NEW APPLICATION
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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY, AN ARIZONA CORPORATION, FOR (i) A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND (ii) AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02500A-10-____

W-02500A-10-0382

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P.O. Box 1448
Tubac, Arizona 85646
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APPLICATION

Goodman Water Company ("GWC" or the "Company"), by and through the undersigned counsel, hereby applies for an order (i) determining the fair value of its plant and property used for the provision of public water utility service; and, (ii) based on such finding, approving permanent rates and charges for such utility service designed to produce a fair return thereon. In support of this Application the Company states as follows:

1. GWC is a corporation duly organized and existing under the law of the State of Arizona. Its principal place of business is 6340 N. Campbell, Suite 278, Tucson, Arizona, 85718 and its telephone number is 520-529-8217.

2. GWC is a public service corporation primarily engaged in the business of providing water utility services in its certificated area in portions of Pinal County, Arizona. During the test year, GWC served approximately 600 utility service connections.

3. The persons responsible for overseeing and directing the conduct of this rate application are Jackie Ziliox and the Company's rate consultant, Mr. Thomas J. Bourassa.

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Ms. Ziliox's mailing address is 6340 N. Campbell, Suite 278, Tucson, Arizona, 85718, her telephone number is 520-529-8217, extension 101, her telecopier number is 520-829-5012, and her email address is jackie@searsfinancial.net. Mr. Bourassa's mailing address is 139 W. Wood Drive, Phoenix, Arizona, his telephone number is 602-246-7150, his telecopier number is 602-246-1040, and his email address is tjb114@cox.net. **All discovery requests for information concerning the Application should be directed to Ms. Ziliox, including copies by email, and to Mr. Bourassa, with an additional copy to undersigned counsel for the Company, including by email to tubaclawyer@aol.com.**

4. The Company is presently providing services under the rates and charges authorized by the Commission in Decision No. 69404, dated April 16, 2007, using a test year of December 31, 2005.

5. GWC maintains the revenues from its utility operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property devoted to public water utility service. The Company has made significant plant investment since the last test year. Operating expenses have also increased. These changes since the test year in the prior proceeding have caused revenues produced by the current rates and charges to become inadequate to meet operating expenses and to provide a reasonable rate of return. Therefore, the Company requests that certain adjustments to its rates and charges for utility service be approved by the Commission so that the Company may recover its operating expenses and be given an opportunity to earn a just and reasonable rate of return on the fair value of its property. The Company agrees to use its original cost rate base as its fair value rate base in this proceeding in order to minimize disputes and to reduce rate case expense.

6. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-103 for rate applications by Class 'C" utilities. The test year utilized by the

Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2009. GWC requests the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal and more realistic relationship between revenues, expenses, and rate base during the period in which established rates in this proceeding are in effect.

7. During the test year, the Company's adjusted gross revenues were $572,751 from water utility service. The adjusted income (loss) was $73,568, leading to an operating deficiency of $179,120. The adjusted fair value rate base was $2,397,419. Thus, the rate of return on the Company's water operations during the test year was 3.07 percent.

8. The Company submits that the overall return to the Company is too low to allow it to pay reasonable dividends, maintain a sound credit rating, and/or enable GWC to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

9. The Company is requesting an increase in revenues equal to $291,083, an increase of 50.82 percent. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base of 10.54 percent.

10. Filed concurrently in support of this Application is the Direct testimony of Thomas J. Bourassa, in two separate volumes that collectively provide (i) an overview of the Company's rate filing, (ii) discussion of the revenue requirement, including the "A" through "F" schedules, (iii) development of the rate base and income statement adjustments, (iv) cost of equity capital and related issues, (v) proposed rates, including the "H" schedules, and (vi) a discussion of the proposed rates on customers' bills. The Company's "D" schedules, which concern the cost of capital, are attached the volume of Mr. Bourassa's testimony addressing cost of capital.

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WHEREFORE, GWC requests the following relief:

A. That the Commission, upon proper notice and at the earliest possible time, conduct a hearing in accordance with A.R.S. §40-251 and determine the fair value of GWC's utility plant and property devoted to providing water utility service.

B. Based upon such determination, that the Commission approve permanent adjustments to the rates and charges for water utility service provided by GWC, as proposed by the Company herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the fair value of the Company's utility plant and property; and

C. That the Commission authorize such other and further relief as may be appropriate to ensure that GWC has an opportunity to each a just and reasonable return on the fair value of its utility property as may otherwise be required under Arizona law.

RESPECTFULLY SUBMITTED this 17th day of September, 2010.

Lawrence V. Roberston Jr., Esq.

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ORIGINAL and thirteen (13) copies of the foregoing will be filed the 17th day of September, 2010 with Docket Control.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY, AN ARIZONA CORPORATION, FOR (i) A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND (ii) AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02500A -09-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

September 17, 2009

TABLE OF CONTENTS

I. INTRODUCTION, QUALIFICATIONS AND PURPOSE

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. WHAT IS YOUR PROFESSION AND 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. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A3. Yes. 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"). Attached is a summary of my regulatory work experience.

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

A4. I am testifying in this proceeding on behalf of the applicant, Goodman Water Company Water Company ("GWC" or the "Company"). GWC is seeking changes in its rates and charges for water utility service in its certificated service area, which area is located in Pinal County, Arizona.

Q5. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

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

For convenience, my direct testimony has been divided into two separate volumes, each with the relevant schedules attached, which are being filed separately in this case. In this volume of my direct testimony, I address the subjects of rate base, income statement (revenue and operating expenses), required increase in revenue, rate design and proposed rates and charges for water service. In that regard, Schedules A through C, E-F and H are attached to this portion of my direct testimony. GWC has not prepared a cost of service study. Consequently the G schedules are omitted.

In the second volume of my direct testimony, to which the D schedules are attached, I address cost of capital. GWC is requesting a return on common equity of 11.0 percent. As shown on Schedule D-1, GWC's capital structure for ratemaking purposes consists of 81.7 percent equity and 18.3 percent debt. The weighted cost of capital is 10.54 percent.

II. OVERVIEW OF GWC'S REQUEST FOR RATE RELIEF

Q6. PLEASE SUMMARIZE GWC'S APPLICATION.

A6. The test year used by GWC is the 12-month period ending December 31, 2009. GWC is requesting a 10.54 percent return on its fair value rate base ("FVRB"). GWC has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses and revenues. These pro forma adjustments are consistent with normal ratemaking 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.

GWC's proposed fair value rate base is $2,397,419. The increase in revenues to provide for recovery of operating expenses and a 10.54 percent return on rate base is approximately $291,083, an increase of approximately 50.82 percent over the adjusted and annualized test year revenues.

Q7. WHY IS GWC FILING FOR NEW RATES AT THIS TIME?

A7. GWC is not earning a fair return on the fair value of its water plant devoted to service. Adjusted operating expenses (excluding income taxes) have increased by nearly $154,000 since the last test year (over 48 percent higher), which was based on the 12 months ended September 30, 2005. On the other hand, revenues have increased by approximately $74,000, or about 14.8 percent over the revenue requirement authorized in the last rate case. So, expenses have significantly outpaced revenues and GWC's current rate of return, based on the adjusted test year data, is approximately 3.1 percent, well below the rate of return approved in its last rate case.

Q8. WHAT EXPENSES HAVE INCREASED THE MOST SINCE THE LAST TEST YEAR?

A8. The Company's proposed purchased power expense in the instant case is nearly $17,000 higher than the level included in operating expenses in the last rate case. The Company's proposed contractual services expense in the instant case is nearly $31,000 higher than the level included in operating expenses in the last rate case. The Company's proposed depreciation expense is nearly $99,000 greater in the instant case compared to the last rate case.[1]

[1] Since the last test year, GWC has made substantial investment in plant (nearly $3.1 million)

Q9. WHEN WERE GWC'S CURRENT RATE APPROVED?

A9. The Company's current water rates were approved in 2007 in Decision 69404 (April 16, 2007).

III. SUMMARY OF SCHEDULES

A. Summary of A, E and F Schedules.

Q10. MR. BOURASSA, LET'S TURN TO GWC'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 revenues. A 10.54 percent return on FVRB is requested. The increase in the revenue requirement is $291,083. 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 GWC's capital structure for the test year and the two prior years.

Schedule A-4 contains plant construction, and plant-in-service for the test year and prior years. The projected plant additions (none) are also shown on this schedule.

Schedule A-5 is the summary of GWC'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 GWC's actual operating results, as reported by GWC in annual reports filed with the Commission. The E-1 Schedule contains

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necessary to serve water customers.

the comparative balance sheet data for the years 2007, 2008, and 2009 ending on September 30.

Schedule E-2, page 1, contains the income statement for the years 2007, 2008, and 2009 ending on September 30.

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

Schedule E-4 provides the changes in stockholder equity.

Schedule E-5 contains GWC'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 2007, 2008, and 2009 ending on September 30.

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. GWC 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-3 shows GWC's projected construction requirements (none) for 2010.

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

B. Rate Base (B Schedules).

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

A11. Yes. I will start with Schedule B-5, which is the working capital allowance. I used the "formula method" of computing the working capital allowance to reduce costs. However, GWC is not requesting a working capital allowance.

Q12. THANK YOU. PLEASE CONTINUE.

A12. GWC did not file Schedules B-3 and B-4. To limit issues in dispute and further reduce rate case expense, GWC is requesting that its original cost rate base ("OCRB") be used as its FVRB.

Q13. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO GWC'S ORIGINAL COST RATE BASE?

A13. Yes. Schedule B-2 shows adjustments to the OCRB cost rate base proposed by GWC. Schedule B-2, pages 2 through 5, provides the supporting information. These adjustments are, in summary:

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service. There is one plant-in-service adjustment included in Adjustment 1. The detail of this adjustment is shown on Schedule B-2, page 3, and is labeled as adjustment "A".

Adjustment A of B-2 adjustment number 1 increases plant-in-service for capitalized plant from the last rate case which the Company inadvertently did not record.

Q14. PLEASE CONTINUE.

A14. Adjustment 2 shown on Schedule B-2, page 2, adjusts accumulated depreciation to the re-computed balance. The details of the accumulated depreciation adjustment

are shown on Schedule B-2, page 4. There is one adjustment shown on this schedule and it is labeled as adjustment "A".

Adjustment A of B-2 adjustment 2 reflects the re-computed amounts per GWC's B-2 plant schedule.

Q15. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON B-2 REFLECT THE LAST COMMISSION RATE ORDER?

A15. Yes. A reconciliation of the starting balances for plant-in-service in the instant case is shown on Schedule B-2, page 3.7.

For accumulated depreciation, a reconciliation of the starting balances for accumulated depreciation in the instant case is shown on Schedule B-2, page 3.8.

The plant shown on Schedule B-2 started with the plant-in-service balances approved in Decision No. 69404 (April 16, 2007) which established the starting values of plant-in-service. Plant additions and retirements have been added to and deducted from total plant shown on Schedule B-2, pages 3.1 to 3.6. Pages 3.1 to 3.6 of the schedule also show the details for the accumulated depreciation through the end of the test year using the half-year convention for depreciation.

Q16. WHAT DEPRECIATION RATES DID YOU EMPLOY?

A16. The same rates used in the last rate case decision.[2] These are based on Staff's typical and customary depreciation rates.

Q17. THANK YOU. PLEASE CONTINUE.

A17. B-2 adjustment number 3, adjusts accumulated deferred income taxes ("ADIT") to reflect the temporary timing differences between the book and tax income taxes through the end of the test year. The detail of GWC's proposed ADIT adjustments can be found on Schedule B-2, page 5.

[2] *See* Decision 67455 at 11.

Q18. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON A-1 DETERMINED?

A18. As previously stated in my response to Question 12 for the reason there indicated, the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the current values of GWC's plant and property.

C. <u>Income Statement (C Schedules).</u>

Q19. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A19. The following is a summary of adjustments shown on Schedule C-1:

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 approved in GWC's last rate case were account specific rates. GWC proposes to continue to use these rates.

Adjustment 2 increases the property taxes based on proposed revenues. GWC 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. GWC has proposed a two-year reduction in the assessment ratio or a reduction from the 22 percent employed for the 2009 property tax year to 20 percent for 2011 property tax year.

Q20. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED RATES?

A20. 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 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 ending September 30, 2009, 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 determine adjusted property tax expense.

Q21. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?

A21. Yes. See *Chaparral City Water Company*, Decision No. 68176 (September 30, 2005) at 13, *Rio Rico Utilities Inc.*, Decision No. 67279 (October 5, 2004), *Bella Vista Water Co., Inc.*, Decision No. 65350 (November 2, 2001).

Q22. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH REVENUES PROPER RATE MAKING?

A22. Yes. Like income taxes, property taxes must be adjusted to ensure that the new rates are sufficient to produce the revenue requirement. 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.

Q23. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A23. Adjustment 3 shows estimated rate case expense of $80,000 amortized over 4 years, or $20,000 annually.

Q24. HOW DID YOU ARRIVE AT THESE AMOUNTS?

A24. I estimated $80,000 for a GWC rate case based on my experience with rate cases before the Commission, and that of GWC's current rate case counsel.

Q25. PLEASE EXPLAIN WHY YOU REFER TO THESE AMOUNTS AS "ESTIMATES"?

A25. Because I can't precisely see the future, I can only make some estimates based on my experience. The specifics of who may intervene, what unique issues may come into dispute, what kind of procedural problems we will encounter, and what else

will occur during the proceeding, I cannot predict. I know rate cases are lengthy and expensive, but I still have to start with an estimate. If things turn out more complicated than currently anticipated, GWC will modify its request to account for that increased expense. Conversely, if the case proceeds and rate case expense is lower than expected, we would make an appropriate adjustment downward.

Q26. WHAT AMORTIZATION PERIOD ARE YOU RECOMMENDING?

A26. GWC proposes that rate case expense be recovered over four years because it believes a four-year cycle for future rate cases is reasonable for GWC given this utility's circumstances. The current rates for GWC were established approximately 3 years ago and GWC intends to continue to file cases on a regular basis moving forward.

Q27. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS?

A27. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is 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 5 removes sales tax expense recorded to expense during the test year. Sales tax expense is a flow-through to customers and should not be reflected in operating expenses.

Adjustment 6 removes other non-utility income and expense to eliminate their impact on income taxes.

Adjustment 7 increases purchased power expenses to reflect increases in purchased power as a result of a rate increase granted to Trico Electric Co-Operative in August 2009.

Adjustment 8 annualizes purchased power expense based on the additional gallons sold from annualizing revenues to the year-end number of customers in Adjustment 4, above. This adjustment also reflects the increase in purchased power from Adjustment 7, above. This adjustment is intended to match the additional expense associated with the revenue annualization.

Adjustment 9 removes the costs for CHW2, Inc. (Chris Hill) from contractual services because of a change made to contracted operations during the test year. Smyth Industries currently provides the services previously provided by CHW2.

Adjustment 10 removes the cost of YL Technology and replaces the cost with the annualized cost of Smyth Industries because of a change made to contracted operations during the test year. Smyth Industries currently provides the services previously provided by YL technology.

Adjustment 11 increases salaries and wages for known and measurable changes to this expense.

Adjustment 12 increases contractual services for known and measurable changes to this expense.

Adjustment 13 increases office expense for known and measurable changes to credit card processing fees.

Adjustment 14 synchronizes interest expense with rate base.

Adjustment 15 reflects income taxes on taxable income based on the tax rate under proposed revenues.

D. Rate Design (H Schedules).

Q28. WHAT ARE GWC'S PRESENT RATES FOR WATER SERVICE?

A28. GWC's present rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	$42.20
3/4" Meters	$63.30
1" Meters	$105.50
1 1/2" Meters	$211.50
2" Meters	$339.68
3" Meter	$675.20
4" Meters	$1055.00
6" Meter	$2110.00
Standpipe	$0.00

COMMODITY RATES

5/8" x 3/4" meters	0 to 4,000 gals	$ 3.95
	4,001 to 9,000 gals	$ 5.91
	Over 9,000 gals	$ 7.11
3/4" meters	0 to 4,000 gals	$ 3.95
	4,001 to 9,000 gals	$ 5.91
	Over 9,000 gals	$ 7.11
1" meters	0 to 22,500 gals	$ 5.91
	Over 22,500 gals	$ 7.11
1-1/2" meters	0 to 34,000 gals	$ 5.91
	Over 34,000 gals	$ 7.11
2" meters	0 to 45,000 gals	$ 5.91
	Over 45,000 gals	$ 7.11

	3" meters	0 to 68,000 gals	$ 5.91
		Over 68,000 gals	$ 7.11
	4" meters	0 to 90,000 gals	$ 5.91
		Over 90,000 gals	$ 7.11
	6" meters	0 to 135,000 gals	$ 5.91
		Over 135,000 gals	$ 7.11
	Standpipe	All gallons	$ 7.11

Q29. WHAT ARE GWC'S PROPOSED RATES FOR WATER SERVICE?

A29. GWC's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	$56.97
3/4" Meters	$85.46
1" Meters	$142.43
1 1/2" Meters	$284.85
2" Meters	$455.76
3" Meter	$911.52
4" Meters	$1424.25
6" Meter	$2848.50
Standpipe	$0.00

<u>COMMODITY RATES</u>

5/8" x 3/4" meters	0 to 4,000 gals	$ 6.80
	4,001 to 9,000 gals	$10.92
	Over 9,000 gals	$13.13
3/4" meters	0 to 4,000 gals	$ 6.80
	4,001 to 9,000 gals	$10.92
	Over 9,000 gals	$13.13

1" meters	0 to 22,500 gals	$10.92
	Over 22,500 gals	$13.13
1-1/2" meters	0 to 34,000 gals	$10.92
	Over 34,000 gals	$13.13
2" meters	0 to 45,000 gals	$10.92
	Over 45,000 gals	$13.13
3" meters	0 to 68,000 gals	$10.92
	Over 68,000 gals	$13.13
4" meters	0 to 90,000 gals	$10.92
	Over 90,000 gals	$13.13
6" meters	0 to 135,000 gals	$10.92
	Over 135,000 gals	$13.13
Standpipe	All gallons	$13.13

Q30. WHAT METER SIZE ARE THE MAJORITY OF CUSTOMERS ON AND WHAT WAS THE AVERAGE MONTHLY BILL DURING THE TEST YEAR ?

A30. The largest customer class is the 5/8x3/4 inch residential class comprising over 86 percent of the customer base and providing over 76.5 percent of revenues. As shown on Schedule H-2, page 1, the average monthly bill under present rates for a 5/8x3/4 inch residential customer using an average 5,477 gallons is $66.73.

Q31. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?

A31. As shown on Schedule H-2, page 2, the average monthly bill under proposed rates for a 5/8x3/4 inch customer using an average 5,477 gallons is $102.19 – a $35.46 increase over the present monthly bill or a 53.14 percent increase.

Q32. IS GWC'S RATE DESIGN A CONSERVATION ORIENTED RATE DESIGN?

A32. Yes. Inverted tier rate designs are conservation oriented. The smaller meters (5/8x3/4" and 3/4") are on an inverted three-tier rate design and all other meter sizes and classes are on an inverted two-tier design.

