Amount	End of Projected Year Percent of Total	End of Projected Year Cost Rate	End of Projected Year Weighted Cost
1	Long-Term Debt	2,816,714	18.02%	4.20%	0.76%	$ 2,724,070	16.57%	4.20%	0.70%
2									
3	Stockholder's Equity[1]	12,814,367	81.98%	10.90%	8.94%	13,712,994	83.43%	10.90%	9.09%
4									
5	Totals	$ 15,631,081	100.00%		9.69%	$ 16,437,064	100.00%		9.79%
6									
7									
8	[1] Adjustments to Equity								
9	Acumm. depreciation adjustment		$ 312,565						
10	CIAC adjustments		$ -						
11	Deferred Income Tax Adjustment		$ (186,736)						
12									
13									
14									
15									
16	SUPPORTING SCHEDULES:								RECAP SCHEDULES:
17	Rejoinder D-1								
18	Rejoinder D-2								
19	Rejoinder D-3								
20	Rejoinder D-4								
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Long Term Debt

Exhibit
Rejoinder Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	Adjusted End of Test Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1	WIFA Loan1	2,816,714	118,302	4.20%	4.20%	2,724,070	114,411	4.20%	4.20%
2			-	0.00%	0.00%	-	-	0.00%	0.00%
3			-	0.00%	0.00%	-	-	0.00%	0.00%
4			-	0.00%	0.00%	-	-	0.00%	0.00%
5			-	0.00%	0.00%	-	-	0.00%	0.00%
6			-	0.00%	0.00%	-	-	0.00%	0.00%
7			-	0.00%	0.00%	-	-	0.00%	0.00%
8			-	0.00%	0.00%	-	-	0.00%	0.00%
9			-	0.00%	0.00%	-	-	0.00%	0.00%
10			-	0.00%	0.00%	-	-	0.00%	0.00%
11			-	0.00%	0.00%	-	-	0.00%	0.00%
12									
13	Totals	$ 2,816,714	$ 118,302		4.20%	$ 2,724,070	114,411		4.20%
14									
15	SUPPORTING SCHEDULES:								
16	E-2								
17									
18									
19	[1] Financing approved in Decision 70984, May 5, 2009. WIFA loan of $4,694,523 with loan forgiveness of $1,877,809.								
20									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Preferred Stock

Exhibit
Rejoinder Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
18	E-1			Rejoinder D-1			
19							
20							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Cost of Common Equity

Exhibit
Rejoinder Schedule D
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.90% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	Rejoinder D-4.0 to 4.16	Rejoinder D-1
19		
20		

Sahuarita Water Company, LLC
Summary of Results

Exhibit
Rejoinder Schedule D-4.1

Line No.	Method	Low	High	Midpoint
1				
2				
3				
4	Method	Low	High	Midpoint
5				
6	Range DCF Constant Growth Estimates[1]	9.1%	10.5%	9.8%
7				
8	Range of CAPM Estimates[2]	10.4%	14.6%	12.5%
9				
10				
11	Average of DCF and CAPM midpoint estimates	9.8%	12.6%	11.2%
12				
13				
14	Financial Risk Adjustment[3]	-0.7%	-0.7%	-0.7%
15				
16	Specific Company Risk Premium[4]	0.5%	0.5%	0.5%
17				
18	Indicated Cost of Equity	9.6%	12.4%	11.0%
19				
20				
21				
22	Recommended Cost of Equity			10.9%
23				
24				
25				
26	[1] See Rejoinder Schedule D-4-8			
27	[2] See Rejoinder Schedule D-4.12			
28	[3] See Rejoinder Schedule D-4.16			
29	[4] See testimony.			

Sahuarita Water Company, LLC
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rejoinder Schedule D-4.2

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
4	1. American States	76%	$ 361.0	$ 962.1	A	A2
5	2. Aqua America	90%	$ 670.5	$ 2,790.5	AA-	NR
6	3. California Water	99%	$ 449.4	$ 1,079.9	AA-	NR
7	4. Connecticut Water	90%	$ 67.5	$ 273.1	A	NR
8	5. Middlesex	89%	$ 91.2	$ 329.7	A	NR
9	6. SJW Corp.	96%	$ 216.1	$ 523.7	NR	NR
11	Average	90%	$ 309.3	$ 993.2		
13	Sahuarita Water Company, LLC	100%	$ 2.2	$ 21.0	NR	NR
14	(as of December 31, 2008)					

21 [1]AUS Utility Reports (May 2010).

Sahuarita Water Company, LLC
Capital Structures

Exhibit
Rejoinder Schedule D-4.3

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
4	1. American States	47.7%	52.3%	31.7%	68.3%
5	2. Aqua America	55.7%	44.3%	35.7%	64.3%
6	3. California Water	47.2%	52.8%	31.7%	68.3%
7	4. Connecticut Water	51.0%	49.0%	35.5%	64.5%
8	5. Middlesex	47.4%	52.6%	34.0%	66.0%
9	6. SJW Corp.	49.8%	50.2%	33.2%	66.8%
11	Average	49.8%	50.2%	33.6%	66.4%
13	Sahuarita Water Company, LLC [2]	18.0%	82.0%	N/A	N/A
14	(Adjusted as of December 31, 2008)				

[1] Value Line Analyzer Data (April 23, 2010)
[2] Adjusted Per Rejoinder Schedule D-1

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.4

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
1	American States	8.76%	4.98%	9.69%	2.88%	6.58%	5.38%	5.98%
2	Aqua America	NMF	6.20%	3.85%	8.81%	6.29%	9.02%	7.65%
3	California Water	4.93%	4.92%	6.62%	0.88%	4.34%	5.88%	5.11%
4	Connecticut Water	3.15%	2.88%	1.72%	1.39%	2.29%	7.25%	4.77%
5	Middlesex	2.61%	4.00%	0.41%	1.49%	2.13%	7.25%	4.69%
6	SJW Corp.	6.79%	5.68%	0.25%	5.53%	4.56%	7.25%	5.91%
	GROUP AVERAGE	5.25%	4.78%	3.76%	3.50%	4.36%	7.01%	5.68%
	GROUP MEDIAN	4.93%	4.95%	2.79%	2.18%	4.45%	7.25%	5.51%

[1] Average of changes in annual stock prices ending on April 23, 2010. Data from Yahoo Finance website.
[2] Data derived from Value Line Investment Survey and/or 10K Reports for period 2005 to 2010.
[3] See Rejoinder Schedule D-4.6.

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.5

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Ten-year historical average annual changes						
7	1. American States	8.60%	4.80%	5.36%	1.79%	5.14%	5.38%	5.26%
8	2. Aqua America	7.94%	8.19%	6.34%	7.67%	7.53%	9.02%	8.28%
9	3. California Water	7.79%	3.91%	4.09%	0.80%	4.15%	5.88%	5.01%
10	4. Connecticut Water	4.73%	3.77%	2.08%	1.31%	2.97%	7.25%	5.11%
11	5. Middlesex	4.64%	3.81%	1.24%	1.71%	2.85%	7.25%	5.05%
12	6. SJW Corp.	3.01%	5.25%	1.44%	5.53%	3.81%	7.25%	5.53%
15	GROUP AVERAGE	6.12%	4.96%	3.42%	3.13%	4.41%	7.01%	5.71%
16	GROUP MEDIAN	6.26%	4.36%	3.08%	1.75%	3.98%	7.25%	5.18%

[1] Average of changes in annual stock prices ending in 2009. Data from Yahoo Finance website.
[2] Data derived from Value Line Investment Survey and/or 10K Reports for period 2000 to 2009.
[3] See Rejoinder Schedule D-4.6.

Sahuarita Water Company, LLC
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rejoinder Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]	[5]
		ESTIMATES OF EARNINGS GROWTH				Average Growth (G)
	Company	Zacks[1]	Reuters[1]	Yahoo[1]	Value Line[1]	(Cols 1-4)[2]
1	1. American States	4.00%	4.00%	7.00%	6.50%	5.38%
2	2. Aqua America	8.00%	8.25%	8.33%	11.50%	9.02%
3	3. California Water	7.00%	4.00%	6.00%	6.50%	5.88%
4	4. Connecticut Water			15.00%		7.25%
5	5. Middlesex			8.00%		7.25%
6	6. SJW Corp.			10.00%		7.25%
7	GROUP AVERAGE	6.33%	5.42%	9.06%	8.17%	7.01%
8	GROUP MEDIAN					7.25%

[1] Data as of April 23, 2010

[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Sahuarita Water Company, LLC
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rejoinder Schedule D-4.7

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. American States	$ 38.09	$ 1.04	2.73%	2.86%
2	2. Aqua America	$ 18.47	$ 0.60	3.25%	2.80%
3	3. California Water	$ 38.90	$ 1.19	3.06%	3.12%
4	4. Connecticut Water	$ 23.95	$ 0.91	3.81%	3.58%
5	5. Middlesex	$ 18.12	$ 0.72	3.98%	3.99%
6	6. SJW Corp.	$ 27.28	$ 0.70	2.55%	2.27%
7	Average			3.23%	3.10%
8	Median			3.15%	2.99%

[1] Value Line Analyzer Data. Stock prices as of April 23, 2010.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Sahuarita Water Company, LLC
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rejoinder Schedule D-4.8

Line No.		[1]	[2]	[3]	[4]
		Average Spot Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	Growth (g)	Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.23%	3.41%	5.68% [3]	9.1%
10	DCF - Future Growth	3.23%	3.46%	7.01% [4]	10.5%
13		3.23%	3.43%	6.34%	9.8%

[1] Spot Dividend Yield = D_0/P_0. See Rejoinder Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Rejoinder Schedule D-4.4, column 7
4 Growth rate (g). Average of Analyst Estimates Future Growth. See Rejoinder Schedule D-4.6.

Sahuarita Water Company, LLC
Market Betas

Exhibit
Rejoinder Schedule D-4.9

Line No.		Company	Beta (β)[1]
1		Company	Beta (β)[1]
2	1.	American States	0.80
3	2.	Aqua America	0.65
4	3.	California Water	0.75
5	4.	Connecticut Water	0.80
6	5.	Middlesex	0.75
7	6.	SJW Corp.	0.95
8			
9		Average	**0.78**
10			
11			
12			
13		[1] Value Line Investment Analyzer data (April 23, 2010)	
14		Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15		in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16		(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17		derived from a regression analysis of the relationship between weekly percent-age changes in the	
18		price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19		the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20		The Betas are adjusted for their long-term tendency to converge toward 1.00.	

