ORIGINAL

THIS AMENDMENT:	
______ Passed ______	Passed as amended by ______
______ Failed ______	Not Offered ______

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AZ CORP COMMISSION
DOCKET CONTROL

MAYES PROPOSED AMENDMENT 5

TIME/DATE PREPARED: August 9, 2010

COMPANY: Johnson Utilities AGENDA ITEM NO. 1

DOCKET NO. WS-02987A-08-0180 OPEN MEETING DATE: 8-11-2010

Page 8, lines 12 through 17, DELETE:

"We find no basis in the record to support the Company's allegation that the 10 percent disallowance proposed by Staff is arbitrary. On the contrary, we find that it is a reasonable solution to a problematic situation created by the Company's failure to demonstrate the actual cost of its properties, all of which are being reviewed for the first time in this rate case, in a form that provides complete and authentic information for public audit."

AND REPLACE WITH:

"We believe the record does not support a specific disallowance figure, notwithstanding the Company's record keeping issues as discussed in this proceeding. Further, we believe it is in the ratepayer's best interests for the Company to keep its records in accord with NARUC USOA and Commission rules."

Page 9 line 14 DELETE:

"In future proceedings, if the Company again fails to produce adequate records demonstrating the cost of plant additions, it may be reasonable to consider a greater disallowance than that proposed by Staff in this case or a penalty for noncompliance with Commission rules and Orders. Staffs recommended adjustment to plant in service to reflect unsupported plant costs is reasonable and will be adopted."

DELETE, Page 31, line 24 through line 26 DELETE

AND REPLACE WITH:

Arizona Corporation Commission
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AUG 9 2010
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"After considering all the evidence presented, we find that the record is insufficient to support specific plant in service adjustments. Rather than estimating an appropriate adjustment and excluding plant costs from the Company's rate base, we believe it is appropriate to make adjustments to the authorized operating margin."

DELETE, Page 32 line 1 through Page 33 line 5.5

Page 51, line 1, DELETE:

"Therefore, in order to protect the Company's customers, we will adopt Staff's recommendation to authorize an operating margin of 10 percent for both its water and wastewater divisions."

AND REPLACE WITH:

"We believe that an operating margin of 10 percent is too generous and would be a windfall for the Company and results in unreasonably higher rates for its customers. On the other hand, no allowance for an operating margin (a margin set to zero) would reduce cash flow for contingencies, and could place the Company's customers in harms way. Accordingly, in weighing the interests of the Company and its customers we consider the range of possible operating margins between 10 percent and zero that could be authorized based upon this record. In our consideration, we also note the absence of existing equity investment by the Company.

In light of these factors and the record, we believe something less than a midpoint within the range is warranted when balancing the interests of the Company and its customers, and find that an operating margin of 3 percent for both its water and wastewater divisions is reasonable. Therefore, we determine a 3 percent operating margin for the water and wastewater divisions is appropriate and the public interest."

Page 51, line 7.5, DELETE:

"If, in the Company's next rate filing, the Company still has a negative rate base such that authorizing an operating margin in lieu of a rate of return calculation would be necessary in order to prevent operating losses, we will closely examine and give great consideration to the strength of the Company's efforts to improve its rate base prior to again using an operating margin to determine the revenue requirement."

Page 51, line 15.5, DELETE:

"The adjusted test year operating income for the water division was $1,403,853. A 10 percent operating margin for the Company's water division results in operating income of $1,307,438. Based on our findings herein, we determine that the Company's gross revenue for its water division should decrease by $98,522."

AND REPLACE WITH:

"The adjusted test year operating income for the water division was $2,321,700. A 3 percent operating margin for the Company's water division results in operating income of $334,263. Based on our findings herein, we determine that the Company's gross revenue for its water division should decrease by $2,030,805."

Page 51, line 21.5, DELETE:

"A 10 percent operating margin for the Company's wastewater division results in operating income of $1,045,913. Based on our findings herein, we determine that the revenues for the Company's wastewater division should decrease by $895,100.

AND REPLACE WITH:

"A 3 percent operating margin for the Company's wastewater division results in operating income of $290,610. Based on our findings herein, we determine that the revenues for the Company's wastewater division should decrease by $1,667,019."

Make all conforming changes necessary including in the Findings of Fact, Conclusions of Law and Ordering Paragraphs to carry out these changes in the ROO.

* Mayes Proposed Amendments #3, #4 and #5 are alternative proposals.