Q33. IS GWC PROPOSING ANY CHANGES TO ITS METER AND SERVICE LINE INSTALLATION CHARGES?

A33. Yes. As shown on Schedule H-3, page 4, GWC is proposing meter and service line installation charges be based on typical costs as set forth in a Staff Engineering memo dated February 21, 2008.

Q34. IS GWC PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES?

A34. Yes. The Company is proposing a tariff for moving a customer meter at the customer's request. In addition, the Company so proposing a charge for the turning on and off water service at a customer's request. There are no other proposed changes.

Q35. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A35. Yes.

Goodman Water Company
Docket No. W-02500A-09-___

September 17, 2010

Bourassa Work Summary

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)
Continuing Professional Education – In areas of tax, accounting, management, economics, finance, ethics (80 hrs every two years)

MEMBERSHIPS

Arizona Society of CPAs
Water Utilities Association of Arizona
American Water Works Association
Society of Regulatory Financial Analysts

EMPLOYMENT EXPERIENCE

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews. Litigation support services.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager
1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.

1981-1982	Employed by Purdue University, West Lafayette, Indiana as Teaching Assistant.

SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED CONSULTANT

COMPANY/CLIENT	FUNCTION
Las Quintas Serenas Water Company Docket W-01583A-09-0589	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Coronado Utilities Docket SW-04305A-09-0291	Permanent Rate Application – Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Little Park Water Company Docket W-02192A-09-0531	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Sahuarita Water Company Docket W-03718A-09-0359	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Bella Vista Water Company Southern Sunrise Water Company Northern Sunrise Water Company Docket W-02465A-09-0414 W-02453A-09-0414 W-02454A-09-0414	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Rio Rico Utilities, Inc Docket WS-02676A-09-0257	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Litchfield park Service Company Docket SW-01428A-09-0103 W-01428A-09-0104	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

COMPANY/CLIENT	FUNCTION
Valencia Water Company Before the California Public Utility Commission 09-05-002	Cost of Capital
Valley Utilities Docket W-01412A-08-0586	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Black Mountain Sewer Company Docket SW-02361A-08-0609	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Far West Water and Sewer Company Docket WS-03478A-08-0608	Interim Rate Application (Emergency Rates)
Farmers Water Company Docket W-01654A-08-0502	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Far West Water and Sewer Company Docket WS-03478A-08-0454	Permanent Rate Application. Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.
Far West Water and Sewer Company Docket WS-03478A-07-0442	Financing Application. Prepare schedules to support application.
Ridgeline Water Company, LLC Docket W-20589A-08-173	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Sacramento Utilities, Inc. Docket SW-20576A-08-0067	Certificate of Convenience and Necessity – Wastewater. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Johnson Utilities Docket WS-02987A-08-0180	Permanent Rate Application. Water and Sewer. Prepared schedules and testified

COMPANY/CLIENT	FUNCTION
	on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.
Orange Grove Water Company Docket W-02237A-08-0455	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Oak Creek Water No.1 Docket W-01392A-07-0679	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
ICR Water Users Association Docket W-02824-07-0388	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
H2O, Inc Docket W-02234A-07-0550	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Chaparral City Water Company Docket W-02113A-07-0551	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Valley Utilities Docket W-01412A-07-0561	Financing Application. Prepare schedules to support application.
Valley Utilities Docket W-01412A-07-280	Emergency Rate Application. Prepare schedules to support application.
Valley Utilities Docket W-01412A-07-0278	Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.
Litchfield Park Service Company Docket W-01427A-06-0807	Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and

COMPANY/CLIENT	FUNCTION
	treatment.
Golden Shores Water Company Docket W-01815A-07-0117	Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Diablo Village Water Company Docket W-02309A-07-0140	Off-site facilities hook-up fee application. Prepare schedules to support application.
Diablo Village Water Company Docket W-02309A-07-0399	Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Sahuarita Water Company (Rancho Sahuarita Water Co.) Docket W-03718A-07-0687	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Utility Source, L.L.C. Docket WS-04235A-06-0303	Permanent Rate Application- Water and Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Goodman Water Company Docket W-02500A-06-0281	Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Cost of Capital.
Links at Coyote Wash Utilities Docket SW-04210A-06-0220	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
New River Utilities Docket W-0173A-06-0171	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

COMPANY/CLIENT	FUNCTION
Johnson Utilities Docket WS-02987A-04-0501 Docket WS-02987A-04-0177	Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Bachmann Springs Utility Docket WS-03953A-07-0073	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Avra Water Cooperative Docket W-02126A-06-0234	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Gold Canyon Sewer Company Docket SW-025191A-06-0015	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Far West Water and Sewer Company Docket WS-03478A-05-0801	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Black Mountain Sewer Company Docket SW-02361A-05-0657	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Balterra Sewer Company Docket SW-02304A-05-0586	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Community Water Company of Green Valley Docket W-02304A-05-0830	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

COMPANY/CLIENT	FUNCTION
McClain Water Systems Northern Sunrise Water Southern Sunrise Water Docket W-020453A-06-0251	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Valley Utilities Water Company Docket W-01412A-04-0376	Off-site facilities hook-up fee application. Prepare schedules to support application.
Valley Utilities Water Company Docket W-01412A-04-0376	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Beardsley Water Company Docket W-02074A-04-0358	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Pine Water Company, Inc. Docket W-03512A-03-0279	Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.
Chaparral City Water Company Docket W-02113A-04-0616	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.
Tierra Linda Home Owners Association Docket W-0423A-04-0075	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Diamond Ventures - Red Rock Utilities Docket WS-04245A-04-0184	Certificate of Convenience and Necessity – Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT	FUNCTION
Arizona-American Water Company, Inc. Docket WS-01303A-02-0867 Docket WS-01303A-02-0868 Docket WS-01303A-02-0869 Docket WS-01303A-02-0870 Docket WS-01303A-02-0908	Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Bella Vista Water Company, Inc. Docket W-02465A-01-0776	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Green Valley Water Company Docket (2000 Not Filed)	Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Gold Canyon Sewer Company Docket SW-02519A-00-0638	Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Rio Verde Utilities, Inc. Docket WS-02156A-00-0321	Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Livco Water Company Livco Sewer Company Docket SW-02563A-05-0820	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Livco Water Company Docket SW-02563A-07-0506	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

COMPANY/CLIENT	FUNCTION
Cave Creek Sewer Company	Revenue Requirement, Rate Adjustment and Rate Design - Sewer.
Avra Water Cooperative Docket W-02126A-00-0269	Permanent Rate Application – Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Town of Oro Valley	Revenue Requirements, Water Rate Adjustments and Rate Design.
Far West Water Company Docket WS-03478A-99-0144	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.
MHC Operating Limited Partnership Sedona Venture Wastewater Docket W-	Permanent Rate Application – Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Vail Water Company Docket W-01651B-99-0406	Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
E&T Water Company Docket W-01409A-95-0440	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
New River Utility Docket W-01737A-99-0633	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Golden Shores Water Docket W-01815A-98-0645	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Ponderosa Utility Company Docket W-01717A-99-0572	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

COMPANY/CLIENT	FUNCTION
Chaparral City Water Company Docket (1999 Not Filed)	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Goodman Water Company
Docket No. W-02500A-09-___

September 17, 2010

WATER USE DATA
PLANT INVENTORY

WATER USE DATA SHEET

NAME OF COMPANY	Goodman Water Company
ADEQ Public Water System Number:	111130

MONTH/YEAR 2 Months of Test Yea	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	Gallons Purchased (Thousands)
Jan-09	610	3,057	3,927	-
Feb-09	613	2,973	3,508	-
Mar-09	619	3,413	3,804	-
Apr-09	619	3,579	4,012	-
May-09	622	4,186	4,948	-
Jun-09	617	4,081	3,707	-
Jul-09	609	4,181	4,343	-
Aug-09	612	4,133	4,186	-
Sep-09	609	3,582	3,683	-
Oct-09	610	4,350	4,919	-
Nov-09	636	4,005	5,156	-
Dec-09	621	2,503	2,470	-
Total	N/A	44,043	48,663	-

What is the level of arsenic for each well in your system? <0.001 mg/l

If system has fire hydrants, what is the fire flow requirement?
1,000-1,500 **GPM for** 2 **Hours**

If system has chlorination treatment, does this system chlorinate continously?

(YES) **NO**

Is the Water Utility located in an Active Management Area ("AMA")?

(YES) **NO**

Does the Company have a Gallons Per Capita Day ("GPCD") requirement?

YES (NO)

If Yes, please provide the GPCD amount: N/A

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

COMPANY NAME	Goodman Water Company
Name of System:	ADEQ Public Water System Number: 11130

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-610541	75	440	700	12	8	1982
55-595228	100	800	618	16	8	2004

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5HP	2	67	
10HP	1		
20HP	3		
30HP	2		
40HP	2		
50HP	2		
75HP	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
400,000	1	5,000	5
530,000	1		

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

COMPANY NAME	Goodman Water Company
Name of System:	ADEQ Public Water System Number: 111130

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3	PVC	950
4		
5		
6	PVC	4,012
8	PVC	19,108
10		
12	PVC	17,627
12	DIP	208

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	543
3/4	92
1	6
1 1/2	1
2	5
Comp. 3	
Turbo 3	1
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

Continuous Chlorinators

STRUCTURES:

Shed and Enclosures for chlorinators

OTHER:

Telemetry System, SCADA System

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

Goodman Water Company
Docket No. W-02500A -09-_____

THOMAS J. BOURASSA
DIRECT TESTIMONY
(RATE BASE, INCOME STATEMENT, AND RATE DESIGN)
September 17, 2010

SCHEDULES

Goodman Water Company
Test Year Ended December 31, 2009
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	2,397,419
2			
3	Adjusted Operating Income		73,568
4			
5	Current Rate of Return		3.07%
6			
7	Required Operating Income	$	252,688
8			
9	Required Rate of Return on Fair Value Rate Base		10.54%
10			
11	Operating Income Deficiency	$	179,120
12			
13	Gross Revenue Conversion Factor		1.6251
14			
15	Increase in Gross Revenue		
16	Requirement	$	291,083
17			
18	Adjusted Test Year Revenues	$	572,751
19	Increase in Gross Revenue Revenue Requirement	$	291,083
20	Proposed Revenue Requirement	$	863,834
21	% Increase		50.82%
22			

23	**Customer**		**Present**	**Proposed**	**Dollar**	**Percent**
24	**Classification**		**Rates**	**Rates**	**Increase**	**Increase**
25	**(Residential Commercial, Irrigation)**					
26	5/8x3/4 Inch	Residential	$ 438,217	$ 665,007	$ 226,790	51.75%
27	3/4 Inch	Residential	88,623	133,504	44,881	50.64%
28	1 Inch	Residential	6,812	10,223	3,410	50.06%
29						
30	1 Inch	Commercial	$ 13,599	$ 23,754	10,155	74.67%
31	1 1/2 Inch	Commercial	458	635	177	38.55%
32	2 Inch	Commercial	14,440	23,409	8,969	62.12%
33						
34	Construction/Standpipe		$ 3,456	$ 6,382	2,927	84.70%
35						
36	Revenue Annualization		$ (7,359)	$ (12,778)	(5,420)	73.65%
37						
38	**Subtotal**		$ 558,246	$ 850,136	$ 291,890	52.29%
39						
40	Other Water Revenues		13,738	13,738	-	0.00%
41	Reconciling Amount		767	(40)	(807)	-105.22%
42					-	0.00%
43	**Total of Water Revenues**		$ 572,751	$ 863,834	$ 291,083	50.82%
44						

45		
46	SUPPORTING SCHEDULES:	
47	B-1	
48	C-1	
49	C-3	
50	H-1	

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2007	Prior Years Ended 12/31/2008	Test Year Actual 12/31/2009	Test Year Adjusted 12/31/2009	Projected Year Present Rates 12/31/2010	Projected Year Proposed Rates 12/31/2010
1	Gross Revenues	$ 505,418	$ 562,822	$ 580,110	$ 572,751	$ 572,751	$ 863,834
2							
3	Revenue Deductions and	384,001	524,837	532,638	499,184	499,184	611,146
4	Operating Expenses						
5							
6	Operating Income	$ 121,417	$ 37,985	$ 47,472	$ 73,568	$ 73,568	$ 252,688
7							
8	Other Income and	6,323	6,034	1,438	-	-	-
9	Deductions						
10							
11	Interest Expense	(152)	(41,877)	(46,091)	(37,341)	(37,341)	(37,341)
12							
13	Net Income	$ 127,588	$ 2,142	$ 2,819	$ 36,227	$ 36,227	$ 215,347
14							
15	Earned Per Average						
16	Common Share	0.28	0.00	0.01	0.08	0.08	0.47
17							
18	Dividends Per						
19	Common Share	-	-	-	0.20	0.31	0.31
20							
21	Payout Ratio	-	-	-	2.48	3.99	0.67
22							
23	Return on Average						
24	Invested Capital	4.05%	0.05%	0.06%	0.69%	0.71%	4.25%
25							
26	Return on Year End						
27	Capital	3.38%	0.04%	0.06%	0.69%	0.74%	4.41%
28							
29	Return on Average						
30	Common Equity	8.00%	0.11%	0.13%	1.58%	1.65%	9.41%
31							
32	Return on Year End						
33	Common Equity	7.45%	0.09%	0.13%	1.57%	1.63%	8.99%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	928.67	2.76	2.65	2.58	2.58	10.37
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	811.03	0.91	1.03	1.31	1.31	6.77
41							
42							
43	SUPPORTING SCHEDULES						
44	C-1						
45	E-2						
46	F-1						

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2007	Prior Years Ended 12/31/2008	Test Year 12/31/2009	Projected Year 12/31/2010
1					
2					
3	Short-Term Debt	-	-	-	-
3					
4	Long-Term Debt	-	592,954	507,451	495,102
5					
6	Total Debt	$ -	$ 592,954	$ 507,451	$ 495,102
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	1,712,464	2,267,615	2,180,436	2,395,783
12					
13					
14	Total Capital & Debt	$ 1,712,464	$ 2,860,569	$ 2,687,887	$ 2,890,886
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	20.73%	18.88%	17.13%
20					
21	Total Debt	0.00%	20.73%	18.88%	17.13%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	79.27%	81.12%	82.87%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	1.76%	1.60%	1.46%
34					
35					
36					
37					
38					
39					
40	SUPPORTING SCHEDULES:				
41	E-1				
42	D-1				

Goodman Water Company
Test Year Ended December 31, 2009
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 12/31/2007	-	(6,580)	3,665,491
5				
6	Prior Year Ended 12/31/2008	1,737,362	1,737,362	5,402,853
7				
8	Test Year Ended 12/31/2009	29,427	29,427	5,432,281
9				
10	Projected Year Ended 12/31/2010	-	-	5,432,281
11				
12				
13				
14				
15	SUPPORTING SCHEDULES:			
16	B-2			
17	E-5			
18	F-3			
19				
20				

Goodman Water Company
Test Year Ended December 31, 2009
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2008	Test Year Ended 12/31/2009	Projected Year Present Rates 12/31/2010	Projected Year Proposed Rates 12/31/2010
1						
2						
3						
4						
5	Cash Flows from Operating Activities					
6	Net Income	$ 127,588	$ 2,142	$ 2,819	$ 36,227	$ 215,347
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	136,134	215,903	228,578	228,403	228,403
10	Deferred Income Taxes	-	-	-		
11	Other -Adjustments	(875)	4	-		
12	Changes in Certain Assets and Liabilities:	-	-	-		
13	Accounts Receivable	(36,541)	653	(4,557)		
14	Unbilled Revenues	-	-	-		
15	Materials and Supplies Inventory	-	-	-		
16	Prepaid Expenses	(23,233)	23,233	(3,149)		
17	Deferred Charges	-	-	-		
18	Accounts Payable	73,273	(63,129)	(8,285)		
19	Intercompany payable	-	74,238	(74,238)		
20	Customer Deposits	14,851	263	10,175		
21	Interco taxes receivable and taxes payable	400	47,534	(27,591)		
22	Other assets and liabilities	(65,324)	(87,629)	96,938		
23						
24	Net Cash Flow provided by Operating Activities	$ 226,273	$ 213,212	$ 220,690	$ 264,630	$ 443,750
25	Cash Flow From Investing Activities:					
26	Capital Expenditures	(977,249)	(1,737,370)	(29,399)	-	-
27	Plant Held for Future Use	-	-	-		
28	Changes in debt reserve fund	-	-	-		
29	Net Cash Flows from Investing Activities	$ (977,249)	$ (1,737,370)	$ (29,399)	$ -	$ -
30	Cash Flow From Financing Activities					
31	Change in Restricted Cash	-	-	-		
32	Change in net amounts due to parent and affiliates	-	518,715	-		
33	net receipt of contributions in aid of construction	849,647	264,172	(45,589)	(45,589)	(45,589)
34	Net receipt of advances for construction	-	-	-	-	-
35	Repayments of Long-Term Debt	-	-	(11,264)	(12,349)	(12,349)
36	Dividends Paid	-	-	(90,000)	(90,000)	(90,000)
37	Deferred Financing Costs	-	-	-	-	-
38	Paid in Capital	-	534,193	-	-	-
39	Net Cash Flows Provided by Financing Activities	$ 849,647	$ 1,317,080	$ (146,853)	$ (147,938)	$ (147,938)
40	Increase(decrease) in Cash and Cash Equivalents	98,671	(207,078)	44,438	116,692	295,813
41	Cash and Cash Equivalents at Beginning of Year	181,605	280,276	73,198	117,637	117,637
42	Cash and Cash Equivalents at End of Year	$ 280,276	$ 73,198	$ 117,637	$ 234,329	$ 413,449
43	SUPPORTING SCHEDULES:					
44	E-3					
45	F-2					

Goodman Water Company
Test Year Ended December 31, 2009
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	$ 5,460,341	$ 5,460,341
3	Less: Accumulated Depreciation	745,663	745,663
4			
5	Net Utility Plant in Service	$ 4,714,678	$ 4,714,678
6			
7	Less:		
8	Advances in Aid of		
9	Construction	2,101,905	2,101,905
10	Contributions in Aid of		
11	Construction - Net of amortization	-	-
12	Customer Meter Deposits	83,087	83,087
13	Deferred Income Taxes & Credits	132,267	132,267
14	Investment tax Credits	-	-
15			
16			
17	Plus:		
18	Unamortized Finance		
19	Charges	-	-
20	Deferred Tax Assets	-	-
21	Allowance for Working Capital	-	-
22			
23			
24	Total Rate Base	$ 2,397,419	$ 2,397,419
25			
26			
27			
28	SUPPORTING SCHEDULES:		
29	B-2		
30	B-3		
31	B-5		
32	E-1		
33			