Sahuarita Water Company, LLC
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Rebuttal Schedule D-4.10

Line No.	Description	2011	2012	Average
1				
2				
3				
4	Description	2011	2012	Average
5				
6	Blue Chip Consensus Forecasts[1]	5.1%	5.5%	5.3%
7				
8	Value Line[2]	4.9%	5.3%	5.1%
9				
10	Average			5.2%
11				
12				
13				
14				
15	[1] December 2009 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury			
16	[2] Value Line Quarterly forecast, dated February 26, 2010, Long-term Treasury			
17				
18				
19				
20				
21				
22				
23				
24				

Sahuarita Water Company, LLC
Computation of Current Market Risk Premium

Exhibit
Rejoinder Schedule D-4.11

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 2009	4.86%	6.32%	+	30.02%	=	36.34%	-	3.13%	=	33.21%
5	Feb	5.50%	7.43%	+	35.13%	=	42.56%	-	3.59%	=	38.97%
6	Mar	4.21%	5.36%	+	27.33%	=	32.69%	-	3.64%	=	29.05%
7	April	3.66%	4.47%	+	22.05%	=	26.52%	-	3.76%	=	22.76%
8	May	3.46%	4.14%	+	19.67%	=	23.81%	-	4.23%	=	19.58%
9	Jun	3.25%	3.87%	+	19.16%	=	23.03%	-	4.52%	=	18.51%
10	Jul	2.90%	3.37%	+	16.31%	=	19.68%	-	4.41%	=	15.27%
11	Aug	2.82%	3.22%	+	14.21%	=	17.43%	-	4.37%	=	13.06%
12	Sept	2.80%	3.20%	+	14.32%	=	17.52%	-	4.19%	=	13.33%
13	Oct	2.75%	3.15%	+	14.49%	=	17.64%	-	4.19%	=	13.45%
14	Nov	2.68%	3.05%	+	13.88%	=	16.93%	-	4.31%	=	12.62%
15	Dec 2009	2.56%	2.88%	+	12.58%	=	15.46%	-	4.35%	=	11.11%
16	Jan 2010	2.64%	3.00%	+	13.71%	=	16.71%	-	4.48%	=	12.23%
17	Feb	2.59%	2.97%	+	14.65%	=	17.62%	-	4.48%	=	13.14%
18	Mar	2.44%	2.75%	+	12.69%	=	15.44%	-	4.48%	=	10.96%
22	Recommended	2.56%	2.91%	+	13.68%	=	16.59%	-	4.48%	=	12.11%
24	Short-term Trends										
25	Recent Twelve Months Avg	2.88%	3.34%	+	15.64%	=	18.98%	-	4.31%	=	14.67%
26	Recent Nine Months Avg	2.69%	3.07%	+	14.09%	=	17.16%	-	4.36%	=	12.80%
27	Recent Six Months Avg	2.61%	2.97%	+	13.67%	=	16.63%	-	4.38%	=	12.25%
28	Recent Three Months Avg	2.56%	2.91%	+	13.68%	=	16.59%	-	4.48%	=	12.11%

31 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

32 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).

33 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

34 [4] Montly average 30 year U.S. Treasury. Federal Reserve.

Sahuarita Water Company, LLC
Capital Asset Pricing Model (CAPM)

Exhibit
Rejoinder Schedule D-4.12

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	5.2%	+	0.78	x	6.7%	[4]	=	10.4%
4									
5	Current Market Risk Premium CAPM	5.2%	+	0.78	x	12.1%	[5]	=	14.6%
6									
7	Average								12.5%
8									
9									
10									
11									

12 [1] Forecasts of long-term treasury yields. See Rebuttal Schedule D-4.10.
13 [2] Value Line Investment Analyzer data. See Rebuttal Schedule D-4.9.
14 [3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2010 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2009
15 [4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks
16 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.11.
17
18
19
20

Sahuarita Water Company, LLC
Financial Risk Computation

Exhibit
Rejoinder Schedule D-4.13

Line No.											
1	**CAPM**										
2		Rf		+	β		x	(Rp)			k
3	Historical Market Risk Premium	5.2%	1	+	0.78	2	x	6.7%	3	=	10.4%
4	Current Market Risk Premium	5.2%	1	+	0.78	2	x	12.1%	4	=	14.6%
5											
6	Average										12.5%
7											
8											
9	**CAPM Relevered Beta**										
10		Rf		+	β		x	(Rp)			k
11	Historical Market Risk Premium	5.2%	1	+	0.70	5	x	6.7%	3	=	9.9%
12	Current Market Risk Premium	5.2%	1	+	0.70	5	x	12.1%	4	=	13.7%
13											
14	Average										11.8%
15											
16	Financial Risk Adjustment										-0.7%
17											
18											

19 [1] Forecast of long-term treasury yields. See Rejoinder Schedule D-4.10
20 [2] Value Line Investment Analyzer data. See Rejoinder Schedule D-4.9
21 [3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2010 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2009
22 [4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
23 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rejoinder Schedule D-4.11
24 [5] Relevered bata found on Rejoinder Schedule D-4.15
25

Sahuarita Water Company, LLC
Financial Risk Computation
Unlevered Beta

Exhibit
Rejoinder Schedule D-4.14

Line No.		Company	VL Beta β_L [1]	Raw Beta Raw β_L [2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_U [5]
5	1.	American States	0.80	0.70	37.8%	31.7%	68.3%	0.54
6	2.	Aqua America	0.65	0.48	39.4%	35.7%	64.3%	0.36
7	3.	California Water	0.75	0.63	38.0%	31.7%	68.3%	0.49
8	4.	Connecticut Water	0.80	0.70	19.5%	35.5%	64.5%	0.49
9	5.	Middlesex	0.75	0.63	34.1%	34.0%	66.0%	0.47
10	6.	SJW Corp.	0.95	0.93	40.4%	33.2%	66.8%	0.72
13		Sample Water Utilities	0.78	0.68	34.8%	33.6%	66.4%	0.51

[1] Value Line Investment Analyzer data. See Table 13.
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2009.
[4] See Rejoinder Scehdule D-4.3
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Sahuarita Water Company, LLC
Financial Risk Computation
Relevered Beta

Exhibit
Rejoinder Schedule D-4.15

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
5	Sahuarita Water Company, LLC	0.51	10.1%	89.9%	35.26%	0.55	0.70

[1] Unlevered Beta from Table 18.

[2] Capital Structure of Company (Projected)

	BV (in Thousands)			MV (in Thousands)	%
Long-term Debt	$ 2,816.71	1.00		$ 2,817	10.10%
Preferred Stock	-	1.00		-	0.0%
Common Stock	12,814.37	1.97	(a)	25,195	89.9%
Total Capital	$ 15,631			$ 28,011	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current Tax rate based on test year ending 2009. See Rebuttal Schedule D-1.

Sahuarita Water Company, LLC
Size Premium[1]

Exhibit
Rejoinder Schedule D-4.16

Line No.		Beta(ß)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.13	1.00%	
8	Low-Cap Companies[3]	1.26	1.64%	
10	Micro-Cap Companies[4]	1.51	3.00%	
12	Decile 10[5]	1.64	4.74%	2.46%

		Risk Premium for Small Water Utilities
20	Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-11 of Morningstar, *Ibbotson SBBI 2010 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,602 million and $5,936 million.
[3] Low-Cap companies includes companies with market capitalization between $432 million and $1,600 million.
[4] Micro-Cap companies includes companies with market capitalization less than $431 million.
[5] Decile 10 includes companies with market capitalization between $1.0 million and $214 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 659	Low-Cap	1.64%	3.10%	0.1666667	0.52%
2.	Aqua America	$ 2,501	Mid-Cap	1.00%	3.74%	0.1666667	0.62%
3.	California Water	$ 805	Low-Cap	1.64%	3.10%	0.1666667	0.52%
4.	Connecticut Water	$ 204	Decile 10	4.74%	0.00%	0.1666667	0.00%
5.	Middlesex	$ 243	Micro-Cap	3.00%	1.74%	0.1666667	0.29%
6.	SJW Corp.	$ 496	Low-Cap	1.64%	3.10%	0.1666667	0.52%
	Weighted Size Premium for Small Companies						2.46%

Exhibit A-8
Thomas J. Bourassa

Issues Matrix

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A8
ADMITTED

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
Used and Useful Plant (Well #23)	SWC argues that Well #23 (costs totaling $1,794,243) is needed for well or production "redundancy" purposes, which should be a part of any prudent system design. SWC also argues that if Well 14 and/or 18 are out of service, the Company would not have sufficient water production and storage capability to insure ongoing adequate and reliable service to its customers.	Staff removes the cost of Well #23 totaling $1,794,243 arguing that Well #23 is not needed, and relies on SWC's Wells #14 and #18, and existing storage.	Taylor Bourassa
Accumulated Depreciation	SWC's A/D balance is $15,000 greater than Staff because of a pump motor transferred to Well #23 which SWC includes in rate base.	Staff removes $15,000 of A/D for the pump motor transferred to Well #23, which Staff excludes from rate base.	Bourassa
Accumulated Deferred Income Taxes (ADIT)	SWC includes $525,361 of ADIT as a reduction to rate base in order to be consistent with its proposal to include income taxes in SWC's revenue requirement, since the timing difference associated with use of ADIT is directly related to ratemaking recognition of income taxes.	Staff removes SWC's proposed ADIT totaling $525,361 as a reduction to rate base, based upon Staff's proposed disallowance of income taxes in the revenue requirement.	Bourassa

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
Security Deposits	SWC excludes $96,204 of customer security deposits as a deduction from rate base. The basis for SWC's treatment is as follows: First, SWC segregates these funds in a separate bank account and only uses the funds to support its customer receivables and make refunds. Second, these funds are not like advances in aid of construction, as suggested by Staff. Advances are a long-term source of capital funding for plant whereas security deposits are short-term liabilities. Third, at best, security deposits help support the rate base investment related to working capital, but neither party is recommending a working capital allowance, so security deposits should also be excluded from rate base. Fourth, SWC treatment of security deposits is consistent with a method described in the NARUC Rate Case and Audit Manual. Finally, Staff's indicated willingness to allow interest paid by SWC on security deposits as an operating expense does not give any recognition to the foregoing considerations.	Staff includes $96,204 of customer security deposits as to rate base. Staff asserts that security deposits are non-investor supplied capital, but has provided no evidence to support that SWC has in fact used security deposits for this purpose. Staff does not include interest expense on security deposits as an above the line expense (which would be included in the revenue requirement), but has suggested it would if SWC proves how much it paid in interest during the test year.	Bourassa

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
"Non-Dedicated" Employee Salaries and Wages	SWC proposes inclusion of "non-dedicated" employee wages and salaries totaling $100,831 in operating expenses. SWC acknowledges it does not have specific time sheets supporting amount of time spent by these employees on SWC business. However, SWC argues the costs are reasonable for several reasons. First, it has saved rate payers the cost of having to hire these employees on a full time basis. Second, the wages it pays such employees are demonstrably at or below market rates. Third, the overall costs (controllable costs per customer) are very reasonable when compared to other Class B utilities, and even when compared to Class A utilities. Finally, the management team provided by the Management Services Company have achieved a superior level of service in a very cost effective way, as evidenced by recent Arizona Small Utility Award.	Staff proposes to disallow $100,831 of "non-dedicated" wages and salaries. Staff relies on fact that SWC did not specifically support the time spent by these employees performing work on behalf of Co. Staff dismisses wage survey information and cost per customer comparisons provided by SWC, which were intended to demonstrate reasonableness of SWC's costs.	Homiak Bourassa

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
Rate Case Expense	SWC proposes a three (3) year amortization period for rate case expense (or $75,000 annually). SWC argues that a three (3) year amortization period is appropriate under the circumstances. The instant case does not include significant arsenic treatment operating expenses and there will be significant capital investment in the next few years, which will necessitate filing a new application for rate relief well in advance of five (5) years assumed by Staff.	Staff proposes a five (5) year normalization period for rate case expense (or $45,000 annually) based on the length of time it took SWC to file its first rate case, since existing rates were approved in 1995.	Bourassa

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
Income Taxes	While SWC is a tax pass-through entity, it is proposing the inclusion of income taxes in the revenue requirement. SWC argues that regardless of the legal form of the regulated utility in question, there are income taxes associated with the income attributed to a pass-through tax entity which the owners pay. In this case, SWC has demonstrated that its Members (or owners) have had this income reported to them (by means of K-1 forms) and that income taxes have been paid on this income. Unless income taxes are included in the revenue requirement, the resulting return on rate base to non-tax paying or pass-through entities is not the same as the return provided to a tax paying entity (such as a C-Corp). In fact, it can be demonstrated that owners of pass-through entities for which an allowance for income tax is not allowed will see a reduction in the value of their investment, as a result of the disallowance of recovery of income taxes. Further, rate payers receive an unwarranted "windfall" by reason of the failure to recognize such taxes in the rates they pay.	Staff only apparent argument is that a non-tax paying entity does not pay income taxes itself, and thus there should be no ratemaking recognition of that cost of doing business.	Bourassa Cutler