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	roforma Adjustme Amount	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 5,432,261	28,080	$ 5,460,341
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	799,034	(53,371)	745,663
7				
8				
9	Net Utility Plant			
10	in Service	$ 4,633,227		$ 4,714,678
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	2,101,905	-	2,101,905
15				
16	Contributions in Aid of			
17	Construction - Net	-	-	-
18				
19	Service Line and Meter Installation Chgs	83,087		83,087
20	Accumulated Deferred Income Tax	-	132,267	132,267
21				-
22				-
23				
24	**Plus:**			
25	Unamortized Finance			
26	Charges	-		-
27	Prepayments	-		-
28	Materials and Supplies	-		-
29	Working capital	-	-	-
30				-
31				
32	Total	$ 2,448,235		$ 2,397,419
33				
34				
35				
36	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
37	B-2, pages 2			B-1
38	E-1			
39				
40				
41				
42				
43				
44				
45				

Goodman Water Company
Test Year Ended December 31, 2009
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-in-Service	2 Accumulated Depreciation	3 Accumulated Deferred Income Taxes	4 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility						
2	Plant in Service	$ 5,432,261	28,080				$ 5,460,341
3							
4	**Less:**						
5	Accumulated						
6	Depreciation	799,034		(53,371)			745,663
7							
8							
9	Net Utility Plant						
10	in Service	$ 4,633,227	$ 28,080	$ 53,371	$ -	$ -	$ 4,714,678
11							
12	**Less:**						
13	Advances in Aid of						
14	Construction	2,101,905					2,101,905
15							
16	Contributions in Aid of						
17	Construction (CIAC)	-					-
18							
19	Accumulated Amort of CIAC	-					-
20							
21	Service Line and Installaion Chgs	83,087					83,087
22	Accumulated Deferred Income Taxes	-			132,267		132,267
23							
24							
25	**Plus:**						
26	Unamortized Finance						
27	Charges	-					-
28	Prepayments	-					
29	Materials and Supplies	-					
30	Allowance for Cash Working Capital	-					-
31							
32	Total	$ 2,448,235	$ 28,080	$ 53,371	$ (132,267)	$ -	$ 2,397,419
33							
34							
35							
36	SUPPORTING SCHEDULES:						
37	B-2, pages 3-5						
38	E-1						

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Line No.	Acct. No.	Description	Actual Orginal Cost	Adjustments A Adjustments to Reconcile To Prior Rate Case	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	Adjusted Original Cost
1	*Plant-in-Service*							
5	301	Organization Cost	127,103	-				127,103
6	302	Franchise Cost	-	-				-
7	303	Land and Land Rights	494,159	-				494,159
8	304	Structures and Improvements	182,570	-				182,570
9	305	Collecting and Impounding Res.	-	-				-
10	306	Lake River and Other Intakes	-	-				-
11	307	Wells and Springs	386,591	-				386,591
12	308	Infiltration Galleries and Tunnels	-	-				-
13	309	Supply Mains	-	-				-
14	310	Power Generation Equipment	-	-				-
15	311	Electric Pumping Equipment	968,652	-				968,652
16	320	Water Treatment Equipment	15,947	-				15,947
17	320.1	Water Treatment Plant	-	-				-
18	320.2	Chemical Solution Feeders	-	-				-
19	330	Dist. Reservoirs & Standpipe	836,890	-				836,890
20	330.1	Storage tanks	-	-				-
21	330.2	Pressure Tanks	-	-				-
22	331	Trans. and Dist. Mains	1,593,995	17,325				1,611,321
23	333	Services	386,947	-				386,947
24	334	Meters	90,088	10,755				100,842
25	335	Hydrants	161,737	-				161,737
26	336	Backflow Prevention Devices	-	-				-
27	339	Other Plant and Misc. Equip.	187,582	-				187,582
28	340	Office Furniture and Fixtures	-	-				-
29	340.1	Computers and Software	-	-				-
30	341	Transportation Equipment	-	-				-
31	342	Stores Equipment	-	-				-
32	343	Tools and Work Equipment	-	-				-
33	344	Laboratory Equipment	-	-				-
34	345	Power Operated Equipment	-	-				-
35	346	Communications Equipment	-	-				-
36	347	Miscellaneous Equipment	-	-				-
37	348	Other Tangible Plant	-	-				-
38			-					-
39		TOTALS	$ 5,432,261	$ 28,080	$ -	$ -	$ -	$ 5,460,341
40								
41	Plant-in-Service per Books							$ 5,432,261
42								
43	Increase (decrease) in Plant-in-Service							$ 28,080
44								
45	Adjustment to Plant-in-Service							$ 28,080
46								
47	SUPPORTING SCHEDULES							
48	B-2, pages 3.1-3.8							

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.1
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007	Decision 69404 9/30/2005	Accum. Depr.	Oct-Dec 2005 Plant Additions	Oct-Dec 2005 Plant Adjustments	Oct-Dec 2005 Adjusted Plant Additions	Oct-Dec 2005 Plant Retirements	Dec 2005 Plant Balance	Oct-Dec 2005 Depr.
301	Organization Cost	0.00%	0.00%	104,528	-	1,500		1,500		106,028	-
302	Franchise Cost	0.00%	0.00%	-	-			-		-	-
303	Land and Land Rights	0.00%	0.00%	-	-			-		-	-
304	Structures and Improvements	2.50%	3.33%	9,788	306	1,276		1,276		11,064	65
305	Collecting and Impounding Res.	2.50%	2.50%	-	-			-		-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-			-		-	-
307	Wells and Springs	2.50%	3.33%	386,591	17,925			-		386,591	2,416
308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-			-		-	-
309	Supply Mains	2.50%	2.00%	-	-			-		-	-
310	Power Generation Equipment	2.50%	5.00%	-	-			-		-	-
311	Electric Pumping Equipment	2.50%	12.50%	686,993	35,041			-		686,993	4,294
320	Water Treatment Equipment	2.50%	3.33%	11,054	345			-		11,054	69
320.1	Water Treatment Plant	2.50%	3.33%	-	-			-		-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-			-		-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	294,460	15,489			-		294,460	1,840
330.1	Storage tanks	2.50%	2.22%	-	-			-		-	-
330.2	Pressure Tanks	2.50%	5.00%	-	-			-		-	-
331	Trans. and Dist. Mains	2.50%	2.00%	628,673	29,324	122,779		122,779		751,451	4,313
333	Services	2.50%	3.33%	129,274	5,679	17,266		17,266		146,540	862
334	Meters	2.50%	8.33%	67,497	2,310	270		270		67,767	423
335	Hydrants	2.50%	2.00%	46,955	2,090	36,220		36,220		83,174	407
336	Backflow Prevention Devices	2.50%	6.67%	-	-			-		-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	152,473		152,473		152,473	476
340	Office Furniture and Fixtures	2.50%	6.67%	-	-			-		-	-
340.1	Computers and Software	2.50%	20.00%	-	-			-		-	-
341	Transportation Equipment	2.50%	20.00%	-	-			-		-	-
342	Stores Equipment	2.50%	4.00%	-	-			-		-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-			-		-	-
344	Laboratory Equipment	2.50%	10.00%	-	-			-		-	-
345	Power Operated Equipment	2.50%	5.00%	-	-			-		-	-
346	Communications Equipment	2.50%	10.00%	-	-			-		-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-			-		-	-
348	Other Tangible Plant	2.50%	10.00%	-	-			-		-	-
	Rounding			2							
	TOTAL WATER PLANT			2,365,813	108,509	331,783	-	331,783	-	2,697,594	15,165

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007 Rate	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	0.00%	4,920		4,920		110,948	-
302	Franchise Cost	0.00%	0.00%			-		-	-
303	Land and Land Rights	0.00%	0.00%			-		-	-
304	Structures and Improvements	2.50%	3.33%			-		11,064	277
305	Collecting and Impounding Res.	2.50%	2.50%			-		-	-
306	Lake River and Other Intakes	2.50%	2.50%			-		-	-
307	Wells and Springs	2.50%	3.33%			-		386,591	9,665
308	Infiltration Galleries and Tunnels	2.50%	6.67%			-		-	-
309	Supply Mains	2.50%	2.00%			-		-	-
310	Power Generation Equipment	2.50%	5.00%			-		-	-
311	Electric Pumping Equipment	2.50%	12.50%			-		686,993	17,175
320	Water Treatment Equipment	2.50%	3.33%	266		266		11,319	280
320.1	Water Treatment Plant	2.50%	3.33%			-		-	-
320.2	Chemical Solution Feeders	2.50%	20.00%			-		-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%			-		294,460	7,361
330.1	Storage tanks	2.50%	2.22%			-		-	-
330.2	Pressure Tanks	2.50%	5.00%			-		-	-
331	Trans. and Dist. Mains	2.50%	2.00%			-		751,451	18,786
333	Services	2.50%	3.33%	3		3		146,543	3,664
334	Meters	2.50%	8.33%	270		270		68,037	1,698
335	Hydrants	2.50%	2.00%	5		5		83,180	2,079
336	Backflow Prevention Devices	2.50%	6.67%			-		-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	13,245		13,245		165,718	3,977
340	Office Furniture and Fixtures	2.50%	6.67%			-		-	-
340.1	Computers and Software	2.50%	20.00%			-		-	-
341	Transportation Equipment	2.50%	20.00%			-		-	-
342	Stores Equipment	2.50%	4.00%			-		-	-
343	Tools and Work Equipment	2.50%	5.00%			-		-	-
344	Laboratory Equipment	2.50%	10.00%			-		-	-
345	Power Operated Equipment	2.50%	5.00%			-		-	-
346	Communications Equipment	2.50%	10.00%			-		-	-
347	Miscellaneous Equipment	2.50%	10.00%			-		-	-
348	Other Tangible Plant	2.50%	10.00%			-		-	-
	Rounding								
	TOTAL WATER PLANT			18,709	-	18,709	-	2,716,303	64,962

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.3
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007	2007 Plant Additions	2007 Plant Adjustments	2007 Adjusted Plant Additions	2007 Plant Retirements	2007 Plant Balance	2007 Deprec.
301	Organization Cost	0.00%	0.00%	6,539		6,539		117,487	-
302	Franchise Cost	0.00%	0.00%			-		-	-
303	Land and Land Rights	0.00%	0.00%			-		-	-
304	Structures and Improvements	2.50%	3.33%			-		11,064	334
305	Collecting and Impounding Res.	2.50%	2.50%			-		-	-
306	Lake River and Other Intakes	2.50%	2.50%			-		-	-
307	Wells and Springs	2.50%	3.33%			-		386,591	11,670
308	Infiltration Galleries and Tunnels	2.50%	6.67%			-		-	-
309	Supply Mains	2.50%	2.00%			-		-	-
310	Power Generation Equipment	2.50%	5.00%			-		-	-
311	Electric Pumping Equipment	2.50%	12.50%	2,963		2,963		689,955	60,241
320	Water Treatment Equipment	2.50%	3.33%	4,628		4,628		15,947	412
320.1	Water Treatment Plant	2.50%	3.33%			-		-	-
320.2	Chemical Solution Feeders	2.50%	20.00%			-		-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	72,350		72,350		366,810	7,687
330.1	Storage tanks	2.50%	2.22%			-		-	-
330.2	Pressure Tanks	2.50%	5.00%			-		-	-
331	Trans. and Dist. Mains	2.50%	2.00%	685,094		685,094		1,436,546	23,931
333	Services	2.50%	3.33%	143,352		143,352		289,895	6,587
334	Meters	2.50%	8.33%	11,779		11,779	6,580	86,396	4,744
335	Hydrants	2.50%	2.00%	43,205		43,205		126,384	2,292
336	Backflow Prevention Devices	2.50%	6.67%			-		-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	759		759		166,477	8,481
340	Office Furniture and Fixtures	2.50%	6.67%			-		-	-
340.1	Computers and Software	2.50%	20.00%			-		-	-
341	Transportation Equipment	2.50%	20.00%			-		-	-
342	Stores Equipment	2.50%	4.00%			-		-	-
343	Tools and Work Equipment	2.50%	5.00%			-		-	-
344	Laboratory Equipment	2.50%	10.00%			-		-	-
345	Power Operated Equipment	2.50%	5.00%			-		-	-
346	Communications Equipment	2.50%	10.00%			-		-	-
347	Miscellaneous Equipment	2.50%	10.00%			-		-	-
348	Other Tangible Plant	2.50%	10.00%			-		-	-
	Rounding								
	TOTAL WATER PLANT			970,669	-	970,669	6,580	3,693,552	126,381

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007 Rate	2008 Plant Additions	2008 Plant Adjustments	2008 Adjusted Plant Additions	2008 Plant Retirements	2008 Plant Balance	2008 Deprec.
301	Organization Cost	0.00%	0.00%	9,616		9,616		127,103	-
302	Franchise Cost	0.00%	0.00%			-		-	-
303	Land and Land Rights	0.00%	0.00%	494,159		494,159		494,159	-
304	Structures and Improvements	2.50%	3.33%	171,506		171,506		182,570	3,224
305	Collecting and Impounding Res.	2.50%	2.50%			-		-	-
306	Lake River and Other Intakes	2.50%	2.50%			-		-	-
307	Wells and Springs	2.50%	3.33%			-		386,591	12,873
308	Infiltration Galleries and Tunnels	2.50%	6.67%			-		-	-
309	Supply Mains	2.50%	2.00%			-		-	-
310	Power Generation Equipment	2.50%	5.00%			-		-	-
311	Electric Pumping Equipment	2.50%	12.50%	275,541		275,541		965,496	103,466
320	Water Treatment Equipment	2.50%	3.33%			-		15,947	531
320.1	Water Treatment Plant	2.50%	3.33%			-		-	-
320.2	Chemical Solution Feeders	2.50%	20.00%			-		-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	470,081		470,081		836,890	13,361
330.1	Storage tanks	2.50%	2.22%			-		-	-
330.2	Pressure Tanks	2.50%	5.00%			-		-	-
331	Trans. and Dist. Mains	2.50%	2.00%	174,757		174,757		1,611,302	30,478
333	Services	2.50%	3.33%	97,051		97,051		386,947	11,269
334	Meters	2.50%	8.33%	9,299		9,299		95,695	7,584
335	Hydrants	2.50%	2.00%	35,352		35,352		161,737	2,881
336	Backflow Prevention Devices	2.50%	6.67%			-		-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-		-		166,477	11,104
340	Office Furniture and Fixtures	2.50%	6.67%			-		-	-
340.1	Computers and Software	2.50%	20.00%			-		-	-
341	Transportation Equipment	2.50%	20.00%			-		-	-
342	Stores Equipment	2.50%	4.00%			-		-	-
343	Tools and Work Equipment	2.50%	5.00%			-		-	-
344	Laboratory Equipment	2.50%	10.00%			-		-	-
345	Power Operated Equipment	2.50%	5.00%			-		-	-
346	Communications Equipment	2.50%	10.00%			-		-	-
347	Miscellaneous Equipment	2.50%	10.00%			-		-	-
348	Other Tangible Plant	2.50%	10.00%			-		-	-
	Rounding								
	TOTAL WATER PLANT			1,737,362	-	1,737,362	-	5,430,914	196,772

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007 Rate	2009 Plant Additions	2009 Plant Adjustments	2009 Adjusted Plant Additions	2009 Plant Retirements	2009 Plant Balance	2009 Deprec.
301	Organization Cost	0.00%	0.00%			-		127,103	-
302	Franchise Cost	0.00%	0.00%			-		-	-
303	Land and Land Rights	0.00%	0.00%			-		494,159	-
304	Structures and Improvements	2.50%	3.33%			-		182,570	6,080
305	Collecting and Impounding Res.	2.50%	2.50%			-		-	-
306	Lake River and Other Intakes	2.50%	2.50%			-		-	-
307	Wells and Springs	2.50%	3.33%			-		386,591	12,873
308	Infiltration Galleries and Tunnels	2.50%	6.67%			-		-	-
309	Supply Mains	2.50%	2.00%			-		-	-
310	Power Generation Equipment	2.50%	5.00%			-		-	-
311	Electric Pumping Equipment	2.50%	12.50%	3,155		3,155		968,652	120,884
320	Water Treatment Equipment	2.50%	3.33%			-		15,947	531
320.1	Water Treatment Plant	2.50%	3.33%			-		-	-
320.2	Chemical Solution Feeders	2.50%	20.00%			-		-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%			-		836,890	18,579
330.1	Storage tanks	2.50%	2.22%			-		-	-
330.2	Pressure Tanks	2.50%	5.00%			-		-	-
331	Trans. and Dist. Mains	2.50%	2.00%	18		18		1,611,321	32,226
333	Services	2.50%	3.33%			-		386,947	12,885
334	Meters	2.50%	8.33%	5,148		5,148		100,842	8,186
335	Hydrants	2.50%	2.00%			-		161,737	3,235
336	Backflow Prevention Devices	2.50%	6.67%			-		-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	21,105		21,105		187,582	11,808
340	Office Furniture and Fixtures	2.50%	6.67%			-		-	-
340.1	Computers and Software	2.50%	20.00%			-		-	-
341	Transportation Equipment	2.50%	20.00%			-		-	-
342	Stores Equipment	2.50%	4.00%			-		-	-
343	Tools and Work Equipment	2.50%	5.00%			-		-	-
344	Laboratory Equipment	2.50%	10.00%			-		-	-
345	Power Operated Equipment	2.50%	5.00%			-		-	-
346	Communications Equipment	2.50%	10.00%			-		-	-
347	Miscellaneous Equipment	2.50%	10.00%			-		-	-
348	Other Tangible Plant	2.50%	10.00%			-		-	-
	Rounding								
	TOTAL WATER PLANT			29,426	-	29,426	-	5,460,341	227,287

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007	Year End Accumulated Depreciation by Account Sept 30 2005	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009
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	2.50%	3.33%	306	371	648	982	4,206	10,285
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-
307	Wells and Springs	2.50%	3.33%	17,925	20,341	30,006	41,676	54,550	67,423
308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-
309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-
310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-
311	Electric Pumping Equipment	2.50%	12.50%	35,041	39,335	56,510	116,751	220,217	341,101
320	Water Treatment Equipment	2.50%	3.33%	345	414	694	1,105	1,636	2,167
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	15,489	17,329	24,691	32,378	45,739	64,318
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.50%	2.00%	29,324	33,637	52,423	76,354	106,833	139,059
333	Services	2.50%	3.33%	5,679	6,541	10,204	16,792	28,061	40,947
334	Meters	2.50%	8.33%	2,310	2,733	4,430	15,754	23,338	31,524
335	Hydrants	2.50%	2.00%	2,090	2,497	4,576	6,868	9,749	12,984
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	476	4,454	12,935	24,039	35,847
340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-
	Rounding								
	TOTAL WATER PLANT			108,509	123,674	188,636	321,596	518,368	745,656

Goodman Water Company
Plant Reconciliation to Prior Rate Case

Exhibit
Schedule B-2
Page 3.7

Line No.	Account No.	Description	Balance Per Company Per 2005 Filing Before Adj.	Company Rate Case Adjustments[1]	Staff Rate Case Adjustments[2]	Intentionally Left Blank	Per Decision 69404 Prior Case Adjusted Plant
1							
2							
3							
4							
5							
6	301	Organization Cost	104,528				104,528
7	302	Franchise Cost	-				-
8	303	Land and Land Rights	-				-
9	304	Structures and Improvements	9,788				9,788
10	305	Collecting and Impounding Res.	-				-
11	306	Lake River and Other Intakes	-				-
12	307	Wells and Springs	386,591				386,591
13	308	Infiltration Galleries and Tunnels	-				-
14	309	Supply Mains	-				-
15	310	Power Generation Equipment	-				-
16	311	Electric Pumping Equipment	686,993				686,993
17	320	Water Treatment Equipment	11,054				11,054
18	320.1	Water Treatment Plants					-
19	320.2	Chemical Solution Feeders					-
20	330	Distribution Reservoirs & Standpipe	294,460				294,460
21	330.1	Storage tanks					-
22	330.2	Pressure Tanks					-
23	331	Transmission and Distribution Mains	611,348		17,325		628,673
24	333	Services	129,274				129,274
25	334	Meters	56,742	10,755			67,497
26	335	Hydrants	46,955				46,955
27	336	Backflow Prevention Devices	-				-
28	339	Other Plant and Miscellaneous Equipment	-				-
29	340	Office Furniture and Fixtures	-				-
30	340.1	Computers and Software	-				-
31	341	Transportation Equipment	-				-
32	342	Stores Equipment	-				-
33	343	Tools and Work Equipment	-				-
34	344	Laboratory Equipment	-				-
35	345	Power Operated Equipment					-
36	346	Communications Equipment					-
37	347	Miscellaneous Equipment					-
38	348	Other Tangible Plant					-
39		Rounding		-			2
40		TOTAL	2,337,731	10,755	17,325	-	2,365,813
41							

42 [1] Company proposed reclassified outside services expense to capital.
43 [2] Staff proposed reclassified outside services expense to capital.