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
CIAC Amortization rate	SWC's construction of the amortization rate includes all plant, not just depreciable plant. Staff's amortization rate is higher, because Staff excludes non-depreciable plant, which ends up lowering depreciation and amortization expense. Thus, Staff's rate is not revenue neutral, as it should be.	Staff excludes non-depreciable plant from its construction of the amortization rate.	Bourassa
Rate Design Revenue Shifting	SWC's rate design balances the promotion of conservation with the ratemaking goals of revenue stability and fairness from a cost of service perspective. Staff's rate design can be characterized as having relatively low monthly minimums, a relatively low first tier available only to small residential customers, and relatively high commodity rates for the small commercial and irrigation customers, and larger metered customers (all classes). The result is to shift higher cost recovery responsibility to non-residential customers than is in fact warranted.	Staff has not provided an explanation in its testimony to support its proposed rate design and resultant revenue shifting.	Bourassa

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
Customer Deposit Interest	SWC proposes an interest rate of 1% in a revised tariff. Current money market rates are less than 1%.	Staff proposes a "default" interest rate of 6% relying on A.A.C. R-14-403(B)	Bourassa
CAGRD Fees	SWC in Rejoinder Testimony has proposed clarification(s) of Staff's proposed compliance Condition Nos. 6-9 as set forth in Staff's testimony. SWC and Staff are in agreement on Condition Nos. 1-5.	Staff agrees with SWC on the proposed treatment of CAGRD fees as a pass-through but has recommended several compliance conditions.	Seamans

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES

Issue	Company's Position	Staff's Position	Co. Witnesses/Notes
Return on Equity	SWC proposes a 10.9% ROE. SWC's recommendation includes a small company risk premium, in order to recognize SWC not comparable to large publicly traded companies. Such risk recognition is necessary in order to satisfy Hope and Bluefield case law criteria. The empirical financial data demonstrates the higher risk of small companies. This makes sense as investors would view SWC as having a higher investor risk exposure than large publicly traded utility companies. (Co.'s WACC is 9.69%) SWC's proposals in the instant case provide sufficient earnings to adequately service SWC's investor supplied capital. Staff's proposals in the instant case do not provide sufficient earnings to service SWC's investor supplied capital; and, this inadequacy of return is further compounded if income taxes not recognized as an operating expense.	Staff proposes a 10.3% ROE. Staff argues against recognition of a small company risk premium. Staff asserts that the small company risk premium is a unique risk that can be diversified away from but provides no proof as to how such diversification could actually occur in relation to SWC. (Staff's WACC is 9.2%) This adequacy of earnings argument was made in SWC's Rejoinder Testimony. So, Staff has not as yet had an opportunity to respond.	Bourassa

SAHUARITA WATER COMPANY'S ("SWC") MATRIX OF SIGNIFICANT ISSUES IN DISPUTE BETWEEN THE PARTIES			
Issue	**Company's Position**	**Staff's Position**	**Co. Witnesses/Notes**
Other (specify)			
Other (Specify)			

Exhibit A-9
Mark Seamans

Prepared Direct Testimony

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A-9
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718A-09-____ PREPARED TESTIMONY

DIRECT TESTIMONY OF

MARK J. SEAMANS

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

July 13, 2009

Table of Contents

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1

II. OVERVIEW OF THE COMPANY. 2

III. SUMMARY OF SIGNIFICANT SYSTEM IMPROVEMENTS AND OTHER CHANGES SINCE OPERATIONS BEGAN... 9

A. Arsenic Cost Recovery Surcharge Mechanism 12

B. HOOK-UP FEE Tariffs 17

IV. MISCELLANEOUS ISSUES 18

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Mark J. Seamans. My business address is 725 W. Via Rancho Sahuarita Rd, BLDG #1 Sahuarita, AZ 85629.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A2. I am testifying on behalf of the Applicant Sahuarita Water Company ("SWC" or "Company") in my capacity as President of the Company.

Q3. PLEASE SUMMARIZE YOUR RESPONSIBILITIES IN THIS POSITION?

A3. As President, I am responsible for overseeing all of the daily activities of the Company including planning, organizing, directing, budgeting, operations and maintenance and customer services. I am also the designated Arizona Department of Environmental Quality ("ADEQ") operator of record with responsibility for water quality and resource management.

Q4. PLEASE SUMMARIZE YOUR OPERATIONAL AND MANAGEMENT EXPERIENCE IN THE WATER UTILITY INDUSTRY.

A4. My career in water began in 1980 in the USAF, where I was trained in Water/ Wastewater Technologies, graduating with honors. Following an Honorable Discharge, I accepted employment as an operator at the City of Cape Coral, Florida's, Reverse Osmosis Treatment Plant, starting in 1985. I rose to the position of Chief Plant Operator in 1991 and stayed in that capacity until 1996. I then took employment with a small private utility in San Carlos, Florida as Chief Plant operator until 1998. I then moved to Scottsdale, Arizona and worked for the City of Scottsdale as a Senior Operator at the Water Campus, operating a 50 MGD CAP Plant, a 24 MGD Waste Water Plant, a 20 MGD Microfiltration Plant and a 12 MGD Reverse Osmosis Plant. I also spent 4 yrs with Scottsdale as Treatment Coordinator for its 13 MGD Groundwater Remediation Program. In 2004, I moved to Tucson Water as Water Operations Superintendent with responsibility

for Water Treatment, Distribution, Reclaimed Water and a Groundwater Remediation system. In 2006, I accepted employment with Rancho Sahuarita Water Company as General Manager and was promoted to President in 2008. In 2007, the Company's name was changed to Sahuarita Water Company, L.L.C.

Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A5. Yes I have. I testified for the Company in 2008 at a hearing in Tucson with regard to its Application for a CC&N extension to serve new developments. That request was granted in Decision No. 70620.

Q6. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A6. To support SWC's application for an increase in rates, and the recovery and pass-through of certain financing and operating expenses through special tariffs. In that regard, I will provide background on the Company and its operations. I will also summarize significant capital improvements completed by the Company in order to provide adequate and reliable service, and changes in operating costs that are contributing to the need for a rate increase. In addition, I will address various other aspects of the relief being requested in this case, including (i) approval of a proposed Arsenic Cost Recovery Surcharge Mechanism ("ACRSM") for Water Infrastructure Financing Authority of Arizona ("WIFA") loan debt service recovery related to an arsenic treatment facility the Company is currently constructing, and (ii) a proposed pass-through of Central Arizona Groundwater Replenishment District ("CAGRD") Fees.

II. OVERVIEW OF THE COMPANY.

Q7. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY.

A7. The Company provides water service to approximately 4,700 connections or roughly 12,000 customers located in the Rancho Sahuarita Master Planned Development in the Town of Sahuarita in Pima County, Arizona. Our water

customers include a number of commercial, industrial and irrigation customers. The majority of our customers are residential. The largest residential customer class (nearly 87 percent of the customer base) is served by 5/8 inch meters.

The Company utilizes a staff level of 10 who are direct employees of an affiliated entity (Rancho Sahuarita Management Company), and costs associated with those employees are allocated to the Company based upon the Company's utilization of their time and services. I serve as President and directly manage a Customer Service Manager ("CSM"), an Operations and Maintenance Manager ("OMM") and a Controller. The CSM has 2 full-time customer service representatives that handle billing, payments, complaints, and coordinate water service accounts. The OMM has 3 full-time operators and 1 laborer. Their responsibilities include all preventative maintenance and repairs, meter installations, water quality sampling and inspections. The Controller maintains budgets, cash flows and accounts receivable and accounts payable.

Q8. ARE THERE ANY OTHER COSTS WHICH ARE ALLOCATED FROM THE PARENT TO SWC AND REFLECTED IN SWC OPERATING EXPENSES? IF SO, PLEASE EXPLAIN.

A8. Yes. SWC utilizes human resources, accounting and management services from the parent company as well. These costs comprise only labor costs (including labor overhead) are allocated based upon the proportion of time utilized by SWC.

Q9. ARE THE COSTS PASSED THROUGH TO SWC FROM THE MANAGEMENT COMPANY AT COST?

A9. Yes. There is no affiliate profit in the allocated costs to SWC.

Q10. PLEASE DISCUSS THE HISTORY OF THE COMPANY.

A10. The Company's original CC&N was granted to Interchange Water Company, Inc. in Decision No. 59431 (December 28, 1995). The CC&N and water system assets were later transferred to Rancho Sahuarita Water Company, LLC ("RSWC") in

Decision No. 62032 (November 24, 1999). SWC subsequently received a CC&N extension in Decision No. 67068 (June 25, 2004) to add approximately 265 acres to its then existing service area. In Decision No. 70620 (November 19, 2008) the Commission further expanded the service area through a CC&N extension to include the future developments of Mission Peaks 4000, an ASLD parcel and Sahuarita Mission. In that same decision, the Commission transferred the CC&N from the name of RSWC to SWC.

The Company also recently was authorized to incur long-term debt in the amount of $4,694,253 (Decision No. 70984, May 5, 2009) from WIFA to enable the Company to fund the construction of an arsenic treatment facility and connecting water mains. SWC has also secured "federal stimulus" money through WIFA in connection with the WIFA loan. Forty percent (40%) of the aforesaid principal amount of the loan is currently anticipated to be treated as "principal forgiveness."

Q11. PLEASE DESCRIBE THE COMPANY'S WATER RESOURCES.

A11. The Company's water supply is comprised solely of groundwater. The groundwater is currently pumped from two (2) wells. SWC owns one (1) production well and holds a 99-year lease on the other well which is owned by the Town of Sahuarita. SWC has drilled and is equipping a third well, which is described later in my testimony. Currently the wells pump directly into the distribution system but will ultimately pump to a centralized arsenic treatment plant by the end of 2009. SWC holds a designation of assured water supply from the Arizona Department of Water Resources ("ADWR") and is a member service area in the CAGRD, which acts on SWC's behalf to replenish groundwater pumped in order to comply with the Arizona Groundwater Code. SWC's service area is in the Tucson Active Management Area ("AMA"). SWC holds no CAP allocation and is not connected to any other water supplier.

Q12. PLEASE DISCUSS THE NEW ARSENIC TREATMENT FACILITY.

A12. By way of background, water withdrawn from SWC's production wells was tested in 2004 under the ADEQ MAP program and determined to be in compliance with the United States Environmental Protection Agency's ("EPA") arsenic concentration standard of 50 ppb then in effect. However, the measured concentration levels were in excess of the 10 ppb standard which was scheduled to become effective in January 2006. Accordingly, SWC drilled an additional well in 2006 with the intent of blending the production from that well with the two (2) previously mentioned production wells. But, the production from the third well was also in excess of 10 ppb, and SWC thus determined that blending the output from that well was not an available arsenic remediation measure.

In 2007, SWC's two (2) existing production wells were again tested under the MAP program and determined to be in compliance with the 10 ppb standard that went into effect in 2006. However, one (1) of the wells was barely in compliance, because it tested at 9.9 ppb. Those same wells were tested again in 2008, in connection with the design of the centralized arsenic treatment facility which is now under construction, and were found to be in excess of 10 ppb. In addition, during 2007 SWC initiated a well exploratory program, which was designed to enhance SWC's water production capability and quality. The program results became available in 2008, and disappointingly indicated that water produced from each of five (5) exploratory wells that had been drilled would require arsenic treatment.

Under the ADEQ and Safe Drinking Water Act ("SDWA") sampling cycles, 2010 will be the next arsenic concentration sample test year for SWC. Given the aforesaid background with respect to its existing production wells and the presence of elevated arsenic levels within its anticipated future sources of water supply, SWC concluded that it would be prudent for the Company to

implement a proactive arsenic treatment program, in order to insure that SWC be in compliance with the SDWA and the EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test year. In this manner, SWC could be in a position to assure the ongoing delivery of drinking water to its customers in compliance with applicable statutes and regulations.

Accordingly, SWC has contracted to construct a 2,000 gallon per minute (gpm) centralized arsenic treatment facility during 2009, which will be connected to SWC's production wells by approximately 2.5 miles of collector transmission mains. Following the receipt of authorization from the Commission to enter into the aforementioned loan arrangement with WIFA, SWC began construction on this project in May 1, 2009. The centralized arsenic treatment facility is estimated to cost $2,686,523, and the aforesaid collector transmission mains are estimated to cost $2,008,000, for a total capital expenditure of $4,694,523, inclusive of contingency allowances. It is this amount which represents the principal amount under the WIFA loan I previously mentioned.

SWC anticipates annual operation costs at approximately $150,000 per year for the arsenic treatment facility. Costs include regeneration costs of the arsenic media, O&M and administrative costs, water quality sampling costs and chemical treatment costs.

Q13. PLEASE DISCUSS THE WIFA DEBT ASSOCIATED WITH THE NEW ARSENIC TREATMENT FACILITY.

A13. As stated previously, the Commission approved principal loan amount is $4,694,523. In February 2008, SWC was informed in a letter from the Chairman of the Commission that "federal stimulus" monies were being made available, and she suggested SWC (and other Arizona water utilities) apply for some of that money. SWC did so and, through WIFA determined that approximately 40%, or $1,877,809, of the $4,694,253 loan principal would be treated as "principal

forgiveness" under the American Recovery and Reconstruction Act.

In that regard, it is currently understood by SWC that the "principal forgiveness" of $1,877,809 potentially may carry with it tax implications. In such event, at the corporate rate of 40%, SWC would be looking at a tax bill of ~ $700,000. This prospect was not known by SWC at the time of its loan application to WIFA. Had it been known, SWC might well have requested a different type of loan, in order to avoid the tax liability. Under a standard (or non-federal stimulus) WIFA loan, there would not be an income tax liability associated with any portion of the loan principal. As it stands, the owners of the Company are now faced with a prospective income tax liability and no current rate mechanism to recover that associated cost. If it is ultimately determined that there is in fact a tax implication arising from or associated with the "principal forgiveness" treatment, SWC will seek from the Commission a mechanism to protect it's owners if the "principal forgiveness" is a taxable event to its members.

In any event, and as previously noted, in the instant case the Company is seeking an ACRSM to cover the debt service on the WIFA loan. Mr. Bourassa discusses the ACRSM in more detail in his testimony.

Q14. WHEN DID THE COMPANY FIRST BEGIN SERVING CUSTOMERS?

A14. In 2000.

Q15. HAS THE COMPANY EXPERIENCED SIGNIFICANT GROWTH SINCE 2000?

A15. Yes. At the end of the test year in this case, we had nearly 4,700 customers. That translates to an annualized growth rate of over 60% over the past 8 years. However, growth has slowed significantly since mid-2008 due to the downturn in the housing market.

Q16. IS SWC OPERATING IN COMPLIANCE WITH ALL FEDERAL STATE, COUNTY AND/OR LOCAL REGULATIONS?

A16. To the best of my knowledge, SWC is in complete compliance with all Federal, State, County and local regulations applicable to its operations.

Q17. HAS THE COMPANY EXPERIENCED A SIGNIFICANT NUMBER OF COMPLAINTS ABOUT SERVICE FROM CUSTOMERS?

A17. No. To the credit of SWC Staff, there have only been 4 minor complaints during my tenure. All were billing related and resolved to the satisfaction of the Commission's Staff in Tucson.

Q18. IS THIS CASE THE FIRST APPLICATION FOR AN INCREASE IN PERMANENT RATES SINCE THE COMPANY'S INITIAL CC&N WAS APPROVED IN 1995?

A18. Yes.

Q19. WHY IS SWC FILING FOR NEW RATES AT THIS TIME?

A19. As I testify below, and as can be noted by reviewing Mr. Bourassa's prepared Direct Testimony and Supporting Schedules, the Company has invested nearly $21 million (nearly $9.2 million net of AIAC and CIAC funded plant) in water system facilities since it began serving customers in 2000. It is currently earning less than a 2.7% rate of return, which is far below any fair and reasonable return on its investment. While the Company realizes that these are challenging economic times for many people, including our customers, the Company also is legally entitled to an opportunity to endeavor to earn a fair and reasonable return on its investment, and to recover its costs, in order to enable it to continue providing safe and reliable service to its customers. Absent an adequate increase in its rates and charges at this time, the Company's ability to do so could be jeopardized.

III. SUMMARY OF SIGNIFICANT SYSTEM IMPROVEMENTS AND OTHER CHANGES SINCE OPERATIONS BEGAN

Q20. PLEASE DISCUSS THE SIGNIFICANT IMPROVEMENTS THAT SWC HAS MADE TO ITS WATER SYSTEM SINCE IT BEGAN OPERATIONS.

A20. Since the Company began serving water in 2000 with one (1) small well, we have added (i) 2.55 million gallons of storage capacity, (ii) two (2) wells with a combined production capacity 3,300 gallons per minute, (iii) three (3) booster stations that provide water to separate portions of the service area and (iv) backup generators for each booster station to insure uninterrupted power and water service. Additional capital improvements have been in the form of developer-contributed subdivision plant and some backbone infrastructure. In recent years, SWC also completed a well exploration program (i) to determine the sustainability of the aquifer upon which SWC relies, and (ii) to address future resource capability and water quality matters, in an effort to provide ongoing reliable and safe water service to its customers. Also, as previously noted, SWC is now adding the centralized arsenic treatment facility; and, it is developing a new production well that will be on line by the end of 2009.

Q21. WHY IS THE NEW WELL YOU JUST DESCRIBED NECESSARY?

A21. Based on AAC R18-5-503, and pursuant to ADEQ Engineering Bulletin #10, each Arizona water provider must be able to meet peak day demands with storage capacity and the largest production well out of service. At present, SWC is barely able to comply with this rule. In early 2005, SWC was preparing to bring on a third production well, which had been designated Well #17, when that well became unusable due to major bacteriological problems. Thereafter, SWC unsuccessfully attempted to repair the well. SWC thus began looking at other options to replace the well and developed a plan that included drilling a new well. That well, which was designated Well #24, was drilled in 2006 to replace Well

#17, but water quality sampling showed elevated levels of Arsenic and Fluoride. Accordingly, Well #24 was abandoned in place and SWC began the previously mentioned exploratory well drilling program shortly thereafter. Results from the exploratory work showed the best location for the replacement well was the current location, which has been designated Well #23. SWC has received approval from ADWR to drill the well and, once completed, the new well will enable SWC to remain in full compliance with the ADEQ Engineering Bulletin #10.

Q22. IS THE COMPANY PROPOSING THE COSTS OF WELL 23 BE TREATED AS POST-TEST YEAR PLANT IN THE INSTANT CASE?

A22. Yes. We believe the costs of Well #23 will meet the criteria for inclusion of post-test year plant in rate base in the instant case for two (2) reasons. First, Well #23 is necessary in order to be able to serve the test year-end level of customers in an ongoing adequate and reliable manner. Thus, it is also a revenue neutral project. Second, the well will be placed into service in sufficient time for the Commission's Staff to audit the associated capital costs, which satisfies the "known and measurable" requirement for ratemaking.

Q23. WHAT IS YOUR ESTIMATE OF WHEN WELL #23 WILL BE COMPLETE AND PLACED INTO SERVICE?

A23. By the end of 2009

Q24. WHY ISN'T THE COMPANY PROPOSING THE ARSENIC TREATMENT FACILITY BE TREATED AS POST-TEST YEAR PLANT?

A24. Rather than seeking a return of and on the arsenic treatment plant in the instant case, the Company chose a more conservative approach and is only seeking to recover the WIFA loan debt service funding associated with the arsenic treatment facility through the aforementioned ACRSM. In that regard, the Company is

following an approach discussed with the Commission's Staff in a meeting between Staff and the Company in Phoenix several months ago.

Q25. WHAT ABOUT OTHER SIGNIFICANT CHANGES OR INCREASES IN OPERATING EXPENSES SINCE THE COMPANY BEGAN OPERATIONS?

A25. As you are aware, initial rates are based upon projections of customer growth, plant investment, and revenues and expenses, which are made as of the time the CC&N is first granted. These projections were made over 14 years ago. As one might expect, since the initial CC&N was granted in 1995, many of the assumptions used with respect to the pro forma customer growth, plant costs, and revenues and expenses have changed. Furthermore, evolving water quality regulations continually require SWC to comply with new testing and sampling rules, such as those leading up to the centralized arsenic treatment plant now under construction. Dramatic customer growth in 2004-2007 also has led to the need to increase staff to maintain the level service provided by SWC. That same growth, in turn, led to the need to study and identify new groundwater resources suitable to serve the community. Those costs were not projected in the original rate level and design assumptions.

Since SWC began operations, the Company has added staff personnel as appropriate to meet the needs of a growing service area. With that staff comes the necessary equipment, (e.g. trucks, tools, office equipment, etc.) and supplies. In turn, the organizational structure has expanded to incorporate the new staff as efficiently as possible. Staff at all levels is frequently cross-trained in an effort to optimize workload performance with a minimal number of people. In addition, each field operator is licensed by ADEQ and is encouraged to continue to gain levels through training programs. Each operator also completes monthly safety training.

As a result of the foregoing, the Company is proposing a number of adjustments to the test year revenues and expenses used to determine the revenue requirement in the instant case. The Company believes that the level of expenses for which rate recovery is requested reflects a normalized and more realistic level on a going forward basis.

IV. PROPOSED TARIFF CHANGES.

Q26. IS SWC PROPOSING ANY ADDITIONS TO ITS TARIFFS FOR RATES AND CHARGES?

A26. Yes. First, we are proposing the ACRSM to recover the debt service for the WIFA loan used to help the Company fund the new arsenic treatment facility as discussed above. Second, we are proposing that fees paid to CAGRD be treated as a pass-though similar to privilege, sales or use taxes and regulatory assessment fees.

A. Arsenic Cost Recovery Surcharge Mechanism.

Q27. WHAT IS THE PURPOSE OF THE ACRSM?

A27. The ACRSM provides a framework for establishing a surcharge to service new debt and related income tax expense related to the construction of the new centralized arsenic treatment facilities and related transmission mains. The specifics of the ACRSM are described in more detail by Mr. Bourassa in his prepared Direct Testimony. The Commission has previously approved ACRSMs for other water utilities, and we believe that it is appropriate in this instance.

Q28. IF APPROVED, WHEN WOULD THE ACRSM BE IMPLEMENTED?

A28. Upon the closing of the WIFA loan, the Company will file with the Commission's Docket Control an application for approval of an ACRSM tariff for the surcharge necessary to allow the Company to pay (i) principal and interest obligations on that portion of the WIFA loan which is not accorded "principal forgiveness" treatment, and (ii) income taxes on the surcharges collected. The precise amount

of the surcharge needed cannot be quantified until the WIFA loan has been closed. However, we are requesting advance approval of the surcharge concept within the context of this rate case, in order to satisfy the requirements of the *Scates* case.

Q29. WHY SHOULD THE COMMISSION APPROVE THE PASS-THROUGH OF THE CAGRD FEE ON CUSTOMER BILLS?

A29. There are a number of good reasons. First, the CAGRD Fee assessment increases year-by-year. Set forth in the table below are the historical and projected increases in the CAGRD Fee assessment from 2005 through 2014:

CAGRD ASSESSMENT RATES ADOPTED JUNE 19, 2008									
	HISTORIC			FIRM		ADVISORY			
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
PIMA	$NA	$NA	$265	$305	$333	$361	$366	$378	$391

What this table shows is the overall increase in the Tucson AMA CAGRD fee assessments of 48% for the 7-year period from 2007 through 2014, based on the historic, firm and advisory rates published by the CAGRD.[1] The increase in fee assessment occurs each and every year. As a result, we know that SWC will under-collect the CAGRD fee expense each and every year until it files its next rate case if the fee is treated as an expense item and not a pass-through. To illustrate the point, the test-year 2008 CAGRD fee assessment for the Tucson AMA is $305 whereas the 2009 CAGRD fee assessment rate is $333, an increase of approximately 28% over the test year CAGRD Fee assessment. For this reason alone, the CAGRD Fee should be authorized as a pass-through expense, in order to avoid an ongoing situation of ever-increasing operating cost under-recovery.