Goodman Water Company
A/D Reconciliation to Prior Rate Case

Exhibit
Schedule B-2
Page 3.8

Line No.	Account No.	Description	Balance Per Company Per 2005 Filing Before Adj.	Intentionally Left Blank	Intentionally Left Blank	Per Decision 69404 Prior Case Adjusted A/D	Intentionally Left Blank	Initial Balance
1								
2								
3								
4								
5	301	Organization Cost				-		-
6	302	Franchise Cost				-		-
7	303	Land and Land Rights				-		-
8	304	Structures and Improvements	306			306		306
9	305	Collecting and Impounding Res.				-		-
10	306	Lake River and Other Intakes				-		-
11	307	Wells and Springs	17,925			17,925		17,925
12	308	Infiltration Galleries and Tunnels				-		-
13	309	Supply Mains				-		-
14	310	Power Generation Equipment				-		-
15	311	Electric Pumping Equipment	35,041			35,041		35,041
16	320	Water Treatment Equipment	345			345		345
17	320.1	Water Treatment Plants				-		-
18	320.2	Checmical Solution Feeders				-		-
19	330	Distribution Reservoirs & Standpipe	15,489			15,489		15,489
20	330.1	Storage tanks				-		-
21	330.2	Pressure Tanks				-		-
22	331	Transmission and Distribution Mains	29,324			29,324		29,324
23	333	Services	5,679			5,679		5,679
24	334	Meters	2,310			2,310		2,310
25	335	Hydrants	2,090			2,090		2,090
26	336	Backflow Prevention Devices				-		-
27	339	Other Plant and Misc. Equip.				-		-
28	340	Office Furniture and Fixtures				-		-
29	340.1	Computers and Software				-		-
30	341	Transportation Equipment				-		-
31	342	Stores Equipment				-		-
32	343	Tools and Work Equipment				-		-
33	344	Laboratory Equipment				-		-
34	345	Power Operated Equipment				-		-
35	346	Communications Equipment				-		-
36	347	Miscellaneous Equipment				-		-
37	348	Other Tangible Plant				-		
38		Rounding	2			2		2
39								
40		TOTAL	108,511	-	-	108,511	-	108,511
41								
42								

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A Difference to Computed Balance	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	Adjusted Accum. Depr.
1	Plant-in-Service							
5	301	Organization Cost	-	-				-
6	302	Franchise Cost	-	-				-
7	303	Land and Land Rights	-	-				-
8	304	Structures and Improvements	12,833	(2,548)				10,285
9	305	Collecting and Impounding Res.	-	-				-
10	306	Lake River and Other Intakes	-	-				-
11	307	Wells and Springs	72,415	(4,992)				67,423
12	308	Infiltration Galleries and Tunnels	-	-				-
13	309	Supply Mains	-	-				-
14	310	Power Generation Equipment	-	-				-
15	311	Electric Pumping Equipment	365,929	(24,828)				341,101
16	320	Water Treatment Equipment	2,349	(182)				2,167
17	320.1	Water Treatment Plant	-	-				-
18	320.2	Chemical Solution Feeders	-	-				-
19	330	Dist. Reservoirs & Standpipe	72,581	(8,263)				64,318
20	330.1	Storage tanks	-	-				-
21	330.2	Pressure Tanks	-	-				-
22	331	Trans. and Dist. Mains	148,811	(9,752)				139,059
23	333	Services	43,764	(2,817)				40,947
24	334	Meters	22,803	8,721				31,524
25	335	Hydrants	15,029	(2,045)				12,984
26	336	Backflow Prevention Devices	-	-				-
27	339	Other Plant and Misc. Equip.	42,520	(6,673)				35,847
28	340	Office Furniture and Fixtures	-	-				-
29	340.1	Computers and Software	-	-				-
30	341	Transportation Equipment	-	-				-
31	342	Stores Equipment	-	-				-
32	343	Tools and Work Equipment	-	-				-
33	344	Laboratory Equipment	-	-				-
34	345	Power Operated Equipment	-	-				-
35	346	Communications Equipment	-	-				-
36	347	Miscellaneous Equipment	-	-				-
37	348	Other Tangible Plant	-	-				-
38			-					-
39		TOTALS	$ 799,034	$ (53,378)	$ -	$ -	$ -	$ 745,656
40								
41	Accumulated Depreciation per Books							$ 799,027
42								
43	Increase (decrease) in Accumulated Depreciation							$ (53,371)
44								
45	Adjustment to Accumulated Depreciation							$ (53,371)
46								
47	SUPPORTING SCHEDULES							
48	B-2, pages 3.1 to 3.8							
49								

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5.0
Witness: Bourassa

Deferred Income Tax as of December 31, 2009

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	$ 5,460,341 [1]								
7	Accum. Deprec.	(745,663) [1]								
8	CIAC	(1,471,334) [3]								
9	Fixed Assets	$ 3,243,344	$ 2,268,902 [2]	100.0%	$ (974,442)	38.5%		-		(374,811)
10	AIAC		2,101,905 [4]	30.0%	$ 630,572 [4]	38.5%		$ 242,544		
11	Tax Benefits from O.L. Carry Forward.			100.0%	$ -	38.5%		$ -		
12							$ -	$ 242,544	$ -	$ (374,811)
13										
14					Net Asset (Liability)		$ (132,267)			
15										
16	DIT Asset (Liability) per Books						$ -			
17										
18	Adjustment to DIT						$ 132,267			
19										
20										
21										
22										
23										
24										
25	Footnotes - See page 5.1									
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.				
1	[1] **Adjusted per B-2, page 2**			
2	[2] **Computation of Net Tax Value at December 31, 2009**			
3	Based on 2009 Tax Depreciation report (December 31, 2009)			
4	Unadjusted Cost per 2009 Tax Depr. Report	$ 4,938,108		
5	Reconciling Items not on tax report:			
6	Land costs not on tax, on books	494,159		
7	Net Unadjusted Cost tax Basis			$ 5,432,267
8				
9	Basis Reduction			
10	Basis Reduction 2009 and Prior Years (from 2009 Tax Depr. Report)	$ (14,706)		
11	Advanced or contributed plant with no depreciable basis listed on 2009 Tax Depr. Report	(2,707,816)		
12	Accumulated Depreciation 2008 and prior (2009 Tax Depr Report)	(339,352)		
13	2009 Current Year Tax Depreciation	(101,491)		-
14	Net Basis Reduction 2007 and Prior years			(3,163,365)
15	Net tax value of plant-in-service at December 31, 2008			$ 2,268,902
16				
17	[3] **CIAC (including impact of change to probability of realization)**			
18				
19	Gross CIAC per B-2		$ -	
20	Less: Pre-1996 CIAC		-	
21	A.A per B-2	$ -		
22	A.A on Pre-1996 CIAC	-		
23	A.A. on Post 1996 CIAC		-	
24	Net CIAC before unrealized AIAC			$ -
25				
26	Unrealized AIAC Component			
27	Adjusted Net AIAC (see footnote 5 below)		$ 2,101,905	
28	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%	
29				$ 1,471,334
30	Total realizable CIAC			$ 1,471,334
31				
32	[4] **AIAC (including impact of change in probability of realization)**			
33	AIAC per B-2		$ 2,101,905	
34	Less: Pre-1996 AIAC included for book and tax purposes		-	
35	Net AIAC before unrealized portion			$ 2,101,905
36	Less: Unrealized AIAC (from Note 4, above)			$ (1,471,334)
37	Net realizable AIAC			$ 630,572
38				
39	[5] **Effective tax rates Per C-3 schedule**			

Goodman Water Company
Test Year Ended December 31, 2009
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)	$	24,972
3	Pumping Power (1/24 of Pumping Power)		1,128
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	$	26,100
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	E-1	B-1	
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			

Goodman Water Company
Test Year Ended December 31, 2009
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 566,372	$ (7,359)	$ 559,013	$ 291,083	$ 850,096
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	13,738	-	13,738		13,738
5		$ 580,110	$ (7,359)	$ 572,751	$ 291,083	$ 863,834
6	**Operating Expenses**					
7	Salaries and Wages	$ 32,000	8,000	$ 40,000		$ 40,000
8	Purchased Water	-	-	-		-
9	Purchased Power	26,703	363	27,066		27,066
10	Chemicals	-	-	-		-
11	Repairs and Maintenance	7,746	-	7,746		7,746
12	Office Supplies and Expense	12,557	2,298	14,855		14,855
13	Outside Services	116,780	(13,855)	102,925		102,925
14	Water Testing	1,215	-	1,215		1,215
15	Rents	-	-	-		-
16	Transportation Expenses	-	-	-		-
17	Insurance - General Liability	9,669	-	9,669		9,669
18	Insurance - Health and Life	-	-	-		-
19	Regulatory Commission Expense - Rate Case	1,624	18,376	20,000		20,000
20	Miscellaneous Expense	378	-	378		378
21	Depreciation Expense	228,578	(175)	228,403		228,403
22	Taxes Other Than Income	12,185	(9,197)	2,988		2,988
23	Property Taxes	8,576	12,719	21,295		21,295
24	Income Tax	74,627	(51,983)	22,644	111,963	134,607
25			-	-		-
26	**Total Operating Expenses**	$ 532,638	$ (33,454)	$ 499,184	$ 111,963	$ 611,146
27	**Operating Income**	$ 47,472	$ 26,096	$ 73,568	$ 179,120	$ 252,688
28	**Other Income (Expense)**					
29	Interest Income	1,438	(1,438)	-		-
30	Other income	-	-	-		-
31	Interest Expense	(46,091)	8,750	(37,341)		(37,341)
32	Other Expense	-	-	-		-
33		-	-	-		-
34	**Total Other Income (Expense)**	$ (44,653)	$ 7,312	$ (37,341)	$ -	$ (37,341)
35	**Net Profit (Loss)**	$ 2,819	$ 33,408	$ 36,227	$ 179,120	$ 215,347
36						
37	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
38	C-1, page 2.1 and 2.2				A-1	
39	E-2					
40						

Goodman Water Company
Test Year Ended December 31, 2009
Income Statement

Exhibit
Schedule C-1
Page 2.1
Witness: Bourassa
(Continued on page 2.2)

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Sales Tax Expense	6 Other Income/ Expense	7 Purchased Power	8 Annualize Purchased Power	9 CHW2 Contractual Services
1	**Revenues**										
2	Metered Water Revenues	$ 566,372				$ (7,359)					
3	Unmetered Water Revenues	-									
4	Other Water Revenues	13,738									
5		$ 580,110	$ -	$ -	$ -	$ (7,359)	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	Salaries and Wages	$ 32,000									
8	Purchased Water	-									
9	Purchased Power	26,703							363	(0)	
10	Chemicals	-									
11	Repairs and Maintenance	7,746									
12	Office Supplies and Expense	12,557									
13	Contractual Services	116,780									(18,260)
14	Water Testing	1,215									
15	Rents	-									
16	Transportation Expenses	-									
17	Insurance - General Liability	9,669									
18	Insurance - Health and Life	-									
19	Reg. Comm. Exp. - Rate Case	1,624			18,376						
20	Miscellaneous Expense	378									
21	Depreciation Expense	228,578	(175)								
22	Taxes Other Than Income	12,185					(9,737)				
23	Property Taxes	8,576		12,719							
24	Income Tax	74,627									
25											
26	**Total Operating Expenses**	$ 532,638	$ (175)	$ 12,719	$ 18,376	$ -	$ (9,737)	$ -	$ 363	$ (0)	$ (18,260)
27	**Operating Income**	$ 47,472	$ 175	$ (12,719)	$ (18,376)	$ (7,359)	$ 9,737	$ -	$ (363)	$ 0	$ 18,260
28	**Other Income (Expense)**										
29	Interest Income	1,438						(1,438)			
30	Other income	-									
31	Interest Expense	(46,091)									
32	Other Expense	-									
33		-									
34	**Total Other Income (Expense)**	$ (44,653)	$ -	$ -	$ -	$ -	$ -	$ (1,438)	$ -	$ -	$ -
35	**Net Profit (Loss)**	$ 2,819	$ 175	$ (12,719)	$ (18,376)	$ (7,359)	$ 9,737	$ (1,438)	$ (363)	$ 0	$ 18,260
36											
37	SUPPORTING SCHEDULES:										
38	C-2										
39	E-2										
40											

Goodman Water Company
Test Year Ended December 31, 2009
Income Statement

Exhibit
Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		10 Annualize Contractual Services	11 Salaries and Wages	12 Contractual Services	13 Annualize Online Payment Processing	14 Interest Synch.	15 Income tax	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**									
2	Metered Water Revenues							$ 559,013	$ 291,083	$ 850,096
3	Unmetered Water Revenues							-		-
4	Other Water Revenues							13,738		13,738
5		$ -	$ -			$ -	$ -	$ 572,751	$ 291,083	$ 863,834
6	**Operating Expenses**									
7	Salaries and Wages		8,000					$ 40,000		$ 40,000
8	Purchased Water							-		-
9	Purchased Power							27,066		27,066
10	Chemicals							-		-
11	Repairs and Maintenance							7,746		7,746
12	Office Supplies and Expense				2,298			14,855		14,855
13	Contractual Services	405		4,000				102,925		102,925
14	Water Testing							1,215		1,215
15	Rents							-		-
16	Transportation Expenses							-		-
17	Insurance - General Liability							9,669		9,669
18	Insurance - Health and Life							-		-
19	Reg. Comm. Exp. - Rate Case							20,000		20,000
20	Miscellaneous Expense							378		378
21	Depreciation Expense							228,403		228,403
22	Taxes Other Than Income		540					2,988		2,988
23	Property Taxes							21,295		21,295
24	Income Tax						(51,983)	22,644	111,963	134,607
25										
26	**Total Operating Expenses**	$ 405	$ 8,540	$ 4,000	$ 2,298	$ -	$ (51,983)	$ 499,184	$ 111,963	$ 611,146
27	**Operating Income**	$ (405)	$ (8,540)	$ (4,000)	$ (2,298)	$ -	$ 51,983	$ 73,568	$ 179,120	$ 252,688
28	**Other Income (Expense)**									
29	Interest Income							-		-
30	Other income							-		-
31	Interest Expense					8,750		(37,341)		(37,341)
32	Other Expense							-		-
33								-		-
34	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ 8,750	$ -	$ (37,341)	$ -	$ (37,341)
35	**Net Profit (Loss)**	$ (405)	$ (8,540)	$ (4,000)	$ (2,298)	$ 8,750	$ 51,983	$ 36,227	$ 179,120	$ 215,347
36										
37	SUPPORTING SCHEDULES:									
38	C-2									
39	E-2									
40										

RECAP SCHEDULES:
C-1, page 1

Goodman Water Company
Test Year Ended December 31, 2009
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation Expense	Property Taxes	Rate Case Expense	Revenue Annualization	Sales Tax Expense	Other Inc. Oth. Expense	
3	Revenues				(7,359)			(7,359)
5	Expenses	(175)	12,719	18,376		(9,737)		21,182
7	Operating							
8	Income	175	(12,719)	(18,376)	(7,359)	9,737	-	(28,541)
10	Interest							
11	Expense							-
12	Other							
13	Income /						(1,438)	(1,438)
14	Expense							
16	Net Income	175	(12,719)	(18,376)	(7,359)	9,737	(1,438)	(29,979)

		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		Purchased Power	Annualize Purch. Power	CHW2 Contract Serv.	Annualize Contract Serv.	Salaries and Wages	Jim Shiner Contract Serv.	
23	Revenues							(7,359)
25	Expenses	363	(0)	(18,260)	405	8,540	4,000	16,230
27	Operating							
28	Income	(363)	0	18,260	(405)	(8,540)	(4,000)	(23,588)
30	Interest							
31	Expense							-
32	Other							
33	Income /							(1,438)
34	Expense							
36	Net Income	(363)	0	18,260	(405)	(8,540)	(4,000)	(25,027)

		Adjustments to Revenues and Expenses						
		13	14	15	16	17	18	Total
		Annualize CC Fees	Interest Synch.	Income Taxes				
43	Revenues							(7,359)
45	Expenses	2,298		(51,983)				(33,454)
47	Operating							
48	Income	(2,298)	-	51,983	-	-	-	26,096
50	Interest							
51	Expense		8,750					8,750
52	Other							
53	Income /							(1,438)
54	Expense							
56	Net Income	(2,298)	8,750	51,983	-	-	-	33,408

Goodman Water Company
Test Year Ended December 31, 2009
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
5	301	Organization Cost	127,103	0.00%	-
6	302	Franchise Cost	-	0.00%	-
7	303	Land and Land Rights	494,159	0.00%	-
8	304	Structures and Improvements	182,570	3.33%	6,080
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	386,591	3.33%	12,873
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	968,652	12.50%	121,081
16	320	Water Treatment Equipment	15,947	3.33%	531
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	836,890	2.22%	18,579
20	330.1	Storage tanks	-	2.22%	-
21	330.2	Pressure Tanks	-	5.00%	-
22	331	Trans. and Dist. Mains	1,611,321	2.00%	32,226
23	333	Services	386,947	3.33%	12,885
24	334	Meters	100,842	8.33%	8,400
25	335	Hydrants	161,737	2.00%	3,235
26	336	Backflow Prevention Devices	-	6.67%	-
27	339	Other Plant and Misc. Equip.	187,582	6.67%	12,512
28	340	Office Furniture and Fixtures	-	6.67%	-
29	340.1	Computers and Software	-	20.00%	-
30	341	Transportation Equipment	-	20.00%	-
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	-	5.00%	-
33	344	Laboratory Equipment	-	10.00%	-
34	345	Power Operated Equipment	-	5.00%	-
35	346	Communications Equipment	-	10.00%	-
36	347	Miscellaneous Equipment	-	10.00%	-
37	348	Other Tangible Plant	-	10.00%	-
39		TOTALS	$ 5,460,341		$ 228,403
42		Less: Amortization of Contributions	$ -	4.1829%	$ -
46		Total Depreciation Expense			$ 228,403
48		Adjusted Test Year Depreciation Expense			228,578
50		Increase (decrease) in Depreciation Expense			(175)
52		Adjustment to Revenues and/or Expenses			$ (175)