Second, authorizing SWC and other designated providers to pass-through

[1] Advisory rates are subject to change.

the CAGRD Fee assessment on customer bills should help to promote conservation of water. The CAGRD Fee is not an insignificant fee. The 2008-2009 assessment of $305 per acre-foot equates to $0.279 per thousand gallons of water. If the CAGRD Fee assessment is treated as an expense item, it will be buried and lost in the total cost of water service, and thus not be visible to the customer. However, if a customer sees the assessment as a specific line item on the bill, the customer know that his or her bill can be reduced by approximately $0.28 for each 1,000 gallons of reduced water usage. Thus, making the fee explicit on the bill should promote conservation to the extent water consumption is price elastic.

Q30. ARE THERE OTHER REASONS WHY THE PROPOSED CAGRD PASS-THROUGH IS APPROPRIATE?

A30. Yes. There are a number which I will discuss.

First, CAGRD Fees are directly analogous to privilege, sales or use taxes. The CAGRD Fee assessment has many similarities to a "privilege, sales or use tax" which may be treated as a pass-through fee pursuant to A.A.C. R14-2-409(D)(5).

(a) The CAGRD Fee assessment is—in actual fact—a tax enacted pursuant to A.R.S. § 48-3781.

(b) The CAGRD Fee assessment is directly tied to water consumption by the customer. Whereas a privilege, sales or use tax is calculated based upon the amount of the customer bill, the CAGRD Fee assessment is imposed based upon the volume of water consumed.

(c) Like a privilege, sales or use tax which is remitted by the water company to the taxing authority, the CAGRD Fee is remitted by the water provider to the CAGRD.

(d) All water delivered within a designated provider's service area is subject to the CAGRD Fee assessment. SWC is a designated

provider. By comparison, a non-designated water provider does not remit CAGRD Fees to CAGRD. Rather, CAGRD taxes for subdivisions enrolled as "member lands" in the CAGRD are assessed directly to the property owner by the County Assessor's Office for the county in which the "member land" is located.

(e) CAGRD Fees are assessed on groundwater pumped as opposed to groundwater delivered.

(f) CAGRD Fees apply to all customers equally, with no special tax zones or tax tiers.

(g) CAGRD Fees are subject to change only when the CAGRD changes the fee assessment. This occurs annually in June, based upon the CAGRD's budgeted cost to recharge water.

(h) CAGRD Fees are not subject to change by the water provider. Rather, the water provider is simply the conduit to collect and remit the fees, as is the situation with respect to privilege, sales or use taxes.

Second, a CAGRD Fee pass-through is very different from an adjuster mechanism. The pass-through of CAGRD Fees is nothing like an adjuster mechanism or adjuster clause.

(a) CAGRD Fee assessments are set by CAGRD and not by the Commission. Thus, there is no "base cost" or "formula" to be established, monitored and updated.

(b) CAGRD Fee assessments are a direct pass-through, dollar for dollar, based upon an easily identifiable single variable—water pumped by the provider.

(c) CAGRD Fee are not based upon nor are they impacted by equipment efficiency, size or operation.

(d) CAGRD Fees are not impacted or affected by management or operational decisions.

(e) CAGRD Fees are not subject to true up. CAGRD Fees assessments are based upon actual quantities of groundwater pumped by the provider

Third, the CAGRD Fee should not be addressed as a rate case expense item. CAGRD fee assessments are unlike other expense items that must be addressed in a rate case.

(a) CAGRD Fees do not impact any fixed or variable expenses. There is no company labor or services involved, no plant, no depreciation, no operating expense, and no property tax consequences. In short, there are no *Scates* case considerations regarding (i) full review of expenses; (ii) establishment of rate base; or (iii) rate of return.

(b) As I previously indicated, if the Commission treats CAGRD Fee assessments as an expense, SWC will increasingly under-recover the expense every year until its next rate case.

(c) CAGRD Fees are revenue neutral to the water provider. The fees should be excluded from test year revenues and expenses just like sales taxes.

(d) If CAGRD Fees are treated as an expense item, in order for SWC to obtain full reimbursement of its remitted CAGRD Fees, it would be required to file a rate case once a year. This, of course, is not a workable option for the Company, its customers, or the Commission.

Fourth, Simplicity. The direct pass-through of CAGRD Fees is simple to administer for the water provider and easy to understand for the customer.

(a) For SWC, the computation of the CAGRD Fee assessment on a customer's bill is simple. The - assessment is multiplied by the 1,000-

gallon increments of water pumped by the provider.

(b) For the customers, the CAGRD Fee is easy to understand. The fee would appear as a line item on the customer's bill—CAGRD Replenishment Fee: $X.XX. Moreover, the direct pass-through of CAGRD Fees is equitable to customers. Each customer pays only the fee burden that he or she directly places on the Company.

(c) For the Commission, the pass-through of CAGRD Fees is easy to monitor.

Fifth, Public Policy—Designated providers are an essential part of the Arizona Groundwater Code. Becoming a designated provider is not easy, but SWC believed that it was an important step, and thus pursued and attained that designation. Further, SWC must reapply for the designation every 10 years. The burden of proof is on the provider and due to the fact SWC holds no CAP allocation, it is reliant on the CAGRD to replenish water groundwater. Thus, it is the best interests of SWC to retain the designation.

Finally, by refusing to allow the pass-through of CAGRD fee, the Commission could discourage other private water companies from seeking designation as having an assured water supply. Moreover, we believe that SWC should not be penalized for having taken the steps necessary to become designated, thereby ensuring that groundwater withdrawn within its service area is replenished and guaranteeing a reliable source of water for future generations.

In summary, for all of the foregoing reasons, SWC believes that the Commission should authorize the direct pass-through of CAGRD Fees on customer bills, as SWC is proposing in this case.

B. HOOK-UP FEE Tariffs

Q31. DOES SWC CURRENTLY HAVE A HOOK UP FEE ("HUF") TARIFF?

A31. Yes. At this time the Company is not proposing a change to its HUF tariff.

IV. MISCELLANEOUS ISSUES

Q33. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A33. Yes.

Exhibit A-10
Mark Seamans

Prepared Rebuttal Testimony

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Sahuarita Water Company
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ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718-09-0359 PREPARED TESTIMONY

REBUTTAL TESTIMONY OF

MARK SEAMANS

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

May 17, 2010

Q.1 Please state your name and business address.

A.1 My name is Mark Seamans. My business address is Sahuarita Water Co. LLC, 725 W. Via Rancho Sahuarita Road, Sahuarita, Arizona, 85629.

Q.2 Are you the same Mark Seamans who previously submitted prepared Direct Testimony on behalf of Sahuarita Water Company ("Company")?

A.2 Yes, I am.

Q.3 What is the purpose of your Rebuttal Testimony?

A.3 My Rebuttal Testimony is intended to respond to Commission Staff ("Staff") witness Jeffrey Michlik's April 22, 2010 prepared Direct Testimony in which he discusses nine (9) "conditions" which the Commission's Staff recommends be applied to the Company as a compliance item in this proceeding in connection with recovery through rates of the Central Arizona Groundwater Replenishment District ("CAGRD") fee which is paid annually by the Company.

Q.4 Are these the nine (9) "conditions" set forth at page 27, line 1-page 28, line 12 of Mr. Michlik's prepared Direct Testimony?

A.4 Yes.

Q.5 Please describe the Company's position in response to these nine (9) suggested CAGRD fee "conditions."

Q.5 The Company has no objection to Condition Nos. 1 through 4, as they are described at page 27, lines 1-14 of Mr. Michlik's prepared Direct Testimony.

With reference to Condition No. 5, which appears at page 27, lines 16-17, the June 30, 2010 date for providing Staff the new CAGRD fee amount needs to be revised to reflect the fact the hearings in this proceeding do not begin until July 19, 2010, and a decision is unlikely until sometime in the Fall of 2010.

With reference to Condition No. 6, which appears at page 27, lines 19-25, as presently worded the condition is too vague. For example, which agencies does the Staff consider to be "the relevant state agencies"; and, what is the "supporting documentation" which the Staff seeks? The answers to these questions (and appropriate clarifying language) are important because of the "immediate cessation of the CAGRD adjuster fee" language in Staff's Condition No. 6, in the event "supporting documentation from the relevant state agencies" is not provided. Also, the reference to "Pima Active Management Area" in Condition No. 6 should be corrected by substituting the word Tucson for the word "Pima."

With reference to Condition No. 7, which is set forth at page 28, lines 1-4, the words "consideration by the Commission" are disturbing [emphasis added]. More specifically, since the CAGRD fee to be submitted under Condition No. 7 will have been calculated pursuant to the methodology set forth in Condition No. 6, it would appear that the only question should be whether the calculation has been properly performed. Accordingly, the Company is concerned by the uncertain outcome as to its submission which is implicit in the word "consideration." If the Staff simply means that the Commission will confirm that the Commission will ascertain that the CAGRD fee has been properly calculated, then the Company has no objection and suggests Condition No. 7 be rewritten to reflect that intent. However, if the Staff intends to suggest that the Commission may refuse to approve a properly

calculated CAGRD fee amount, then the Company would object to Condition No. 7.

With reference to Condition No. 8, which appears at page 28, lines 6-8, the Company believes that the Staff's approach is too rigid.

Q.6 Please explain what you mean by "too rigid" and please describe an alternative approach to Condition No. 8 that the Company would suggest.

A.6 CAGRD is faced with a statutory obligation to acquire substantial new sources of groundwater and surface water in the near- and long-term future, in order that CAGRD's member companies (such as the Company) and member lands will be in a position to continue to satisfy their respective "assured water supply" obligation under Arizona's Groundwater Management Code. This has required that CAGRD examine new revenue sources and funding mechanisms, in order to be in a financial position to respond to this challenge; and, Staff's Condition No. 8 appears to implicitly recognize this fact. However, Staff's suggested response to this prospect of change on CAGRD's part is very disturbing.

More specifically, under Condition No. 8, as currently proposed by Staff, the Company's ability to recover CAGRD fees paid by it would cease immediately if and when CAGRD altered its current procedure and criteria for calculating and assessing CAGRD fees. As an alternative, the Company suggests an approach for Condition No. 8 under which the Company's ability to recover CAGRD fees paid by it would continue uninterrupted, provided that the Company submitted sufficient documentation to enable a determination that the CAGRD fees in question had been correctly calculated, based on the fee determination procedure(s)

and criteria then being used by CAGRD. In that regard, and consistent with Condition No. 6, this information would be submitted by the Company at least 30 days prior to when any change in the CAGRD adjuster amount was to take effect.

Q.7 What is the Company's position with regard to Condition No. 9, as it appears at page 28, lines 11-12, of Mr. Michlik's prepared Direct Testimony?

A.7 This condition appears to assume that the CAGRD fee would be changed only once a year by CAGRD. Should that in fact continue to be the case, this condition would be acceptable to the Company. However, as indicated in my answer discussing Condition No. 8, it is conceivable that in the future CAGRD may have occasion to revise its fees more than once in a given year. Accordingly, the Company suggests that this condition be revised to provide that the Company may reset the CAGRD adjuster amount whenever CAGRD revises its fees to the Company, subject to the requirement that the Company submit appropriate information or documentation demonstrating that the revised fee has been correctly calculated.

Q.8 Does that complete your Rebuttal Testimony?

A.8 Yes, it does.

Exhibit A-11
Mark Seamans

Prepared Rejoinder Testimony

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A 11
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718A-09-0359 PREPARED TESTIMONY

REJOINDER TESTIMONY OF

MARK SEAMANS

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

July 12, 2010

Q.1 Please state your name and business address.

A.1 My name is Mark Seamans. My business address is Sahuarita Water Co. LLC, 725 W. Via Rancho Sahuarita Road, Sahuarita, Arizona, 85629.

Q.2 Are you the same Mark Seamans who previously submitted prepared Rebuttal Testimony on behalf of Sahuarita Water Company ("Company")?

A.2 Yes, I am.

Q.3 What is the purpose of your Rejoinder Testimony?

A.3 My Rejoinder Testimony is intended to respond to that portion of Commission Staff ("Staff") witness Jeffrey M. Michlik's June 21, 2010 Surrebuttal Testimony which discusses that portion of my May 17, 2010 Rebuttal Testimony relating to a proposed adjuster clause for fees charged to the Company by the Central Arizona Groundwater Replenishment District ("CAGRD"). In that regard, I would note that the Staff and the Company now appear to be in agreement with respect to Condition Nos. 1 through 5, as set forth at page 26, line 31-page 28, line 12 of Mr. Michlik's April 22, 2010 Direct Testimony, since the date in Condition No. 5 has been changed from June 30, 2010 to June 30, 2011. However, I do wish to comment further with respect to the Staff's apparent position(s) on Condition Nos. 6 through 9.

In addition, I wish to briefly address that portion of the June 21, 2010 Surrebuttal Testimony of Staff witness Marlin Scott, Jr. relating to draft ADWR Best Management Practices ("BMP") Tariffs which have been proposed by the Company.

Q.4 What is the Company's position with respect to Condition No. 6?

A.4 The Company has no objection to Condition No. 6, with the understanding that the "relevant state agencies" referred to in that condition are CAGRD and the Arizona Department of Water Resources ("ADWR") as of this point in time. Similarly, the Company's position of no objection is based upon its understanding that the phrase "supporting documentation" as used in Condition No. 6 also refers to those same agencies as of this point in time. It is important that the Staff and the Company have a common understanding as to the intended meaning of these phrases, and that is why I wanted to indicate the Company's understanding. Needless to say, it would not be helpful for the Staff and the Company to realize after-the-fact that each had a different understanding, given that the Conditions proposed by the Staff are of a compliance nature.

Q.5 What is the Company's response to Mr. Michlik's Surrebuttal Testimony regarding Condition No. 7?

Q.5 As indicated in my May 17, 2010 Rebuttal Testimony, the Company was concerned by language in the Staff's April 22, 2010 Direct Testimony which appeared to suggest that the Commission's approval of a CAGRD fee adjuster clause lacked any sense of certainty or finality. The Company recognizes that it is the Commission which will determine whether or not to initially approve a CAGRD fee adjuster clause for the Company, and it is the Commission which would determine whether or not subsequent events might warrant a future change in the composition and manner of operation of the adjuster. However, in the interim, the Company believes that it should be allowed to recover its CAGRD fees by means of operation of a previously approved clause, subject only to the requirement that the Company has properly calculated the CAGRD fee adjuster amount proposed to be recovered.

If the preceding description of how the CAGRD fee adjuster clause would operate is what the Staff envisions, then there would not appear to be any disagreement between the Staff and the Company with respect to Condition No. 7. However, if by use of the phrase "consideration by the Commission" in Mr. Michlik's April 22, 3010 Direct Testimony the Staff intended that there be no sense of certainty or finality as to the status of the CAGRD fee adjuster at any point in time, even if the circumstances surrounding how the CAGRD fee for the Company is determined have not changed from when the adjuster was initially approved, then the Company and the Staff have a difference in view which the Commission presumably will resolve in its final decision in this proceeding.

Q.6 What is the Company's response to the Staff's Surrebuttal Testimony regarding Condition No. 8?

A.6 As discussed in my May 17, 2010 Rebuttal Testimony, the Company is quite concerned with the Staff's proposal that the Company's authorization to recover its CAGRD fees through a previously authorized adjuster would automatically cease in the event that CAGRD should hereafter change the manner in which CAGRD determines member company fees. While the Company agrees with the observation made in Mr. Michlik's June 21, 2010 Surrebuttal Testimony that CAGRD probably would not implement an "abrupt change" of that nature, neither the Staff nor the Company is in a position to guarantee how CAGRD actually will proceed in the future. Accordingly, the Company is suggesting that the Company be authorized to continue recovering properly calculated CAGRD fee adjuster amounts pending Commission review of future changes made by CAGRD, if any. In the event that the Commission should ultimately decide to alter or rescind the Company's previously-authorized CAGRD fee adjuster following such review, it

could do so prospectively. The problem with the Staff's automatic cessation of CAGRD fee recovery approach is that there is no legal way for the Company to thereafter be authorized to recover CAGRD fees which were not recovered during the period of cessation, in the event that the Commission ultimately decides it has no objection to CAGRD's revised fee determination procedure.

The Company believes that this approach balances (i) the desire of the Staff to have sufficient time to review the reasons for and accuracy of CAGRD fee adjuster amounts submitted by the Company (ii) with the Company's desire to realize a timely recovery of this operating expense which is outside of the Company's control. In that regard, while the Staff may not have had any experience to date with a CAGRD fee adjuster, it has substantial previous experience with adjuster clauses involving electric and gas utilities regulated by the Commission upon which the Staff could draw in connection with the Commission's oversight of the CAGRD fee adjuster.

Q.7 Do you have a response to the Staff's Surrebuttal Testimony regarding Condition No. 9?

A.7 Yes. Upon review of Mr. Michlik's June 21, 2010 Surrebuttal Testimony, and further review of his April 22, 2010 Direct Testimony, it would appear that whether or not an issue exists between the Staff and the Company depends upon the meaning to be attributed to the words "new tariff," as they appear in the language of Condition No. 9 set forth in Mr. Michlik's April 22, 2010 Direct Testimony. Assuming that there has not been an intervening change in how CAGRD determines the fee to be charged its member companies from the preceding year, then the purpose of the Commission's review of the "new tariff" presumably would be to ascertain if the Company had correctly calculated the

CAGRD fee adjuster amount for the coming year. Under this scenario, the Company and the Staff would be of the same mindset.

However, and again assuming no intervening change in how CAGRD determines member fees, if the Staff intends that the concept of authorized adjuster recover of CAGRD fees be revisited and redecided by the Commission each year in connection with its review of the "new tariff," then the Company would have a problem with this approach.

Q.8 What comment do you wish to make with respect to Mr. Scott's discussion in his Surrebuttal Testimony of the ADWR BMP Tariffs which have been proposed by the Company?

A.8 By way of background, the BMPs in question were originally selected and proposed by the Company as an intended compliance item pursuant to the Commission's Decision No. 70620. Subsequent to the Company's filing of the same, the Staff requested that the Company file proposed tariffs reflecting the Company's BMP selections. Thereafter, the Staff assisted the Company in developing the proposed ADWR BMP Tariffs, which Mr. Scott discusses at page 5, lines 1-23 of his June 21, 2010 Surrebuttal Testimony.

As indicated in Mr. Scott's Surrebuttal Testimony, the Staff is recommending approval of all of the Company's proposed ADWR BMP Tariffs but the one relating to BMP 7.8. With respect to BMP 7.8, the Staff is recommending no final action by the Commission until ADWR has reviewed and approved the proposed tariff.

Q.9 Is the approach suggested by the Staff with respect to BMP 7.8 acceptable to the Company?

A.9 Yes, with the understanding that the Company's activities to date regarding all of the BMPs it has selected and reduced to proposed forms of tariff constitute compliance with the applicable provisions of Decision No. 70620.

Q.10 Does that complete your Rejoinder Testimony?

A.10 Yes, it does.

Exhibit A-12
Mark Taylor

Prepared Rebuttal Testimony

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A12
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718-09-0359 PREPARED TESTIMONY

REBUTTAL TESTIMONY OF

MARK F. TAYLOR

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

May 17, 2010

Q.1 Please state your name and business address.

A.1 My name is Mark F. Taylor, and my business address is 4001 E. Paradise Falls Drive, Tucson, Arizona 85712.

Q.2 By whom are you employed, and in what capacity?

A.2 I am a Vice President and a Principal of WestLand Resources, Inc. ("WestLand").

Q.3 Please describe the nature of professional services provided by WestLand.

A.3 Since our establishment in 1997, WestLand Resources, Inc. has brought together a team of experts in environmental services, engineering, landscape architecture, cultural resource, and right of way services. We provide technical consulting services throughout the southwestern United States.

The technical expertise offered by WestLand's engineering staff include water and wastewater system planning and design; water resources planning; biological systems engineering, irrigation, and water harvesting system design; constructed wetland design; groundwater recharge system design; and program management.

Q.4 Please describe your area(s) of responsibility within WestLand.

A.4 I am responsible for providing project management, design and technical supervision, project scheduling, and budget oversight.

Q.5 Please summarize your educational background and professional experience as relevant to the testimony you are presenting in this proceeding.

Q.5 I graduated from the University of Arizona with a Bachelor of Science in Civil Engineering and a Masters in Business Administration. I have over 25 years of

experience in water resources engineering, including the design of water systems for public works projects, master-planned communities, large commercial and retail centers, and the mining industry. I am responsible for the development of water system master plans; well, reservoir, booster station, and transmission main design; water treatment and arsenic treatment design; and the assessment of rates and development impact fees for private and municipal clients.

Q.6 Is Sahuarita Water Company ("Company") a client of WestLand?

A.6 Yes. The Company has been a client for approximately 12 years.

Q.7 Please describe the nature of professional services that WestLand has provided to the Company during that period of time.

A.7 WestLand has provided master planning, infrastructure design, permitting and construction inspection services to the Company since the beginning. WestLand has prepared the original and most current water master plan (November 2007) for the Company, which includes recommendations for current and future additional well capacity. In addition, WestLand performs design plan reviews on behalf of the water company and provides inspection services on all infrastructure construction. WestLand has coordinated with the water company in connection with CC&N extensions and modifications of the Company's Designation of Assured Water Supply pursuant to the Arizona Groundwater Code.

Q.8 What is the purpose of your Rebuttal Testimony in this proceeding?

A.8 My Rebuttal Testimony is intended to address and rebut the conclusion of the Commission's Staff ("Staff") that Well #23 is "not needed" in connection with the Company's water utility operations. The Company has proposed that $1,779,243

for Well #23 be included as a post-test year plant adjustment. The Staff has recommended that that amount be excluded from rate base.

Q.9 Where does the Staff's recommendation of this nature and this amount appear?

A.9 At page 6, lines 24-page 7, line 17 of the April 22, 2010 prepared Direct Testimony of Staff witness Jeffry M. Michlik; and, at page 11, lines 4-7 of the April 22, 2010 prepared Direct Testimony of Staff witness Marlin Scott, Jr. In that regard, the Staff's conclusion that Well #23 is "not needed" now or until 2014 at the earliest appears to be predicated upon a "System Analysis" prepared by Mr. Scott, which appears at page 7 of his prepared Direct Testimony.

Q.10 Which wells of the Company does Mr. Scott assume are in operation for purposes of his "System Analysis"?

A.10 Well #14 and Well #18.

Q.11 What production capability does he assume for each well?

A.11 Well #14 is assigned a production capability of 1,750 gallons per minute ("gpm") by Mr. Scott, and Well #18 has been assigned a production capacity of 1,500 gpm by him.

Q.12 Please describe what is meant by the concept of "well redundancy."

A.12 Well redundancy is the duplication of a critical source water component within a water system with the intention of increasing the reliability of the water system, usually in the form of a backup or "fail-safe" capability. It is a critical part of having a safe and reliable water supply.

The issue with well outages and emergencies is that you don't know when they are going to happen and a water company needs to plan for that. In addition to short term issues that may cause a well to be taken out of service for days or weeks, there is always the potential that a well casing may fail and the well may no longer be usable. If a well casing fails, it can take many months to replace the source of water with a new production well. This is why redundant well capacity is so critical, in order to allow the water company to deal with unexpected outages without them becoming emergency events that threaten the water supply to thousands of customers.

Q.13 In your opinion, has Mr. Scott included any consideration of or allowance for well redundancy?

A.13 Based upon my review of his prepared Direct Testimony, it appears that he has not.