SUPPORTING SCHEDULE
B-2, page 3

* Fully Depreciated

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended 09/31/05	$	572,751
4	Adjusted Revenues in year ended 09/31/05		572,751
5	Proposed Revenues		863,834
6	Average of three year's of revenue	$	669,779
7	Average of three year's of revenue, times 2	$	1,339,557
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		-
12			
13	Full Cash Value	$	1,339,557
14	Assessment Ratio		20.00%
15	Assessed Value		267,911
16	Property Tax Rate		7.4558%
17			
18	Property Tax		19,975
19	Tax on Parcels		1,320
20			
21	Total Property Tax at Proposed Rates	$	21,295
22	Property Taxes in the test year		8,576
23	Change in Property Taxes	$	12,719
24			
25			
26	Adjustment to Revenues and/or Expenses	$	12,719
27			
28			

Goodman Water Company
Test Year Ended December 31, 2009
ADJUSTMENTS 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	$	80,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	$	20,000
8			
9	Test Year Rate Case Expense	$	1,624
10			
11	Increase(decrease) Rate Case Expense	$	18,376
12			
13	Adjustment to Revenue and/or Expense	$	18,376
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	Revenue Annualization		
2			
3			
4	Revenue Annualization	$	(7,359)
5			
6			
7			
8	Total Revenue from Annualization	$	(7,359)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(7,359)
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.6		
15	H-1		
16			
17			
18			
19			
20			

Goodman Water Company
Revenue Annualization to Year End Customers: Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule
Page 5.1
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	
1	Year End Number of Customers	529	529	529	529	529	529	529	
2	Actual Customers	534	534	537	534	538	535	528	
3	Increase in Number of Customers/Bills	(5)	(5)	(8)	(5)	(9)	(6)	1	
4	Average Revenue / Present Rates	$ 61.08	$ 60.83	$ 63.19	$ 65.85	$ 70.41	$ 70.77	$ 70.88	
5	Revenue Annualization / Present Rates	$ (305)	$ (304)	$ (506)	$ (329)	$ (634)	$ (425)	$ 71	
6									
7	Increase in Number of Customers	(5)	(5)	(8)	(5)	(9)	(6)	1	
8	Average Revenue / Proposed Rates	$ 89.84	$ 89.37	$ 93.74	$ 98.65	$ 107.06	$ 107.73	$ 107.93	
9	Revenue Annualization / Proposed Rates	$ (449)	$ (447)	$ (750)	$ (493)	$ (964)	$ (646)	$ 108	
10	Additional Gallons to be Produced	(2,670)	(2,670)	(4,296)	(2,670)	(4,842)	(3,210)	528	
11									
12									
13									
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year	
15	Year End Number of Customers	529	529	529	529	529			
16	Actual Customers	527	528	527	522	521			
17	Increase in Number of Customers/Bills	2	7	8	(11)	-		(31)	
18	Average Revenue / Present Rates	$ 70.99	$ 66.19	$ 74.25	$ 69.47	$ 57.31			
19	Revenue Annualization / Present Rates	$ 142	$ 463	$ 594	$ (764)	$ -		$ (1,997)	
20									
21	Increase in Number of Customers	2	7	8	(11)	-			
22	Average Revenue / Proposed Rates	$ 108.15	$ 99.28	$ 114.17	$ 105.34	$ 82.97			
23	Revenue Annualization / Proposed Rates	$ 142	$ 463	$ 594	$ (764)	$ -		$ (2,975)	
24	Additional Gallons to be Produced	1,054	3,654	4,168	(5,940)	-		(16,894)	

Goodman Water Company
Revenue Annualization to Year End Customers:
Test Year Ended December 31, 2009

Residential 3/4 Inch Meter

Exhibit
Schedule
Page 5.2
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1								
2	Year End Number of Customers	86	86	86	86	86	86	86
3	Actual Customers	67	71	73	74	73	72	71
4	Increase in Number of Customers/Bills	19	15	13	12	13	14	15
5	Average Revenue / Present Rates	$ 84.79	$ 86.89	$ 90.56	$ 92.28	$ 100.19	$ 97.49	$ 102.53
6	Revenue Annualization / Present Rates	$ 1,611	$ 1,303	$ 1,177	$ 1,107	$ 1,303	$ 1,365	$ 1,538
7								
8	Increase in Number of Customers	19	15	13	12	13	14	15
9	Average Revenue / Proposed Rates	$ 123.15	$ 127.02	$ 133.80	$ 136.98	$ 151.60	$ 146.60	$ 155.92
10	Revenue Annualization / Proposed Rates	$ 2,340	$ 1,905	$ 1,739	$ 1,644	$ 1,971	$ 2,052	$ 2,339
11	Additional Gallons to be Produced	94,301	79,761	77,205	74,763	98,397	99,563	119,479
12								
13								
14								
15								
16	Year End Number of Customers	9	7	4	(3)	-		118
17	Actual Customers	9	7	4	(3)	-		118
18	Increase in Number of Customers/Bills	-	-	-	-	-		-
19	Average Revenue / Present Rates	$ 144.89	$ 141.45	$ 152.58	$ 140.42	$ 118.35		$ 93.41
20	Revenue Annualization / Present Rates	$ 1,303	$ 990	$ 610	$ (421)	$ -		$ 11,057
21								
22	Increase in Number of Customers	-	-	-	-	-		-
23	Average Revenue / Proposed Rates	$ 144.89	$ 141.45	$ 152.58	$ 140.42	$ 118.35		$ 93.41
24	Revenue Annualization / Proposed Rates	$ 1,303	$ 990	$ 610	$ (421)	$ -		$ 11,057
	Additional Gallons to be Produced	62,595	46,478	30,636	(19,636)	-		763,542

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
1							
2	Year End Number of Customers	86	86	86	86	86	
3	Actual Customers	77	71	77	79	82	
4	Increase in Number of Customers/Bills	9	7	4	(3)	-	118
5	Average Revenue / Present Rates	$ 96.56	$ 94.70	$ 100.72	$ 94.14	$ 82.20	
6	Revenue Annualization / Present Rates	$ 869	$ 663	$ 403	$ (282)	$ -	$ 16,474
7							
8	Increase in Number of Customers	9	7	4	(3)	-	
9	Average Revenue / Proposed Rates	$ 144.89	$ 141.45	$ 152.58	$ 140.42	$ 118.35	
10	Revenue Annualization / Proposed Rates	$ 869	$ 663	$ 403	$ (282)	$ -	
11	Additional Gallons to be Produced	62,595	46,478	30,636	(19,636)	-	
12							
13							
14							
15							
16	Year End Number of Customers						
17	Actual Customers						
18	Increase in Number of Customers/Bills						
19	Average Revenue / Present Rates						
20	Revenue Annualization / Present Rates						
21							
22	Increase in Number of Customers						
23	Average Revenue / Proposed Rates						
24	Revenue Annualization / Proposed Rates						
	Additional Gallons to be Produced						

Goodman Water Company
Revenue Annualization to Year End Customers: Residential 1 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule
Page 5.3
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	4	4	4	6	4	4	4
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(3)	(1)	(1)	(1)
4	Average Revenue / Present Rates	$ 148.35	$ 149.83	$ 149.83	$ 160.66	$ 143.92	$ 129.14	$ 179.38
5	Revenue Annualization / Present Rates	$ (148)	$ (150)	$ (150)	$ (482)	$ (144)	$ (129)	$ (179)
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(3)	(1)	(1)	(1)
8	Average Revenue / Proposed Rates	$ 221.57	$ 224.30	$ 224.30	$ 244.31	$ 213.38	$ 186.09	$ 278.88
9	Revenue Annualization / Proposed Rates	$ (222)	$ (224)	$ (224)	$ (733)	$ (213)	$ (186)	$ (279)
10	Additional Gallons to be Produced	(7,251)	(7,501)	(7,501)	(18)	(4)	(4)	(4)
11								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
12							
13							
14							
15	Year End Number of Customers	3	3	3	3	3	
16	Actual Customers	3	4	3	3	3	
17	Increase in Number of Customers/Bills	-	-	-	-	-	(9)
18	Average Revenue / Present Rates	$ 141.95	$ 155.74	$ 159.68	$ 153.77	$ 134.07	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ (1,382)
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 209.74	$ 235.21	$ 242.49	$ 231.58	$ 195.19	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ (2,081)
24	Additional Gallons to be Produced	-	-	-	-	-	(22,282)

Goodman Water Company
Revenue Annualization to Year End Customers: Commercial 1 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule
Page 5.4
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	1	1	1	1	3	3	3
3	Increase in Number of Customers/Bills	1	1	1	1	(1)	(1)	(1)
4	Average Revenue / Present Rates	$ 700.63	$ 529.99	$ 785.95	$ 785.95	$ 546.58	$ 479.03	$ 533.54
5	Revenue Annualization / Present Rates	$ 701	$ 530	$ 786	$ 786	$ (547)	$ (479)	$ (534)
6								
7	Increase in Number of Customers	1	1	1	1	(1)	(1)	(1)
8	Average Revenue / Proposed Rates	$ 1,241.63	$ 926.46	$ 1,399.21	$ 1,399.21	$ 957.10	$ 832.34	$ 933.02
9	Revenue Annualization / Proposed Rates	$ 1,242	$ 926	$ 1,399	$ 1,399	$ (957)	$ (832)	$ (933)
10	Additional Gallons to be Produced	87,501	63,501	99,501	99,501	(65,834)	(56,334)	(64,000)
11								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
12							
13							
14							
15	Year End Number of Customers	2	2	2	2	2	
16	Actual Customers	3	3	3	3	3	
17	Increase in Number of Customers/Bills	(1)	(1)	(1)	-	-	(2)
18	Average Revenue / Present Rates	$ 564.35	$ 438.74	$ 500.36	$ 394.90	$ 348.68	
19	Revenue Annualization / Present Rates	$ (564)	$ (439)	$ (500)	$ -	$ -	$ (260)
20							
21	Increase in Number of Customers	(1)	(1)	(1)	-	-	
22	Average Revenue / Proposed Rates	$ 989.93	$ 757.92	$ 871.74	$ 676.94	$ 591.59	
23	Revenue Annualization / Proposed Rates	$ (564)	$ (439)	$ (500)	$ -	$ -	$ (376)
24	Additional Gallons to be Produced	(68,334)	(50,667)	(59,334)	-	-	(14,500)

Goodman Water Company
Revenue Annualization to Year End Customers: Commercial 1.5 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule
Page 5.5
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	1	1	-	-
3	Increase in Number of Customers/Bills	-	-	-	(1)	(1)	-	-
4	Average Revenue / Present Rates	$ 211.50	$ 211.50	$ 211.50	$ 232.19	$ 226.28	$ 211.50	$ 211.50
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ (232)	$ (226)	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	(1)	(1)	-	-
8	Average Revenue / Proposed Rates	$ 284.85	$ 284.85	$ 284.85	$ 323.06	$ 312.14	$ 284.85	$ 284.85
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ (323)	$ (312)	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	(1)	(1)	-	-
11								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
12							
13							
14							
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	(2)
18	Average Revenue / Present Rates	$ 211.50	$ 211.50	$ 211.50	$ 211.50	$ 211.50	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ (458)
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 284.85	$ 284.85	$ 284.85	$ 284.85	$ 284.85	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ (635)
24	Additional Gallons to be Produced	-	-	-	-	-	(2)

Goodman Water Company
Revenue Annualization to Year End Customers: Commerical 2 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule
Page 5.6
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	3	2	3	2	2	2	2
3	Increase in Number of Customers/Bills	(3)	(2)	(3)	(2)	(2)	(2)	(2)
4	Average Revenue / Present Rates	$ 744.28	$ 680.29	$ 830.78	$ 690.95	$ 733.61	$ 599.72	$ 680.29
5	Revenue Annualization / Present Rates	$ (2,233)	$ (1,361)	$ (2,492)	$ (1,382)	$ (1,467)	$ (1,199)	$ (1,361)
6								
7	Increase in Number of Customers	(3)	(2)	(3)	(2)	(2)	(2)	(2)
8	Average Revenue / Proposed Rates	$ 1,203.05	$ 1,084.86	$ 1,362.83	$ 1,104.56	$ 1,183.36	$ 936.06	$ 1,084.86
9	Revenue Annualization / Proposed Rates	$ (3,609)	$ (2,170)	$ (4,088)	$ (2,209)	$ (2,367)	$ (1,872)	$ (2,170)
10	Additional Gallons to be Produced	(193,502)	(111,001)	(230,001)	(114,001)	(126,001)	(88,001)	(111,001)
11								

12		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
13							
14							
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	1	2	1	1	-	
17	Increase in Number of Customers/Bills	(1)	(1)	-	(1)	-	(19)
18	Average Revenue / Present Rates	$ 1,046.45	$ 772.72	$ 339.68	$ 1,003.79	$ 339.68	
19	Revenue Annualization / Present Rates	$ (1,046)	$ (773)	$ -	$ (1,004)	$ -	$ (14,318)
20							
21	Increase in Number of Customers	(1)	(1)	-	(1)	-	
22	Average Revenue / Proposed Rates	$ 1,761.16	$ 1,255.58	$ 455.76	$ 1,682.37	$ 455.76	
23	Revenue Annualization / Proposed Rates	$ (1,046)	$ (773)	$ -	$ (1,004)	$ -	$ (23,184)
24	Additional Gallons to be Produced	(107,000)	(68,501)	-	(101,000)	-	(1,250,008)

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Line No.			
1	Remove Sales Tax Expense		
2			
3			
4	Sales Tax Expense recorded during test year	$	(9,737)
5			
6			
7			
8	Total	$	(9,737)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(9,737)
12			
13			
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line No.			
1	Remove Other Income and Expenses to Eliminate Effects on Income Taxes		
2			
3			
4	Test Year Interest Income	$	(1,438)
5			
6			
7			
8	Total	$	(1,438)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(1,438)
12			
13			
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line No.					
1	Annualize Trico Electric Rate Increase (effective August 9, 2009)				
2					
3					
4					
5	Trico Electric bills - Acct 3697801 (Jan to August new rates)	$	1,711		
6	Trico Electric bills - Acct 5089301 (Jan to August new rates)		787		
7				$	2,497.56
8					
9	Trico Electric bills - Acct 3697801 (Jan to August old rates)	$	1,448		
10	Trico Electric bills - Acct 5089301 (Jan to August old rates)		687		
11				$	2,134.71
12					
13	Additional Expense			$	363
14					
15					
16					
17	Adjustment to Revenue and/or Expense			$	363
18					
19					
20					
21					
22					

Goodman Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line No.					
1	Annualize power cost for additonal gallons from annualization of revenues				
2					
3					
4	Test Year Power Costs		$ 26,703		
5	Increase in purchased power cost (from adjustment 7)		$ 363		
6	Adjustred Test Year Power Costs			$	27,066
7					
8	Gallons sold in Test Year (1,000's)			$	44,043
9	Cost per 1,000 gallons			$	0.6145
10	Additonal gallons from annualization (in 1,000's)				(0)
11					
12	Additional Expense			$	(0)
13					
14					
15	*Adjustment to Revenue and/or Expense*			$	(0)
16					
17					
18					
19					
20					
21					

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line No.					
1	Remove Costs of Chris Hill (CHW2 Services)				
2					
3					
4	Costs of CHW2 Services recorded during test year				
5	1	Jan	$ (1,813)		
6	2	Feb	(1,688)		
7	3	Mar	(1,778)		
8	4	Apr	(1,697)		
9	5	May	(1,527)		
10	6	June	(1,865)		
11	7	July	(1,905)		
12	8	Aug	(2,010)		
13	9	Sept	(2,100)		
14	10	Oct	(1,879)		
15					
16	Increase (decrease) in Outside Services			$	(18,260)
17					
18					
19					
20					
21	Adjustment to Revenue and/or Expense			$	(18,260)
22					
23					
24					
25					

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line No.						
1	Annualize Contractual Services					
2						
3	Remove monthly costs for YL Technology					
4	1	Jan	$	(5,008)		
5	2	Feb		(5,037)		
6	3	Mar		(4,956)		
7	4	Apr		(5,025)		
8	5	May		(4,996)		
9	6	June		(5,059)		
10	7	July		(4,950)		
11	8	Aug		(4,939)		
12	9	Sept		(4,962)		
13	10	Oct		(5,002)		
14					$	(49,935)
15						
16	Add monthly costs for Smyth Industries (600 times $8.25 plus 21 times $4 times				$	50,340
17						
18						
19	Increase (decrease) in Contractual Services				$	405
20						
21	Adjustment to Contractual Services				$	405
22						
23						
24	Adjustment to Revenue and/or Expense				$	405
25						

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Line No.					
1	Adjust Salaries and Wages to Reflect Correct Annual Amount				
2					Label
3					
4	Correct Annual Salary of President/Manager		$	40,000	
5	Amount Recorded in Test Year			32,000	
6	Increase (decrease) in Salaries and Wages			8,000	
7					
8					
9	Adjustment to Revenue and/or Expense		$	8,000	11a
10					
11					
12	Adjust Payroll Taxes to refelect correct Salaries and Wages				
13					
14	FICA	6.02%	$	2,408	
15	Medicare	1.45%		580	
16	FUTA	0.80% (first $7,000 of wages)		56	
17	SUTA	2.70% (first $7,000 of wages)		189	
18	Total Payroll Taxes		$	3,233	
19					
20	Payroll Taxes Recorded in Test Year			2,693	
21					
22	Increase (decrease) in Payroll Taxes		$	540	
23					
24					
25	Adjustment to Revenue and/or Expense		$	540	11b
26					
27					
28					
29	Total Adjustment to Expenses		$	8,540	
30					
31					
32					
33					

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Line No.			
1	Contractual Services - Jim Shiner		
2			
3	Contractual Services 2010	$	20,000
4	Contractual Services recorded during test year		16,000
5			
6	Increase (decrease) in Contractual Services	$	4,000
7			
8	Adjustment to Revenue and/or Expense	$	4,000
9			
10			
11			
12			
13			
14			
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Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

Line No.					
1	Credti Card Processing Fees				
2					
3	Projected Merchant Fees				
4	Merchant Fees				
5	Jan 2010	Actual	$ 232		
6	Feb. 2010	Actual	318		
7	Mar. 2010	Actual	245		
8	Apr. 2010	Actual	281		
9	May 2010	Actual	290		
10	Jun. 2010	Actual	254		
11	Jul. 2010	Estimate	270		
12	Aug. 2010	Estimate	270		
13	Sep. 2010	Estimate	270		
14	Oct. 2010	Estimate	270		
15	Nov. 2010	Estimate	270		
16	Dec. 2010	Estimate	270		
17				$	3,240
18	Merchant Fees Recorded During Test Year				
19	Aug. 2009		$ 173		
20	Sep. 2009		222		
21	Oct. 2009		168		
22	Nov. 2009		134		
23	Dec. 2009		245		
24				$	941
25					
26	Increase (decrease) in expense			$	2,298
27					
28	Adjustment to Revenue and/or Expense			$	2,298
29					
30					