Q.14 How do you typically determine what well or production capacity should be provided for in a water utility system?

A.14 At a minimum the water company must have sufficient well or production capacity to meet the maximum day usage, with the largest well assumed to be out of service, because the well or production source water has to be able to supply the demands of the water system during the highest peak demand day of the year. In the Company's certificated service area, this demand typically occurs during early summer. In that regard, there can be a series of days of very high demand where the water company is essentially pumping at or near maximum day demand for a sustained period.

In addition, because we never know when a well outage will occur, due to casing failure or pumping and electrical equipment issues, we also always recommend that water company provide redundancy in the water system by developing sufficient storage source capacity to supply maximum day demand with the largest well assumed to be out of service.

Q.15 Is the well redundancy design approach your firm recommends recognized by any regulatory agencies with jurisdiction over private and public water systems?

A.15 Yes. Calculating well capacity to provide maximum day demand with the largest well out of service is a standard recommendation in emergency operations and source capacity planning documents. For example, the U.S. Environmental Protection Agency "Sanitary Survey Guidance Manual for Groundwater Systems" (October 2008) states with respect to ground water well capacity that

> "The capacity should be at least equal to the maximum day demand of the water system over the previous several years or as determined by the rules and regulations of the State primacy agency. Public water systems should be sure that the developed ground water capacity should equal or exceed the design maximum daily demand <u>when the highest producing well is out of service.</u>" [emphasis added]

This guidance also has been carried through into many planning manuals for individual states, including the Ten States Standards, and has also historically been referenced in the Arizona Guidance Manual for Emergency Operations Plan development.

Q.16 What is the existing well or production capacity of the Company?

A.16 The Company currently owns two operating wells, and leases a third well from the Town of Sahuarita ("Town"). Well No. 14 provides 1,750 gpm, and this well is leased from the Town. Well No. 18 provides 1,450 gpm, and Well No. 23 provides 1,800 gpm. These two (2) wells are owned by the Company.

Q.17 Can the Company meet the required maximum day demand with its current well capacity?

A.17 Yes. The water company can meet the design maximum day demand with any two of the three wells. The third well in the system provides the previously discussed and recommended well or production redundancy.

Q.18 Why is redundant well capacity then needed by the Company?

A.18 Redundant well capacity is needed for any water system (such as the Company) that relies on a groundwater source and doesn't have other backup-water supplies. It is not an option or an unneeded luxury to have a redundant well when the water company relies upon only groundwater supplies. Rather, it is a critical part of having a safe, adequate and reliable water supply.

As I previously indicated, the problem with well outages and emergencies is that you don't know when they are going to occur, nor for how long, and a water company needs to plan for that contingency. In addition to short-term issues that may cause a well to be taken out of service for days or weeks, there is always the potential that a well casing may fail and the well may no longer be usable. If a well casing fails, it can take many months to replace the source of water with a new production well. In the interim, the adequacy and reliability of the affected water system is either compromised or at risk of being so.

Q.19 Is it your professional opinion that redundant well or production capacity is critical to the ability of the Company to provide safe, adequate and reliable service to its customers?

A.19 Yes.

Q.20 What is the likelihood of failure of the casing in any of its wells?

A.20 That is difficult, it not impossible, to predict. However, Well No. 14 and 18 were drilled in 1970 and 1975 respectively. When the wells were equipped about 10 years ago the casings required some rehabilitation. I'm not aware that the casing condition has been reviewed since the pumps were installed. It is important to remember that these wells are 35 and 40 years old. Well casings do have a finite life span, and as they get older, you do have to plan for their eventual failure. Sometimes you have warnings, but sometimes it is catastrophic. The Company does its best to make sure its equipment and wells are in good operating condition, but there are things that are outside its control.

Q.21 When problems occur with a well, how long is the well typically out of service?

A.21 It can vary from a few days to a few weeks for a mechanical or electrical failure, and from a few weeks to a month or more for casing inspection, rehabilitation, and repairs. For the worst casing situations, wells may have to be taken out of service permanently.

Q.22 How long does it take to drill and equip a new well?

A.22 Between drilling and well construction, pump selection, permitting and construction, we would typically plan on 10 to 12 months for a well replacement project.

Q.23 So, if one of the Company's two older wells were to fail, it could take up to a year to replace that well or production capacity?

A.23 That is correct.

Q.24 Does the Company have any other source of supply, like an interconnection with an adjacent water company?

A.24 No, there is no other source of supply into the Company's system.

Q.25 Are there any other water companies that the Company could connect to if it needed a backup supply?

A.25 No, the Company has previously explored alternate sources of supply, and there are no water companies with adjacent infrastructure to which the Company could connect.

Q.26 If the Company did not have Well No. 23 at all, and one of the other two existing wells went out of service during the summer, what would be the result to the Company?

A.26 In that situation, the Company would be operating on one well. Assuming the largest well is out of service the available capacity of Well No. 18 is 2,088,000 gallons per day, which is less than the current maximum daily demand of the water system. Every year, as additional customers are served, this situation will become worse.

If the outage was sustained, without redundant well capacity the Company wouldn't be able to keep up adequately with demand, and this would result in the water company having a water shortage. This is why redundant well capacity is so critical, in order to allow the water company to deal with unexpected outages without them becoming emergency events that threaten the water supply to thousands of customers.

Q.27 Could you summarize your professional opinion about the well capacity of the Company's system?

A.27 The well capacity in this system is sufficient to meet the recommended design maximum daily demand with the largest well out of service.

Q.28 Is there excess well capacity in this water system?

A.28 There is redundant well capacity, but it should not be considered as "excess" capacity. To the contrary, for a system that relies solely on groundwater supplies, the Company must have redundant well capacity, in order to allow for the contingency of one well being out of service and still being able to meet the water system demands. This is prudent engineering, and allows for water system operation that provides for a safe, adequate and reliable water supply.

Q.29 Because the third well (or Well #23) provides the necessary redundancy to this water company, is this well "used and useful" in your professional opinion?

A.29 Yes, without question.

Q.30 Would the Company be able to maintain adequate and reliable service to its customers by relying on its current storage capability, assuming (i) Well #23 did not exist, and (ii) the loss of production capability from one of the other two wells?

A.30 Perhaps for a few days, at most, depending upon weather and the demand then being imposed upon its system; and, as I previously indicated, many well outages can last substantially longer. However, the higher the ambient temperatures and the greater the demand, the shorter the time during which a "fix" of this nature

would be sufficient. Moreover, in my professional opinion, a temporary "fix" of this nature is not consistent with prudent and responsible water system planning.

Q.31 Does this conclude your direct testimony?

A.31 Yes, it does.

Exhibit A-13
Mark Taylor

Prepared Rejoinder Testimony

July 19-20, 2010 ACC Hearing
Sahuarita Water Company
Docket No. W-03718-09-0359

EXHIBIT
A13
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY OF SWC FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER SWC'S COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCING AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY	DOCKET NO. W-03718A-09-0359 PREPARED TESTIMONY

REJOINDER TESTIMONY OF

MARK F. TAYLOR

ON BEHALF OF SAHUARITA WATER COMPANY, L.L.C.

July 12, 2010

Q.1 Please state your name and business address.

A.1 My name is Mark F. Taylor, and my business address is 4001 E. Paradise Falls Drive, Tucson, Arizona 85712.

Q.2 Are you the same Mark F. Taylor who submitted prepared Rebuttal Testimony on behalf of Sahuarita Water Company in this proceeding on May 17, 2010?

A.2 Yes.

Q.3 What is the purpose of your Rejoinder Testimony in this proceeding?

A.3 My Rejoinder Testimony is intended to address and respond to various assertions and conclusions set forth in that portion of the June 21, 2010 prepared Surrebuttal Testimony of Commission Staff witness Marlin Scott, Jr. which pertain to the issue of whether or not the Company's Well No. 23 should be included in rate base in this proceeding.

Q.4 What is the nature of the disagreement between Mr. Scott and you?

A.4 Succinctly stated, the issue on which we disagree is whether or not Well No. 23 is "used and useful". I have concluded that the answer to this question is "Yes." Mr. Scott has reached the opposite conclusion.

Q.5 What are the reasons for the disagreement between Mr. Scott and you?

A.5 In essence, I believe that there are two (2) principal reasons underlying the disagreement. The first of these appears to be several errors in Mr. Scott's system capacity engineering analysis. The second reason pertains to the assertion made by staff that Well 23 redundancy is "unnecessary or excess redundancy."

Q.6 Please identify the flaws in the Commission Staff system capacity analysis set forth on page 7 of Mr. Scott's prepared Direct Testimony.

A.6 The calculations for peak day demand, well capacity, and storage capacity provided by Mr. Scott in his Direct Testimony system analysis were incorrect.

Q.7 Please explain what the errors in calculating peak day demand that were made in the Commission Staff system capacity analysis set forth on page 7 of Mr. Scott's prepared Direct Testimony.

A.7 Peak day demand, in fact, was not calculated as stated in the system analysis. Rather, Mr. Scott calculated average day peak month and referred to it as peak day demand. Peak day demand is calculated based on the peak day use divided by the number of connections on that day. Average day peak month is calculated by using the demand of the peak month and dividing it by the numbers of days in the month, and then dividing it by the average number of connections for the month. As an attachment to this Rejoinder Testimony at Exhibit A, I have provided a breakdown of the ACC Staff calculation and a corrected calculation prepared by WestLand Resources for the peak day demand based on current demand records provided by the water company. A comparison of these calculations shows the peak daily demand in gallons per connection is larger (428 gallons/connection–day) than that calculated by Mr. Scott (358 gallons/connection-day). The peak day demand in gallons per minute per connection is close to the value calculated by Mr. Scott, although Mr. Scott's original calculation of this value was also incorrect.

Q.8 Please explain what errors in calculating well capacity were made in the Commission Staff's system capacity analysis set forth on page 7 of Mr. Scott's prepared Direct Testimony.

A.8 The well capacity calculation referenced was an outdated well capacity for both Wells Nos. 14 and 18. More specifically, prior to construction of the Company's centralized arsenic treatment system in 2009, the rated production capacity of Well No. 14 was 1,800 gpm; and, the rated production capacity of Well No. 18 was 1,500 gpm. At that time, each well was plumbed separately and directly into the Company's water distribution system. Following a definitive engineering analysis, it was determined that a centralized 2,000 gpm arsenic treatment facility was the best overall approach for the Company in order to achieve compliance with United States Environmental Protection Agency's arsenic concentration standards. As a corollary matter, it was also determined that Well No. 14 and Well No. 18 should be taken off of direct feeds into the distribution system, and instead should be plumbed into a common transmission main which feeds into the new centralized arsenic treatment plant.

Due to hydraulic constraints, the rated production capacity of Well No. 14 under the new system configuration has been reduced from 1,800 gpm to 1,750 gpm when only Well No. 14 is operating. If Well No. 18 is being operated at the same time, then the rated production capacity of Well No. 14 is reduced to 1,550 gpm.

Similarly, if Well No. 18 is operated under the new system configuration, and Well No. 14 is not being operated, then the rated production capacity of Well No. 18 is reduced to 1,450 gpm. That rated capacity further is reduced to 1,250 gpm if Well No. 14 is being operated at the same time as Well No. 18.

Q.9 Please explain what errors were made in calculating storage capacity in the Commission Staff system capacity analysis set forth on page 7 of Mr. Scott's prepared Direct Testimony.

A.9 First the fire flow volume was calculated incorrectly. The total storage capacity of the water company is made up of three reservoirs, two of which are located at one site and

interconnected and a third which is located at a separate site and stands alone. The two interconnected reservoirs have a maximum fire flow requirement of 2,000 gallons per minute (gpm) for a duration of 4 hours, resulting in a total volume of 480,000 gallons. The third reservoir has a separate maximum fire flow volume of 1,500 gpm for a duration of 2 hours, resulting in a total volume of 180,000 gallons and a combined fire flow storage requirement of 660,000 gallons. These fire flow volumes are referenced in the Sahuarita Water Company Water System Master Plan dated November 8, 2007, which was previously submitted to the ACC in Docket No. W-03718A-07-0687. Mr. Scott calculated a single fire flow volume requirement of only 210,000 gallons for all three reservoirs, as contrasted with the actual requirement of 600,000 gallons.