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Schedule C-2
Page 15
Witness: Bourassa

Line No.			
1	Interest Synchronization		
2			
3			
4	Fair Value Rate Base	$ 2,397,419	
5	Weighted Cost of Debt	1.56%	
6	Interest Expense		$ 37,341
7			
8	Test Year Interest Expense		$ 46,091
9			
10	Increase (decrease) in Interest Expense		(8,750)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 8,750
15			
16			
17	Weighted Cost of Debt Computation		

18						Weighted
19			Amount	Percent	Cost	Cost
20	Debt	$	507,451	18.32%	8.50%	1.56%
21	Equity	$	2,261,887	81.68%	11.00%	8.98%
22	Total	$	2,769,338	100.00%		10.54%

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Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Schedule C-2
Page 16
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		$ 77,446	$ 58,871	$ 349,954	
8						
9	Taxable Income		$ 77,446	$ 58,871	$ 349,954	
10						
11						
12						
13	Income Before Taxes				$ 349,954	
14						
15	Arizona Income Before Taxes				$ 349,954	
16						
17	Less Arizona Income Tax				$ 24,385	
18	Rate =	6.97%				
19	Arizona Taxable Income				$ 325,569	
20						
21	Arizona Income Taxes				$ 24,385	
22						
23	Federal Income Before Taxes				$ 349,954	
24						
25	Less Arizona Income Taxes				$ 24,385	
26						
27	Federal Taxable Income				$ 325,569	
28						
29						
30						
31	FEDERAL INCOME TAXES:					
32	15% BRACKET				$ 7,500	
33	25% BRACKET				$ 6,250	
34	34% BRACKET				$ 8,500	Federal
35	39% BRACKET				$ 87,972	Effective
36	34% BRACKET				$ -	Tax
37						Rate
38	Federal Income Taxes				$ 110,222	31.50%
39						
40						
41	Total Income Tax				$ 134,607	
42						
43	Overall Tax Rate				38.46%	
44						
45	Income Tax at Proposed Rates Effective Rate			$ 22,644		
46	Test Year Income tax Expense			74,627		
47	Adjustment to Income Tax Expense			$ (51,983)		

Test Year Ended December 31, 2009
Computation of Gross Revenue Conversion Factor

Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.50%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.46%
9		
10	Operating Income % = 100% - Tax Percentage	61.54%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6251
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		A-1
20		
21		
22		
23		
24		
25		
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Goodman Water Company
Test Year Ended December 31, 2009
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2009	Year Ended 12/31/2008	Year Ended 12/31/2007
1	**ASSETS**			
2	Plant In Service	$ 5,432,261	$ 5,402,861	$ 3,665,491
3				
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	-	-	-
6	Less: Accumulated Depreciation	(799,027)	(570,449)	(373,358)
7	Net Plant	$ 4,633,234	$ 4,832,412	$ 3,292,133
8				
9	Debt Reserve Fund	$ -	$ -	$ -
10				
11		$ -	$ -	$ -
12				
13	CURRENT ASSETS			
14	Cash and Equivalents	$ 117,635	$ 73,198	$ 280,276
15	Restricted Cash	-	-	-
16	Accounts Receivable, Net	60,349	55,792	56,445
17	Unbilled Revenues	-	-	-
18	Materials and Supplies	-	-	-
19	Prepayments	3,149	-	23,233
20	Other Current Assets	114,197	211,135	123,506
21	Total Current Assets	$ 295,331	$ 340,125	$ 483,460
22				
23	Deferred Debits	$ -	$ -	$ -
24				
25	Other Investments & Special Funds	$ -	$ -	$ -
26				
27	TOTAL ASSETS	$ 4,928,565	$ 5,172,537	$ 3,775,593
28				
29				
30	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
31				
32	Common Equity	$ 2,180,436	$ 2,267,615	$ 1,712,464
33				
34	Long-Term Debt	$ 507,451	$ 518,715	$ -
35				
36	CURRENT LIABILITIES			
37	Accounts Payable	$ 7,515	$ 15,800	$ 78,929
38	Current Portion of Long-Term Debt	-	74,238	-
39	Payables to Associated Companies	-	-	-
40	Security Deposits	25,800	19,945	11,979
41	Customer Meter Deposits, Current	83,087	78,767	86,470
42	Accrued Taxes	22,371	49,963	2,428
43	Accrued Interest	-	-	-
44	Other Current Liabilities	-	-	-
45	Total Current Liabilities	$ 138,772	$ 238,713	$ 179,807
46	DEFERRED CREDITS			
47	Customer Meter Deposits, less current	$ -	$ -	$ -
48	Advances in Aid of Construction	2,101,905	2,147,494	1,883,322
49	Accumulated Deferred Income Taxes	-	-	-
50	Contributions In Aid of Construction	-	-	-
51	Accumulated Amortization	-	-	-
52	Total Deferred Credits	$ 2,101,905	$ 2,147,494	$ 1,883,322
53				
54	Total Liabilities & Common Equity	$ 4,928,564	$ 5,172,537	$ 3,775,593
55				
56	* Adjusted for prior rate case adjustments			
57				
58	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
59	E-5		A-3	

Goodman Water Company
Test Year Ended December 31, 2009
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2009	Prior Year Ended 12/31/2008	Prior Year Ended 12/31/2007
1	**Revenues**			
2	Metered Water Revenues	$ 566,372	$ 548,016	$ 484,158
3	Unmetered Water Revenues		-	-
4	Other Water Revenues	13,738	14,806	21,260
5	**Total Revenues**	$ 580,110	$ 562,822	$ 505,418
6	**Operating Expenses**			
7	Salaries and Wages	$ 32,000	$ 32,000	$ 32,000
8	Purchased Water	-	-	-
9	Purchased Power	26,703	24,114	30,601
10	Chemicals	-	-	-
11	Repairs and Maintenance	7,746	13,158	5,336
12	Office Supplies and Expense	12,557	6,232	5,187
13	Contractual Services	116,780	119,841	131,259
14	Water Testing	1,215	2,803	1,794
15	Rents	-	-	-
16	Transportation Expenses	-	-	-
17	Insurance - General Liability	9,669	9,960	7,476
18	Insurance - Health and Life	-	-	-
19	Regulatory Commission Expense - Rate Case	1,624	1,054	-
20	Miscellaneous Expense	378	7,540	1,400
21	Depreciation Expense	228,578	215,903	136,134
22	Taxes Other Than Income	12,185	2,604	2,893
23	Property Taxes	8,576	12,021	10,181
24	Income Tax	74,627	77,607	19,740
25				
26	**Total Operating Expenses**	$ 532,638	$ 524,837	$ 384,001
27	**Operating Income**	$ 47,472	$ 37,985	$ 121,417
28	**Other Income (Expense)**			
29	Interest Income	1,438	6,034	4,463
30	Other income	-	-	1,860
31	Interest Expense	(46,091)	(41,877)	(152)
32	Other Expense	-	-	-
33				
34	**Total Other Income (Expense)**	$ (44,653)	$ (35,843)	$ 6,171
35	**Net Profit (Loss)**	$ 2,819	$ 2,142	$ 127,588
36				
37				
38				
39	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
40			A-2	
41				

Goodman Water Company
Test Year Ended December 31, 2009
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2009	Prior Year Ended 12/31/2008	Prior Year Ended 12/31/2007
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 2,819	$ 2,142	$ 127,588
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	228,578	215,903	136,134
8	Deferred Income Taxes	-	-	-
9	Other - Adjustments	-	4	(875)
10	Changes in Certain Assets and Liabilities:			
11	Accounts Receivable	(4,557)	653	(36,541)
12	Unbilled Revenues	-	-	-
13	Materials and Supplies Inventory	-	-	-
14	Prepaid Expenses	(3,149)	23,233	(23,233)
15	Deferred Charges	-	-	-
16	Accounts Payable	(8,285)	(63,129)	73,273
17	Intercompany payable	(74,238)	74,238	-
18	Customer Meter Deposits	10,175	263	14,851
19	Taxes Payable	(27,591)	47,534	400
20	Other assets and liabilities	96,938	(87,629)	(65,324)
21				
22	Net Cash Flow provided by Operating Activities	$ 220,690	$ 213,212	$ 226,273
23	Cash Flow From Investing Activities:			
24	Capital Expenditures	(29,399)	(1,737,370)	(977,249)
25	Plant Held for Future Use	-	-	-
26	Changes in debt reserve fund	-	-	-
27	Net Cash Flows from Investing Activities	$ (29,399)	$ (1,737,370)	$ (977,249)
28	Cash Flow From Financing Activities			
29	Change in Restricted Cash	-	-	-
30	Proceeds from Long-Term Debt	-	518,715	-
31	Net receipt of contributions in aid of construction	(45,589)	264,172	849,647
32	Net receipts of advances in aid of construction	-	-	-
33	Repayments of Long-Term Debt	(11,264)	-	-
34	Dividends Paid	(90,000)	-	-
35	Deferred Financing Costs	-	-	-
36	Paid in Capital	-	534,193	-
37	Net Cash Flows Provided by Financing Activities	$ (146,853)	$ 1,317,080	$ 849,647
38	Increase(decrease) in Cash and Cash Equivalents	44,438	(207,078)	98,671
39	Cash and Cash Equivalents at Beginning of Year	73,198	280,276	181,605
40	Cash and Cash Equivalents at End of Year	$ 117,637	$ 73,198	$ 280,276
41				
42				
43	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
44			A-5	
45				

Goodman Water Company
Test Year Ended December 31, 2009
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 2006	$ 107	$ 1,749,984	$ (273,050)	$ 1,477,041
5	Addnl Paid In Capital Adjustment				-
6	Dividends				-
7	Prior Period Adjustments			107,835	107,835
8	Net Income			127,588	127,588
9					
10	Balance, December 31, 2007	$ 107	$ 1,749,984	$ (37,627)	$ 1,712,464
11	Addnl Paid In Capital	$ 2	534,190		534,192
12	Dividends				-
13	Prior Period Adjustments			18,816	18,816
14	Net Income			2,142	2,142
15					
16	Balance, December 31, 2008	$ 109	$ 2,284,174	$ (16,668)	$ 2,267,615
17	Addnl Paid In Capital	$ 3			3
18	Dividends			(90,000)	(90,000)
19	Prior Period Adjustments			(1)	(1)
20	Net Income			2,819	2,819
21					
22	Balance, December 31, 2009	$ 112	$ 2,284,174	$ (103,850)	$ 2,180,436
23					
24					
25					
26					
27					
28					
29	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
30				E-1	

Goodman Water Company
Test Year Ended December 31, 2009
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2008	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2009
1					
2	301	Organization Cost	$ 127,103	$ -	$ 127,103
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	494,159	-	494,159
5	304	Structures and Improvements	182,570	-	182,570
6	305	Collecting and Impounding Res.	-	-	-
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	386,591	-	386,591
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	965,499	3,153	968,652
13	320	Water Treatment Equipment	15,947	-	15,947
14	320	Water Treatment Equipment	-		-
15	320.1	Water Treatment Plant	-		-
16	320.2	Chemical Solution Feeders	836,894	(4)	836,890
17	330	Dist. Reservoirs & Standpipe	-		-
18	330.1	Storage tanks	-		-
19	330.2	Pressure Tanks	1,593,998	(3)	1,593,995
20	333	Services	386,947	-	386,947
21	334	Meters	84,939	5,149	90,088
22	335	Hydrants	161,737	-	161,737
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant and Miscellaneous Equipment	166,477	21,105	187,582
25	340	Office Furniture and Fixtures	-	-	-
26	341	Transportation Equipment	-	-	-
27	342	Stores Equipment	-	-	-
28	343	Tools and Work Equipment	-	-	-
29	344	Laboratory Equipment	-	-	-
30	345	Power Operated Equipment	-	-	-
31	346	Communications Equipment	-	-	-
32	347	Miscellaneous Equipment	-	-	-
33	348	Other Tangible Plant	-	-	-
34		Plant Held for Future Use	-	-	-
35		Rounding			1
36		TOTAL WATER PLANT	$ 5,402,861	$ 29,400	$ 5,432,261
37					
38	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
39				A-4	
40				E-1	
41					

Goodman Water Company
Test Year Ended December 31, 2009
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bouras

Line No.		Test Year Ended 12/31/2009	Prior Year Ended 12/31/2008	Prior Year Ended 12/31/2007
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	44,043	43,533	55,090
6				
7				
8				
9	Water Revenues from Customers:	$ 566,372	$ 548,016	$ 484,158
10				
11				
12				
13				
14	Year End Number of Customers	621	612	579
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	71	71	95
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 912.03	$ 895.45	$ 836.20
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.6063	$ 0.5539	$ 0.5555
25	Purchased Water Cost per 1,000 Gallons	$ -	$ -	$ -

Goodman Water Company
Test Year Ended December 31, 2009
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/2009	Prior Year Ended 12/31/2008	Prior Year Ended 12/31/2007
1				
2				
3	Federal Income Taxes	$ 59,291	$ 62,410	$ 6,648
4	State Income Taxes*	15,336	15,197	13,092
5	Payroll Taxes	2,448	2,448	2,848
6	Property Taxes	8,576	12,021	10,181
7				
8	Totals	$ 85,651	$ 92,076	$ 32,769
9				
10				
11				
12				
13	*Estimated			
14				
15				
16				
17				
18				
19				
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Goodman Water Company
Test Year Ended December 31, 2009
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line No.	
1	
2	The Company does conduct independent audits
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Goodman Water Company
Test Year Ended December 31, 2009
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 12/31/2010	At Proposed Rates Year Ended 12/31/2010
1	**Revenues**			
2	Metered Water Revenues	$ 566,372	$ 559,013	$ 850,096
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	13,738	13,738	13,738
5		$ 580,110	$ 572,751	$ 863,834
6	**Operating Expenses**			
7	Salaries and Wages	$ 32,000	$ 40,000	$ 40,000
8	Purchased Water	-	-	-
9	Purchased Power	26,703	27,066	27,066
10	Chemicals	-	-	-
11	Repairs and Maintenance	7,746	7,746	7,746
12	Office Supplies and Expense	12,557	14,855	14,855
13	Contractual Services	116,780	102,925	102,925
14	Water Testing	1,215	1,215	1,215
15	Rents	-	-	-
16	Transportation Expenses	-	-	-
17	Insurance - General Liability	9,669	9,669	9,669
18	Insurance - health and Life	-	-	-
19	Regulatory Commission Expense - Rate Case	1,624	20,000	20,000
20	Miscellaneous Expense	378	378	378
21	Depreciation Expense	228,578	228,403	228,403
22	Taxes Other Than Income	12,185	2,988	2,988
23	Property Taxes	8,576	21,295	21,295
24	Income Tax	74,627	22,644	134,607
25				
26	**Total Operating Expenses**	$ 532,638	$ 499,184	$ 611,146
27	**Operating Income**	$ 47,472	$ 73,568	$ 252,688
28	**Other Income (Expense)**			
29	Interest Income	1,438	-	-
30	Other income	-	-	-
31	Interest Expense	(46,091)	(37,341)	(37,341)
32	Other Expense	-	-	-
33	Gain/Loss Sale of Fixed Assets	-	-	-
34	**Total Other Income (Expense)**	$ (44,653)	$ (37,341)	$ (37,341)
35	**Net Profit (Loss)**	$ 2,819	$ 36,227	$ 215,347
36				

Goodman Water Company
Test Year Ended December 31, 2009
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2009	At Present Rates Year Ended 12/31/2010	At Proposed Rates Year Ended 12/31/2010
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	$ 2,819	$ 36,227	$ 215,347
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	228,578	228,403	228,403
10	Deferred Income Taxes	-		
11	Other	-		
12	Changes in Certain Assets and Liabilities:			
13	Accounts Receivable	(4,557)		
14	Unbilled Revenues	-		
15	Materials and Supplies Inventory	-		
16	Prepaid Expenses	(3,149)		
17	Deferred Charges	-		
18	Accounts Payable	(8,285)		
19	Intercompany payable	(74,238)		
20	Customer Deposits	10,175		
21	Taxes Payable	(27,591)		
22	Other assets and liabilities	96,938		
23				
24	Net Cash Flow provided by Operating Activities	$ 220,690	$ 264,630	$ 443,750
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(29,399)	-	-
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	$ (29,399)	$ -	$ -
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-		
32	Change in net amounts due to parent and affiliates	-		
33	Net Receipt contributions in aid of construction	(45,589)	(45,589)	(45,589)
34	Net receipts of advances in aid of construction	-	-	-
35	Repayments of Long-Term Debt	(11,264)	-	-
36	Dividends Paid	(90,000)	-	-
37	Deferred Financing Costs	-	-	-
38	Paid in Capital	-	-	-
39	Net Cash Flows Provided by Financing Activities	$ (146,853)	$ (45,589)	$ (45,589)
40	Increase(decrease) in Cash and Cash Equivalents	44,438	219,041	398,161
41	Cash and Cash Equivalents at Beginning of Year	73,198	117,637	117,637
42	Cash and Cash Equivalents at End of Year	$ 117,637	$ 336,678	$ 515,798
43				
44				

Goodman Water Company
Test Year Ended December 31, 2009
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2010
1				
2				
3				
4	301	Organization Cost	$ -	$ -
5	302	Franchise Cost	-	-
6	303	Land and Land Rights	-	-
7	304	Structures and Improvements	-	-
8	306	Lake, River and Other Intakes	-	-
9	307	Wells and Springs	-	-
10	310	Power Generation Equipment	-	-
11	311	Electric Pumping Equipment	-	-
12	320	Water Treatment Equipment	-	-
13	330	Distribution Reservoirs & Standpipe	-	-
14	331	Transmission and Distribution Mains	3,153	-
15	333	Services	-	-
16	334	Meters	(4)	-
17	335	Hydrants	(3)	-
18	339	Plant Structures and Improvements	-	-
19	340	Office Furniture and Fixtures	5,149	-
20	341	Transportation Equipment	-	-
21	343	Tools and Work Equipment	-	-
22	344	Power Operated Equipment	21,105	-
23	345	Communications Equipment	-	-
24	346	Miscellaneous Equipment	-	-
25	348	Other Tangible Plant	-	-
26			-	
27	Total		$ 29,400	$ -
28				
29				
30				

Goodman Water Company
Test Year Ended December 31, 2009
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	Income taxes were computed using statutory state and federal income tax rates.
9	
10	
11	
12	
13	
14	
15	

Goodman Water Company
Revenue Summary
Test Year Ended December 31, 2009

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons
1	5/8x3/4 Inch	Residential	$ 438,217	$ 665,007	$ 226,790	51.75%	76.51%	76.98%		
2	3/4 Inch	Residential	88,623	133,504	44,881	50.64%	15.47%	15.45%		
3	1 Inch	Residential	6,812	10,223	3,410	50.06%	1.19%	1.18%		
4										
5										
6	1 Inch	Commercial	13,599	23,754	10,155	74.67%	2.37%	2.75%		
7	1 1/2 Inch	Commercial	458	635	177	38.55%	0.08%	0.07%		
8	2 Inch	Commercial	14,440	23,409	8,969	62.12%	2.52%	2.71%		
9										
10	Construction/Standpipe		3,456	6,382	2,927	84.70%	0.60%	0.74%		
11										
12	**Subtotals of Revenues**		$ 565,605	$ 862,914	$ 297,310	52.56%	98.75%	99.89%	Additional	Additional
13	**Revenue Annualizations:**								Bills	Gallons
14	5/8x3/4 Inch	Residential	$ (1,997)	$ (2,975)	$ (979)	49.03%	-0.35%	-0.34%	(31)	(16,894)
15	3/4 Inch	Residential	11,057	16,474	5,417	48.99%	1.93%	1.91%	118	763,542
16	1 Inch	Residential	(1,382)	(2,081)	(699)	50.56%	-0.24%	-0.24%	(9)	(22,282)
17										
18										
19	1 Inch	Commercial	(260)	(376)	(115)	44.38%	-0.05%	-0.04%	(2)	(14,500)
20	1 1/2 Inch	Commercial	(458)	(635)	(177)	38.55%	-0.08%	-0.07%	(2)	(2)
21	2 Inch	Commercial	(14,318)	(23,184)	(8,866)	61.92%	-2.50%	-2.68%	(19)	(1,250,008)
22										
23	**Subtotal Revenue Annualization**		(7,359)	(12,778)	(5,420)	73.65%	-1.28%	-2.23%	55	(540,144)
24										
25	**Total Revenues w/ Annualization**		$ 558,246	$ 850,136	$ 291,890	52.29%	97.47%	98.41%		
26	**Misc Revenues**		13,738	13,738	-	0.00%	2.40%	1.59%		
27	**Reconciling Amount**		767	(40)	(807)	-105.22%	0.13%	0.00%		
28	**Total Revenues**		$ 572,751	$ 863,834	$ 291,083	50.82%	100.00%	100.00%		
29										
30										
31	**Reconciliation to GL Revenues**									
32	Metered Revenues Per GL		$ 566,372							
33	Adjustments									
34	Adjusted Metered Revenues		$ 566,372							
35										
36	Bill Count Rev. before Annualization		565,605							
37	Difference		$ 767							
38	% Difference		0.14%							
39	Tolerance (+/- 0.5%)		$ 2,832							
40	Acceptable		Yes							

Goodman Water Company
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2009

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2009	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	532	5,477	$ 66.73	$ 100.27	$ 33.55	50.27%	86.24%
2	3/4 Inch	Residential	76	6,449	93.57	139.37	45.80	48.94%	12.36%
3	1 Inch	Residential	4	7,723	151.14	226.72	75.58	50.01%	0.61%
4									
5									
6	1 Inch	Commercial	2	61,866	$ 518.37	$ 904.99	$ 386.62	74.58%	0.35%
7	1 1/2 Inch	Commercial	0	3,001	229.23	317.60	88.37	38.55%	0.03%
8	2 Inch	Commercial	2	65,790	753.45	1,219.99	466.54	61.92%	0.26%
9									
10	Construction/Standpipe		1	40,501	$ 287.96	$ 531.86	243.90	84.70%	0.16%
11									
12									
13									
14									
15	Totals		616						100.00%
16									
17	Actual Year End Number								
18	of Customers:		621						
19									
20									
21									
22									

Goodman Water Company
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2009

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2009	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	532	4,500	$ 60.96	$ 89.61	$ 28.66	47.01%	86.24%
2	3/4 Inch	Residential	76	4,500	82.06	118.10	36.04	43.92%	12.36%
3	1 Inch	Residential	4	7,500	149.83	224.29	74.47	49.70%	0.61%
4									
5									
6	1 Inch	Commercial	2	64,000	$ 533.54	$ 933.01	$ 399.47	74.87%	0.35%
7	1 1/2 Inch	Commercial	0	3,000	229.23	317.60	88.37	38.55%	0.03%
8	2 Inch	Commercial	2	69,500	779.83	1,268.71	488.88	62.69%	0.26%
9									
10	Construction/Standpipe		1	40,501	$ 287.96	$ 531.87	$ 243.90	84.70%	0.16%
11									
12									
13									
14	Totals		616						100.00%
15									
16	Actual Year End Number								
17	of Customers:		621						
18									
19									
20									
21									

Goodman Water Company
Test Year Ended December 31, 2009
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 42.20	$ 56.97	$ 14.77	35.00%
2	3/4 Inch	63.30	85.46	22.16	35.00%
3	1 Inch	105.50	142.43	36.93	35.00%
4	1 1/2 Inch	211.50	284.85	73.35	34.68%
5	2 Inch	339.68	455.76	116.08	34.17%
6	3 Inch	675.20	911.52	236.32	35.00%
7	4 Inch	1,055.00	1,424.25	369.25	35.00%
8	6 Inch	2,110.00	2,848.50	738.50	35.00%
9					
10					
11	Gallons In Minimum (All Classes)	-	-		
12					
13			(Per 1,000 gallons)		
14	**Commodity Rates**		Present	Proposed	
15	**(All Classes)**	**Block**	**Rate**	**Rate**	
16					
17	5/8 Inch	0 gallons to 4,000 gallons	$ 3.95	$ 6.80	
18		4,001 gallons to 9,000 gallons	$ 5.91	$ 10.92	
19		over 9,000 gallons	$ 7.11	$ 13.13	
20					
21					
22	3/4 Inch Meter	0 gallons to 4,000 gallons	$ 3.95	$ 6.80	
23		4,001 gallons to 9,000 gallons	$ 5.91	$ 10.92	
24		over 9,000 gallons	$ 7.11	$ 13.13	
25					
26					
27					
28					
29					
30	NT = No Tariff				
31					

Goodman Water Company
Test Year Ended December 31, 2009
Present and Proposed Rates

Exhibit
Schedule H-3
Page 2

Line No.			(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2	**Commodity Rates**		**Present**	**Proposed**
3	**(All Classes)**	**Block**	**Rate**	**Rate**
4	1 Inch Meter	0 gallons to 22,500 gallons	$ 3.95	$ 10.92
5		over 22,500 gallons	$ 7.11	$ 13.13
6				
7				
8	1.5 Inch Meter	0 gallons to 34,000 gallons	$ 3.95	$ 10.92
9		over 34,000 gallons	$ 7.11	$ 13.13
10				
11				
12	2 Inch Meter	0 gallons to 45,000 gallons	$ 5.91	$ 10.92
13		over 45,000 gallons	$ 7.11	$ 13.13
14				
15				
16	3 Inch Meter	0 gallons to 68,000 gallons	$ 5.91	$ 10.92
17		over 68,000 gallons	$ 7.11	$ 13.13
18				
19				
20	4 Inch Meter	0 gallons to 90,000 gallons	$ 5.91	$ 10.92
21		over 90,000 gallons	$ 7.11	$ 13.13
22				
23				
24	6 Inch Meter	0 gallons to 135,000 gallons	$ 5.91	$ 10.92
25		over 135,000 gallons	$ 7.11	$ 13.13
26				
27				
28				
29	Construction/Standpipe	All gallons	$ 7.11	$ 13.13
30				
31				
32				
33				
34				
35				
36				
37				
38				
39	NT = No Tariff			

Goodman Water Company
Present and Proposed Rates
Test Year Ended December 31, 2009

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Meter and Service Line Charges[1]

Line No.		Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge
7	5/8 x 3/4 Inch			$ 225.00	$ 385.00	$ 135.00	$ 520.00
8	3/4 Inch			270.00	415.00	205.00	620.00
9	1 Inch			300.00	465.00	265.00	730.00
10	1 1/2 Inch			425.00	520.00	475.00	995.00
11	2 Inch Turbo			550.00	800.00	995.00	1,795.00
12	2 Inch, Compound			550.00	800.00	1,840.00	2,640.00
13	3 Inch Turbo			750.00	1,015.00	1,620.00	2,635.00
14	3 Inch, compound			750.00	1,135.00	2,495.00	3,630.00
15	4 Inch Turbo			1,375.00	1,430.00	2,570.00	4,000.00
16	4 Inch, compound			1,375.00	1,610.00	3,545.00	5,155.00
17	6 Inch Turbo			2,800.00	2,150.00	4,925.00	7,075.00
18	6 Inch, compound			2,800.00	2,270.00	6,820.00	9,090.00

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008

Other Charges:

Establishment	$ 50.00	$ 50.00	Establishment (R14-2-403.D.1)
Establishment (After Hours)	$ 75.00	$ 75.00	Establishment (After Hours) (R14-2-403.D.2)
Reconnection (Delinquent)	$ 75.00	$ 75.00	Meter Test (R14-2-408.F)
Reconnection (After hours)	$ 50.00	$ 50.00	Deposit (R14-2-403.B)
Meter Test	$ 20.00	$ 20.00	Deposit Interest (R14-2-403.B.3)
Deposit	PER RULE	PER RULE	Re-establishment (R14-2-403.D.1)
Deposit Interest	PER RULE	PER RULE	NSF Check (R14-2-409.F.1)
Re-establishment (Within 12 months)	PER RULE	PER RULE	Deferred Payment (R14-2-409.G.6)
NSF Check	$ 15.00	$ 15.00	Meter Re-read (R14-2-408.C.2)
Deferred Payment, per month	1.5%	1.5%	Moving Meter (R14-2-405.B)
Meter Re-read	$ 20.00	$ 20.00	
Late Charge	1.5%	1.5%	
Customer requested Meter Test	$ 20.00	$ 20.00	
After hours service charge	$ 10.00	$ 10.00	
Turn-on/off (at customer request)	NT	$ 75.00	
Moving Customer Meter (at customer request)	NT	Cost	

(a) $ 5.00 minimum or 1.5% of unpaid balance whichever is greater.

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 42.20	$ 56.97	$ 14.77	35.00%
1,000	46.15	63.77	$ 17.62	38.17%
2,000	50.10	70.56	$ 20.46	40.84%
3,000	54.05	77.36	$ 23.31	43.12%
4,000	58.00	84.15	$ 26.15	45.09%
5,000	63.91	95.07	$ 31.16	48.75%
6,000	69.82	105.98	$ 36.16	51.80%
7,000	75.73	116.90	$ 41.17	54.36%
8,000	81.64	127.82	$ 46.18	56.56%
9,000	87.55	138.73	$ 51.18	58.46%
10,000	94.66	151.86	$ 57.20	60.43%
12,000	108.88	178.13	$ 69.25	63.60%
14,000	123.10	204.39	$ 81.29	66.04%
16,000	137.32	230.66	$ 93.34	67.97%
18,000	151.54	256.92	$ 105.38	69.54%
20,000	165.76	283.19	$ 117.43	70.84%
25,000	201.31	348.85	$ 147.54	73.29%
30,000	236.86	414.51	$ 177.65	75.00%
35,000	272.41	480.17	$ 207.76	76.27%
40,000	307.96	545.83	$ 237.87	77.24%
45,000	343.51	611.49	$ 267.98	78.01%
50,000	379.06	677.15	$ 298.09	78.64%
60,000	450.16	808.47	$ 358.31	79.60%
70,000	521.26	939.79	$ 418.53	80.29%
80,000	592.36	1,071.12	$ 478.76	80.82%
90,000	663.46	1,202.44	$ 538.98	81.24%
100,000	734.56	1,333.76	$ 599.20	81.57%
Average Usage				
5,477	$ 66.73	$ 100.27	$ 33.55	50.27%
Median Usage				
4,500	$ 60.96	$ 89.61	$ 28.66	47.01%

Present Rates:

Monthly Minimum:		$	42.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	3.95
Over	9,000	$	5.91
Over	9,000	$	7.11

Proposed Rates:

Monthly Minimum:		$	56.97
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	6.80
Up to	9,000	$	10.92
Over	9,000	$	13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 3/4 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 63.30	$ 85.46	$ 22.16	35.00%
1,000	67.25	92.25	$ 25.00	37.18%
2,000	71.20	99.05	$ 27.85	39.11%
3,000	75.15	105.84	$ 30.69	40.84%
4,000	79.10	112.64	$ 33.54	42.40%
5,000	85.01	123.55	$ 38.54	45.34%
6,000	90.92	134.47	$ 43.55	47.90%
7,000	96.83	145.38	$ 48.55	50.14%
8,000	102.74	156.30	$ 53.56	52.13%
9,000	108.65	167.22	$ 58.57	53.90%
10,000	115.76	180.35	$ 64.59	55.80%
12,000	129.98	206.61	$ 76.63	58.96%
14,000	144.20	232.88	$ 88.68	61.50%
16,000	158.42	259.14	$ 100.72	63.58%
18,000	172.64	285.41	$ 112.77	65.32%
20,000	186.86	311.67	$ 124.81	66.79%
25,000	222.41	377.33	$ 154.92	69.66%
30,000	257.96	442.99	$ 185.03	71.73%
35,000	293.51	508.65	$ 215.14	73.30%
40,000	329.06	574.31	$ 245.25	74.53%
45,000	364.61	639.97	$ 275.36	75.52%
50,000	400.16	705.64	$ 305.48	76.34%
60,000	471.26	836.96	$ 365.70	77.60%
70,000	542.36	968.28	$ 425.92	78.53%
80,000	613.46	1,099.60	$ 486.14	79.25%
90,000	684.56	1,230.92	$ 546.36	79.81%
100,000	755.66	1,362.24	$ 606.58	80.27%
Average Usage				
6,449	$ 93.57	$ 139.37	$ 45.80	48.94%
Median Usage				
4,500	$ 82.06	$ 118.10	$ 36.04	43.92%

Present Rates:

Monthly Minimum:		$	63.30
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	3.95
Over	9,000	$	5.91
Over	9,000	$	7.11

Proposed Rates:

Monthly Minimum:		$	85.46
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	6.80
Up to	9,000	$	10.92
Over	9,000	$	13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 105.50	$ 142.43	$ 36.93	35.00%
1,000	111.41	153.34	$ 41.93	37.64%
2,000	117.32	164.26	$ 46.94	40.01%
3,000	123.23	175.17	$ 51.94	42.15%
4,000	129.14	186.09	$ 56.95	44.10%
5,000	135.05	197.00	$ 61.95	45.87%
6,000	140.96	207.92	$ 66.96	47.50%
7,000	146.87	218.84	$ 71.97	49.00%
8,000	152.78	229.75	$ 76.97	50.38%
9,000	158.69	240.67	$ 81.98	51.66%
10,000	164.60	251.58	$ 86.98	52.84%
12,000	176.42	273.41	$ 96.99	54.98%
14,000	188.24	295.25	$ 107.01	56.85%
16,000	200.06	317.08	$ 117.02	58.49%
18,000	211.88	338.91	$ 127.03	59.95%
20,000	223.70	360.74	$ 137.04	61.26%
25,000	256.25	420.86	$ 164.61	64.24%
30,000	291.80	486.52	$ 194.72	66.73%
35,000	327.35	552.18	$ 224.83	68.68%
40,000	362.90	617.84	$ 254.94	70.25%
45,000	398.45	683.50	$ 285.05	71.54%
50,000	434.00	749.16	$ 315.16	72.62%
60,000	505.10	880.49	$ 375.39	74.32%
70,000	576.20	1,011.81	$ 435.61	75.60%
80,000	647.30	1,143.13	$ 495.83	76.60%
90,000	718.40	1,274.45	$ 556.05	77.40%
100,000	789.50	1,405.77	$ 616.27	78.06%
Average Usage				
7,723	$ 151.14	$ 226.72	$ 75.58	50.01%
Median Usage				
7,500	$ 149.83	$ 224.29	$ 74.47	49.70%

Present Rates:

Monthly Minimum:		$	105.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	22,500	$	5.91
Over	22,500	$	7.11

Proposed Rates:

Monthly Minimum:		$	142.43
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	22,500	$	10.92
Over	22,500	$	13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 105.50	$ 142.43	$ 36.93	35.00%
1,000	111.41	153.34	$ 41.93	37.64%
2,000	117.32	164.26	$ 46.94	40.01%
3,000	123.23	175.17	$ 51.94	42.15%
4,000	129.14	186.09	$ 56.95	44.10%
5,000	135.05	197.00	$ 61.95	45.87%
6,000	140.96	207.92	$ 66.96	47.50%
7,000	146.87	218.84	$ 71.97	49.00%
8,000	152.78	229.75	$ 76.97	50.38%
9,000	158.69	240.67	$ 81.98	51.66%
10,000	164.60	251.58	$ 86.98	52.84%
12,000	176.42	273.41	$ 96.99	54.98%
14,000	188.24	295.25	$ 107.01	56.85%
16,000	200.06	317.08	$ 117.02	58.49%
18,000	211.88	338.91	$ 127.03	59.95%
20,000	223.70	360.74	$ 137.04	61.26%
25,000	256.25	420.86	$ 164.61	64.24%
30,000	291.80	486.52	$ 194.72	66.73%
35,000	327.35	552.18	$ 224.83	68.68%
40,000	362.90	617.84	$ 254.94	70.25%
45,000	398.45	683.50	$ 285.05	71.54%
50,000	434.00	749.16	$ 315.16	72.62%
60,000	505.10	880.49	$ 375.39	74.32%
70,000	576.20	1,011.81	$ 435.61	75.60%
80,000	647.30	1,143.13	$ 495.83	76.60%
90,000	718.40	1,274.45	$ 556.05	77.40%
100,000	789.50	1,405.77	$ 616.27	78.06%
Average Usage				
61,866	$ 518.37	$ 904.99	$ 386.62	74.58%
Median Usage				
64,000	$ 533.54	$ 933.01	$ 399.47	74.87%

Present Rates:

Monthly Minimum:		$	105.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	22,500	$	5.91
Over	22,500	$	7.11

Proposed Rates:

Monthly Minimum:		$	142.43
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	22,500	$	10.92
Over	22,500	$	13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1.5 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 211.50	$ 284.85	$ 73.35	34.68%
1,000	217.41	295.77	$ 78.36	36.04%
2,000	223.32	306.68	$ 83.36	37.33%
3,000	229.23	317.60	$ 88.37	38.55%
4,000	235.14	328.51	$ 93.37	39.71%
5,000	241.05	339.43	$ 98.38	40.81%
6,000	246.96	350.34	$ 103.38	41.86%
7,000	252.87	361.26	$ 108.39	42.86%
8,000	258.78	372.18	$ 113.40	43.82%
9,000	264.69	383.09	$ 118.40	44.73%
10,000	270.60	394.01	$ 123.41	45.61%
12,000	282.42	415.84	$ 133.42	47.24%
14,000	294.24	437.67	$ 143.43	48.75%
16,000	306.06	459.50	$ 153.44	50.13%
18,000	317.88	481.33	$ 163.45	51.42%
20,000	329.70	503.17	$ 173.47	52.61%
25,000	359.25	557.74	$ 198.49	55.25%
30,000	388.80	612.32	$ 223.52	57.49%
35,000	419.55	669.12	$ 249.57	59.48%
40,000	455.10	734.78	$ 279.68	61.45%
45,000	490.65	800.44	$ 309.79	63.14%
50,000	526.20	866.10	$ 339.90	64.60%
60,000	597.30	997.42	$ 400.12	66.99%
70,000	668.40	1,128.74	$ 460.34	68.87%
80,000	739.50	1,260.07	$ 520.57	70.39%
90,000	810.60	1,391.39	$ 580.79	71.65%
100,000	881.70	1,522.71	$ 641.01	72.70%
Average Usage				
3,001	$ 229.23	$ 317.60	$ 88.37	38.55%
Median Usage				
3,000	$ 229.23	$ 317.60	$ 88.37	38.55%