In addition, within a reservoir there are areas of dead storage. Dead storage is located on the bottom of the tank between the tank floor and the outlet and on the top of the tank between the water surface and the roof of the tank. The volume of water in this area is not part of the active storage capacity volume. In Exhibit "A' to this testimony, I have provided calculations for the correct fire flow volume <u>and</u> dead storage volume for each of the three reservoirs. Based on these corrected calculations the total storage capacity available system-wide is only 763,891 gallons. Mr. Scott incorrectly calculated 2,340,000 gallons of storage capacity in the Commission Staff system capacity analysis set forth on page 7 of the prepared Direct Testimony. Based on the corrected storage capacity I have just described, the water system could provide peak day demand to <u>only</u> 1,789 connections for <u>only</u> one day. This is not enough to serve the number of existing connections much less any future growth to the system. Storage capacity should never be considered a long-term solution for water system redundancy because the volume is finite and will run out if not refilled on a consistent basis.

Q.10 In the question and answer which appear at page 3, lines 15-17 of his Surrebuttal Testimony, Mr. Scott notes that you did not comment on the system capacity calculation set forth in the System Analysis section of Commission Staff's prepared Direct Testimony. Why did you not call attention to these calculation errors in your previous Rebuttal Testimony?

A.10 The calculation errors were not material to the point(s) being made in the previous Rebuttal Testimony which was the need for redundancy when a well is out of service. These errors became material following my review of Mr. Scott's Surrebuttal Testimony.

Q.11 Do you believe that you have, in effect, critiqued his system capacity analysis in this Rejoinder Testimony?

A.11 Yes. I believe that I have (i) critiqued Commission Staff's system capacity analysis and the assumptions upon which such analysis and resulting conclusions are predicated, and (ii) demonstrated why those assumptions and conclusions do not reflect the Company's actual operating circumstances and needs.

Q.12 Please explain the effects the Mr. Scott's calculation errors have on his conclusion that Well No. 23 redundancy is "unnecessary or excess redundancy." as set forth on page 2 lines 9-11 of Mr. Scott's prepared Surrebuttal Testimony.

A.12 At page 2, lines 7-11 of his Surrebuttal Testimony, Mr. Scott acknowledges that Well No. 23 does provide redundancy to the Company's water system, but he contends that the redundancy so provided is "unnecessary or excess redundancy." In reaching this conclusion, he relies upon and further discusses the Commission Staff system capacity analysis set forth on page 7 of his prepared Direct Testimony in this proceeding. This additional discussion appears at page 2, line 13-page 3, line 13 of his Surrebuttal Testimony.

However, the system capacity analysis upon which Mr. Scott relies as the basis for his conclusion that Well No. 23 is not "used and useful" necessarily assumes heavy reliance upon the Company's existing storage capacity. In a situation where the Company's largest well was out of service for a sustained period of time during the period of highest peak day(s) demand on its system, under today's conditions, without Well No. 23, the Company would not be able to maintain adequate and ongoing water service to its customers.

In that regard, it is critical to recognize that the planning concept of "well redundancy" discussed in my Rebuttal Testimony does not assume sustained reliance upon storage in order to satisfy the "largest well out of service" planning criterion. Rather, it is the remainder of the well production capacity for the water system in question which is to be relied upon.

Q.13 Does the Company have any recent experience which is relevant to this discussion?

A.13 Yes. During the period between April 3, 2010-June 3, 2010, the Company's Well No. 14 was out of service due to mechanical reasons; and, the production from Well No. 18, by itself, was not enough to meet the peak day demand on May 21, 2010, due to an ongoing limitation of the production capacity of the well which I discussed above in response to Question No. 8. Because of the availability of (i) Well No. 23 and (ii) the Company's existing storage capacity, the Company did not experience any problems in providing ongoing adequate and reliable water service to its customers during this two (2) month period. I have provided calculations based on water system records during this time that support this conclusion.

The water company has informed me that the long-term shutdown of Well No. 14 was due to the long lead time incurred to obtain a replacement of a part. This long lead time is not untypical. We have heard from many suppliers that they are no longer keeping

inventory of many standard replacement parts due to the additional cost incurred by them to do so. Therefore, I would say it is very likely that this type of long-term shutdown could occur again.

At this time, I would also like to express my thoughts regarding the liability concerns associated with a large-scale long-term outage that might occur without the required system well or production redundancy. A liability would be incurred due to the costs associated with hauling water to thousands of customers, implementing and enforcing mandatory conservation and/or curtailment measures, damages incurred by customers due to the loss of water availability, and health and safety issues which result from lack of potable and fire flow capacity. I consider it unwise to regulate a water system by creating an economic disincentive to provide the required redundancy in order to reduce the possibility of the occurrence of these liabilities. In that regard, the opinions I firmly express are based on standard engineering practice, and upon my oath as a professional engineer to protect the safety, health and welfare of the public.

Q.14 The calculations you referred to in response to Question No. 13 pertain to a recent experience the Company had in 2010. What would be the result of such an analysis based on information from 2008?

A.14 In 2008, peak day demand is on the cusp of exceeding well capacity with the largest well out of service, because Well No. 23 did not exist at that time.

Q.15 What are typical causes of long-term and short-term well outages?

A.15 The typical cause of a long-term outage would be a casing failure or collapse. This type of failure would require a full replacement of the well. This is considered a long-term outage due to the length of time required to permit, drill, test, and equip a new well which typically can take 6 months to 1 year. The cause of a short-term outage would usually be

an equipment failure. This type of failure would require equipment replacement which would entail ordering, distribution, and installation of the new part or piece of equipment which could take several days to many weeks.

Q.16 Based on the age of Wells 14 and 18 is it plausible that both could be out of service with a combination of the outages described above?

A.16 Yes. Well 14 was drilled in 1970 and Well 18 in 1975. It is plausible that a casing collapse or long-term outage could occur in a well that is 35 or 40 years old. Both wells were equipped by the water company in 1998 and 2000. Based on the equipment failure on Well 14 earlier this year, I would say it is very plausible that another short term outage could occur at either well at any time.

Q.17 In the case that a multiple well outage occurred in 2008, how long would the existing storage capacity provide water to customers?

A.17 The storage capacity, according to the calculation presented in Exhibit A indicates that the active storage volume would be consumed within 9 hours on a peak day.

Q.18 In the question and answer which appear at page 3, lines 19-20 of his Surrebuttal Testimony, Mr. Scott expresses his belief that you did not provide any calculation to support your conclusion that Well No. 23 is "used and useful" in connection with the Company's water system operations. Do you believe that you have addressed that criticism in this Rejoinder Testimony?

A.17 Yes, in both the preceding discussion text, and through Exhibit A.

Q.18 Does this conclude your Rejoinder Testimony?

A.18 Yes, it does.

Sahuarita Water Company
Docket No. W-03718A-09-0359

Mark F. Taylor
REJOINDER TESTIMONY
July 12, 2010

EXHIBIT A

Peak Day Demand Calculation Correction

ACC Staff Calculation:

Average Day Peak Month Demand = 48,746,000 gallons (June 2008) / 4,539 connections / 30 days = 358 gallons /day - connection

358 gallons /connection-day / 24 hrs/day / 60 minutes/hour = 0.249 gallons/minute – connection

WestLand Resources Calculation:

2008 Peak Day Demand = 1,998,000 gallons (June 20, 2008) / 4,669 connections = 428 gallons/day

428 gallons /connection-day / 24 hrs/day / 60 minutes/hour = 0.30 gallons/minute – connection

connection

Current Peak Day Demand = 2,154,713 gallons (May 21, 2010)/ 5,047 connections = 427 gallons /day – connection

427 gallons /day - connection / 24 hrs/day / 60 minutes/hour = 0.30 gallons/minute – connection

Storage Calculation Correction

To determine how much storage is available for use, we must account for the actual operating conditions of well and boosters that feed into and out of the reservoirs:

The 2950 Zone Booster station which pulls source water from the reservoirs to existing connections has an automatic low level shutoff of 6' above the reservoir bottom. This shutoff level is used to protect the pumps from cavitation and burn-out.

The wells are automatically set to turn on at a water level of 19.5' above the reservoir bottom. This results in approximately 13.5' of each reservoir available

Total Storage Capacity:

2850 Zone Reservoirs = 1,200,000 + 1,000,000 = 2,200,000 gallons

Active Storage Volume (1,200,000 gallons 2850 Zone Tank) = 13.5 ft x (tank radius) 46.5^2 ft x π = 91,704 ft^3 x 7.47 gallons/ ft^3 = 685,031 gallons

Active Storage Volume (1,000,000 gallons 2850 Zone Tank) = 13.5 ft x (tank radius) 42^2 ft x π = 74,814 ft^3 x 7.47 gallons/ ft^3 = 558,860 gallons

From this we must deduct a fire flow volume of 480,000 gallons (2950 Zone).

Fire flow for 2950 Zone (Per Sahuarita Water Company Water System Master Plan, prepared by WestLand Resources, dated 11/7/2007): 2,000 gpm for 4 hours = 2,000 gallon/minute x 4 hours x 60 minutes/hour = 480,000 gallons

Total Storage (2850 Zone) = 685,031 + 558,860 – 480,000 = 763,891 gallons

2950 N Zone Reservoir = 350,000 gallons

Fire flow for 2950 N Zone (Per Sahuarita Water Company Water System Master Plan, prepared by WestLand Resources, dated 11/7/2007): 1,500 gpm for 2 hours = 1,500 gallon/minute x 2 hours x 60 minutes/hour = 180,000 gallons

The 2950N Zone Booster station which pulls source water from the reservoirs to existing connections has an automatic low level shutoff of 6' above the reservoir bottom. This shutoff level is used to protect the pumps from cavitation and burn-out.

Active Storage Volume (350,000 gallons 2950 N Zone Tank) = (tank height) 9 ft – (dead storage) 6 ft = 3 ft x (tank radius) 43^2 ft x π = 17,426 ft^3 x 7.47 gallons/ ft^3 = 130,172 gallons

Total Storage (2950 N Zone) =130,172 – 180,000 = 0 gallons

Total System wide Active Storage Volume = 763,891 gallons

Total Connections based on Peak Day Demand = 763,891 gallons/ 427 gallons /connection-day = 1,789 connections –day

Well 14 Outage Example

Well 14 was out of service between 4/4/10 and 6/4/10 during this time the PDD was 427 gpd /connection ~ 0.30 gpm – connection. Assumes Well 23 is not available during this time, Well 14 could not keep up with demand on 5/21/10 thus resulting in a water outage to customers.

Well 18 pumping capacity = 1,450 gpm

Connections served by Well 18 based on capacity = 1,450 gpm / 0.30 gpm – connection = 4,833 connections

Total Connections served by storage capacity based on Peak Day Demand = 1,761,362 gallons/ 427 gallons /connection-day = 4,125 connection –day **(NOTE THIS IS ONLY ONE DAY OF STOARGE)**

Therefore after one day, storage capacity would be exhausted and Well 18 alone would not be able to keep up with the system peak day requirement. As stated above this outage occurred over a two month period. All information is based on actual water company records.

Storage Capacity During Multiple Well Outage

Example, Well 14 is out for extended period of time due to casing failure. During this outage Well 18 has an electrical outage which requires a part replacement. It is assumed that the part replacement will take several days for ordering, distribution and installation. Below is a calculation to determine the length of time that existing 2850 Zone storage capacity would provide existing connections peak day demand.

Based on a PDD of 1,998,000 gallons in December 2008 this storage would last 9 hours based on a 24 hour day (0.38 day)