Present Rates:

Monthly Minimum:		$	211.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	34,000	$	5.91
Over	34,000	$	7.11

Proposed Rates:

Monthly Minimum:		$	284.85
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	34,000	$	10.92
Over	34,000	$	13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 339.68	$ 455.76	$ 116.08	34.17%
1,000	345.59	466.68	$ 121.09	35.04%
2,000	351.50	477.59	$ 126.09	35.87%
3,000	357.41	488.51	$ 131.10	36.68%
4,000	363.32	499.42	$ 136.10	37.46%
5,000	369.23	510.34	$ 141.11	38.22%
6,000	375.14	521.25	$ 146.11	38.95%
7,000	381.05	532.17	$ 151.12	39.66%
8,000	386.96	543.09	$ 156.13	40.35%
9,000	392.87	554.00	$ 161.13	41.01%
10,000	398.78	564.92	$ 166.14	41.66%
12,000	410.60	586.75	$ 176.15	42.90%
14,000	422.42	608.58	$ 186.16	44.07%
16,000	434.24	630.41	$ 196.17	45.18%
18,000	446.06	652.24	$ 206.18	46.22%
20,000	457.88	674.08	$ 216.20	47.22%
25,000	487.43	728.65	$ 241.22	49.49%
30,000	516.98	783.23	$ 266.25	51.50%
35,000	546.53	837.81	$ 291.28	53.30%
40,000	576.08	892.39	$ 316.31	54.91%
45,000	605.63	946.97	$ 341.34	56.36%
50,000	641.18	1,012.63	$ 371.45	57.93%
60,000	712.28	1,143.95	$ 431.67	60.60%
70,000	783.38	1,275.27	$ 491.89	62.79%
80,000	854.48	1,406.60	$ 552.12	64.61%
90,000	925.58	1,537.92	$ 612.34	66.16%
100,000	996.68	1,669.24	$ 672.56	67.48%
Average Usage				
65,790	$ 753.45	$1,219.99	$ 466.54	61.92%
Median Usage				
69,500	$ 779.83	$1,268.71	$ 488.88	62.69%

Present Rates:

Monthly Minimum:		$	339.68
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	45,000	$	5.91
Over	45,000	$	7.11

Proposed Rates:

Monthly Minimum:		$	455.76
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	45,000	$	10.92
Over	45,000	$	13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Construction Water
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ -	$ -	$ -	0.00%
1,000	7.11	13.13	6.02	84.70%
2,000	14.22	26.26	12.04	84.70%
3,000	21.33	39.40	18.07	84.70%
4,000	28.44	52.53	24.09	84.70%
5,000	35.55	65.66	30.11	84.70%
6,000	42.66	78.79	36.13	84.70%
7,000	49.77	91.93	42.16	84.70%
8,000	56.88	105.06	48.18	84.70%
9,000	63.99	118.19	54.20	84.70%
10,000	71.10	131.32	60.22	84.70%
12,000	85.32	157.59	72.27	84.70%
14,000	99.54	183.85	84.31	84.70%
16,000	113.76	210.11	96.35	84.70%
18,000	127.98	236.38	108.40	84.70%
20,000	142.20	262.64	120.44	84.70%
25,000	177.75	328.30	150.55	84.70%
30,000	213.30	393.97	180.67	84.70%
35,000	248.85	459.63	210.78	84.70%
40,000	284.40	525.29	240.89	84.70%
45,000	319.95	590.95	271.00	84.70%
50,000	355.50	656.61	301.11	84.70%
60,000	426.60	787.93	361.33	84.70%
70,000	497.70	919.25	421.55	84.70%
80,000	568.80	1,050.57	481.77	84.70%
90,000	639.90	1,181.90	542.00	84.70%
100,000	711.00	1,313.22	602.22	84.70%
Average Usage				
40,501	$ 287.96	$ 531.86	$ 243.90	84.70%
Median Usage				
40,501	$ 287.96	$ 531.87	$ 243.90	84.70%

Present Rates:

Monthly Minimum:	$ -
Gallons in Minimum	-
Charge Per 1,000 Gallons	
All Gallons	$ 7.11

Proposed Rates:

Monthly Minimum:	$ -
Gallons in Minimum	-
Charge Per 1,000 Gallons	
All Gallons	$ 13.13

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
0	0													-	-	-
1	1,000	43	41	42	33	38	37	26	34	30	25	35	42	426	426	213
1,001	2,000	48	48	40	43	42	32	38	35	47	26	31	64	494	920	954
2,001	3,000	70	84	77	64	46	51	57	51	64	35	50	109	758	1,678	2,850
3,001	4,000	103	99	83	86	61	73	67	71	72	57	71	104	947	2,625	6,165
4,001	5,000	82	74	68	66	60	64	63	60	57	51	59	82	786	3,411	9,702
5,001	6,000	63	72	73	58	60	57	64	46	62	60	63	56	734	4,145	13,740
6,001	7,000	40	38	54	54	50	51	47	48	57	57	64	31	591	4,736	17,581
7,001	8,000	28	22	28	34	49	40	42	45	40	53	40	15	436	5,172	20,852
8,001	9,000	21	15	17	26	30	27	29	45	26	42	37	11	326	5,498	23,623
9,001	10,000	12	14	21	16	22	24	16	23	18	29	22	6	223	5,721	25,741
10,001	11,000	7	9	16	19	14	13	20	12	11	22	20	4	167	5,888	27,495
11,001	12,000	9	7	6	14	20	15	13	14	14	11	14	2	139	6,027	29,094
12,001	13,000	1	5	1	7	12	10	10	8	9	15	6	-	84	6,111	30,144
13,001	14,000	1	3	1	3	5	10	8	9	3	9	6	1	59	6,170	30,940
14,001	15,000	2	-	1	-	10	7	3	2	-	7	8	1	41	6,211	31,535
15,001	16,000	-	-	5	1	3	4	4	3	4	4	7	-	35	6,246	32,077
16,001	17,000	3	-	-	3	5	4	4	3	-	2	1	-	25	6,271	32,490
17,001	18,000	-	1	-	-	3	4	3	2	4	4	2	-	23	6,294	32,892
18,001	19,000	-	-	-	2	2	3	2	3	-	3	-	-	15	6,309	33,170
19,001	20,000	-	1	-	1	1	2	1	1	-	-	-	-	7	6,316	33,306
20,001	21,000	-	-	1	-	-	-	2	1	1	2	2	-	9	6,325	33,491
21,001	22,000	-	-	1	-	1	-	1	2	2	-	-	-	7	6,332	33,641
22,001	23,000	-	-	1	-	1	1	3	1	-	2	-	-	9	6,341	33,844
23,001	24,000	-	-	1	2	-	1	1	2	-	1	-	-	8	6,349	34,032
24,001	25,000	-	-	-	-	-	2	-	1	-	1	-	-	4	6,353	34,130
25,001	26,000	1	1	-	2	-	1	-	-	-	-	1	-	6	6,359	34,283
26,001	27,000	-	-	-	-	-	-	-	2	-	-	-	-	2	6,361	34,336
27,001	28,000	-	-	-	-	1	-	1	1	-	-	-	-	3	6,364	34,418
28,001	29,000	-	-	-	-	-	-	-	-	1	1	-	-	2	6,366	34,475
29,001	30,000	-	-	-	-	1	-	-	1	-	-	-	-	2	6,368	34,534
30,001	31,000	-	-	-	-	-	-		-	-	-	-	-	-	6,368	34,534
31,001	32,000	-	-	-	-	-	-	1	-	-	-	-	-	1	6,369	34,566
32,001	33,000	-	-	-	-	-	-	-	-	-	1	-	-	1	6,370	34,598
33,001	34,000	-	-	-	-	-	1	1	-	-		-	-	2	6,372	34,665
34,001	35,000	-	-	-	-	-	-	-	-	-	1	-	-	1	6,373	34,700
35,001	36,000	-	-	-	-	1	-	-	-	-	-	-	1	2	6,375	34,771
36,001	37,000	-	-	-	-	-	-	-	1	-	-	-	-	1	6,376	34,807
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,376	34,807
38,001	39,000	-	-	-	-	-	1	-	-	-	-	-	-	1	6,377	34,846
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,377	34,846
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,377	34,846
41,001	42,000	-	-	-	-	-	-	1	-	-	-	-	-	1	6,378	34,887
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,378	34,887

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
49,001	50,000	-	-	-	-	-	-	-	-	-	-	1	-	1	6,379	34,937
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification *Residential 5/8x3/4 Inch Meter*

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
	-													-	6,379	34,937
	Totals	534	534	537	534	538	535	528	527	522	521	540	529	6,379		
											Average Usage			5,477		
											Median Usage			4,500		
											Average # Customers			532		

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 3/4 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
0	0													-	-	-
1	1,000	13	13	9	11	12	10	10	10	7	6	12	10	123	123	62
1,001	2,000	5	6	8	8	6	5	4	8	5	8	7	17	87	210	192
2,001	3,000	4	4	5	4	2	3	6	10	12	4	4	11	69	279	365
3,001	4,000	6	8	6	8	7	9	6	6	7	10	11	14	98	377	708
4,001	5,000	9	11	9	9	7	6	5	4	7	5	7	8	87	464	1,099
5,001	6,000	8	7	9	5	6	6	3	3	7	8	5	6	73	537	1,501
6,001	7,000	4	4	9	5	3	6	3	5	3	7	10	6	65	602	1,923
7,001	8,000	7	3	2	4	5	4	5	5	5	3	8	3	54	656	2,328
8,001	9,000	3	8	3	4	2	2	10	3	10	4	6	3	58	714	2,821
9,001	10,000	4	3	4	4	4	3	1	6	4	8	5	4	50	764	3,296
10,001	11,000	-	1	3	3	2	3	2	2	1	5	3	1	26	790	3,569
11,001	12,000	-	-	1	1	2	5	-	2	2	-	2	1	16	806	3,753
12,001	13,000	1	-	1	2	3	3	2	1	2	3	1	-	19	825	3,991
13,001	14,000	-	1	-	1	1	-	1	2	-	-	1	-	7	832	4,085
14,001	15,000	1	-	-	-	2	-	2	1	2	1	-	-	9	841	4,216
15,001	16,000	-	-	1	1	3	-	3	1	-	1	3	-	13	854	4,417
16,001	17,000	1	-	1	1	-	1	1	1	2	1	1	1	11	865	4,599
17,001	18,000	1	1	-	1	-	3	-	2	1	1	1	-	11	876	4,791
18,001	19,000	-	-	-	-	1	1	2	1	-	2	-	-	7	883	4,921
19,001	20,000	-	-	1	-	-	-	1	2	-	1	-	-	5	888	5,018
20,001	21,000	-	-	-	-	2	-	1	-	-	2	-	-	5	893	5,121
21,001	22,000	-	-	-	-	-	-	-	-	1	-	-	-	1	894	5,142
22,001	23,000	-	-	-	1	-	1	1	1	-	1	-	-	5	899	5,255
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	899	5,255
24,001	25,000	-	-	-	-	1	-	-	-	-	-	1	-	2	901	5,304
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	901	5,304
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	901	5,304
27,001	28,000	-	-	-	-	1	-	1	-	-	-	-	-	2	903	5,359
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
40,001	41,000	-	-	-	-	-	-	-	1	-	-	-	-	1	904	5,399
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,399
42,001	43,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399
43,001	44,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399
44,001	45,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399
45,001	46,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399
46,001	47,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399
47,001	48,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399
48,001	49,000	-	-	-	-	-	-	-		-	-	-	-	-	904	5,399

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 3/4 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
49,001	50,000	-	1	1	1	1	1	1		1	1	1	1	10	914	5,894
50,001	51,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
51,001	52,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
52,001	53,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
53,001	54,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
54,001	55,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
55,001	56,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
56,001	57,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
57,001	58,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
58,001	59,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
59,001	60,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
60,001	61,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
61,001	62,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
62,001	63,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
63,001	64,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
64,001	65,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
65,001	66,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
66,001	67,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
67,001	68,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
68,001	69,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
69,001	70,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
70,001	71,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
71,001	72,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
72,001	73,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
73,001	74,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
74,001	75,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
75,001	76,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
76,001	77,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
77,001	78,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
78,001	79,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
79,001	80,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
80,001	81,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
81,001	82,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
82,001	83,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
83,001	84,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
84,001	85,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
85,001	86,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
86,001	87,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
87,001	88,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
88,001	89,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
89,001	90,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
90,001	91,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
91,001	92,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
92,001	93,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
93,001	94,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
94,001	95,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
95,001	96,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
96,001	97,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
97,001	98,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
98,001	99,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 3/4 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s'
99,001	100,000	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
	-	-	-	-	-	-	-	-		-	-	-	-	-	914	5,894
	-													-	914	5,894
	-													-	914	5,894
Totals		67	71	73	74	73	72	71	77	79	82	89	86	914		
														Average Usage		6,449
														Median Usage		4,500
														Average # Customers		76

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000				1	1	1							3	3	2
1,001	2,000													-	3	2
2,001	3,000						1							1	4	4
3,001	4,000								1				1	2	6	11
4,001	5,000	1	1	1		1		1					1	6	12	38
5,001	6,000	1	1	1			1			1				5	17	66
6,001	7,000				1			1		1		1	1	5	22	98
7,001	8,000				1	1	1	1	2		1			7	29	151
8,001	9,000	1										1		2	31	168
9,001	10,000		1	1							1	1		4	35	206
10,001	11,000	1	1	1	1						1			5	40	258
11,001	12,000													-	40	258
12,001	13,000				1									1	41	271
13,001	14,000					1				1				2	43	298
14,001	15,000													-	43	298
15,001	16,000													-	43	298
16,001	17,000													-	43	298
17,001	18,000													-	43	298
18,001	19,000				1									1	44	316
19,001	20,000													-	44	316
20,001	21,000													-	44	316
21,001	22,000													-	44	316
22,001	23,000													-	44	316
23,001	24,000													-	44	316
24,001	25,000													-	44	316
25,001	26,000													-	44	316
26,001	27,000													-	44	316
27,001	28,000													-	44	316
28,001	29,000													-	44	316
29,001	30,000													-	44	316
30,001	31,000													-	44	316
31,001	32,000							1						1	45	348
32,001	33,000													-	45	348
33,001	34,000													-	45	348
34,001	35,000													-	45	348
35,001	36,000													-	45	348
36,001	37,000													-	45	348
37,001	38,000													-	45	348
38,001	39,000													-	45	348
39,001	40,000													-	45	348
40,001	41,000													-	45	348
41,001	42,000													-	45	348
42,001	43,000													-	45	348
43,001	44,000													-	45	348
44,001	45,000													-	45	348
45,001	46,000													-	45	348
46,001	47,000													-	45	348

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
47,001	48,000													-	45	348
48,001	49,000													-	45	348
49,001	50,000													-	45	348
50,001	51,000													-	45	348
51,001	52,000													-	45	348
52,001	53,000													-	45	348
53,001	54,000													-	45	348
54,001	55,000													-	45	348
55,001	56,000													-	45	348
56,001	57,000													-	45	348
57,001	58,000													-	45	348
58,001	59,000													-	45	348
59,001	60,000													-	45	348
60,001	61,000													-	45	348
61,001	62,000													-	45	348
62,001	63,000													-	45	348
63,001	64,000													-	45	348
64,001	65,000													-	45	348
65,001	66,000													-	45	348
66,001	67,000													-	45	348
67,001	68,000													-	45	348
68,001	69,000													-	45	348
69,001	70,000													-	45	348
70,001	71,000													-	45	348
71,001	72,000													-	45	348
72,001	73,000													-	45	348
73,001	74,000													-	45	348
74,001	75,000													-	45	348
75,001	76,000													-	45	348
76,001	77,000													-	45	348
77,001	78,000													-	45	348
78,001	79,000													-	45	348
79,001	80,000													-	45	348
80,001	81,000													-	45	348
81,001	82,000													-	45	348
82,001	83,000													-	45	348
83,001	84,000													-	45	348
84,001	85,000													-	45	348
85,001	86,000													-	45	348
86,001	87,000													-	45	348
87,001	88,000													-	45	348
88,001	89,000													-	45	348
89,001	90,000													-	45	348
90,001	91,000													-	45	348
91,001	92,000													-	45	348
92,001	93,000													-	45	348
93,001	94,000													-	45	348
94,001	95,000													-	45	348

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
95,001	96,000													-	45	348
96,001	97,000													-	45	348
97,001	98,000													-	45	348
98,001	99,000													-	45	348
99,001	100,000													-	45	348
	-													-	45	348
Totals		4	4	4	6	4	4	4	3	3	3	3	3	45		

Average Usage	7,723
Median Usage	7,500
Average # Customers	4

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commercial 1 Inch Meter

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000												1	1	1	8
8,001	9,000													-	1	8
9,001	10,000							1	1	1		1		4	5	46
10,001	11,000										1			1	6	56
11,001	12,000					1	1							2	8	79
12,001	13,000													-	8	79
13,001	14,000													-	8	79
14,001	15,000													-	8	79
15,001	16,000													-	8	79
16,001	17,000													-	8	79
17,001	18,000													-	8	79
18,001	19,000													-	8	79
19,001	20,000													-	8	79
20,001	21,000													-	8	79
21,001	22,000													-	8	79
22,001	23,000													-	8	79
23,001	24,000													-	8	79
24,001	25,000													-	8	79
25,001	26,000													-	8	79
26,001	27,000													-	8	79
27,001	28,000													-	8	79
28,001	29,000													-	8	79
29,001	30,000													-	8	79
30,001	31,000													-	8	79
31,001	32,000													-	8	79
32,001	33,000													-	8	79
33,001	34,000													-	8	79
34,001	35,000													-	8	79
35,001	36,000													-	8	79
36,001	37,000													-	8	79
37,001	38,000													-	8	79
38,001	39,000													-	8	79
39,001	40,000													-	8	79
40,001	41,000									1				1	9	120
41,001	42,000													-	9	120
42,001	43,000													-	9	120
43,001	44,000													-	9	120
44,001	45,000													-	9	120
45,001	46,000						1							1	10	165
46,001	47,000													-	10	165
47,001	48,000													-	10	165
48,001	49,000													-	10	165
49,001	50,000													-	10	165

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commercial 1 Inch Meter

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Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000													-	10	165
51,001	52,000										1			1	11	217
52,001	53,000													-	11	217
53,001	54,000													-	11	217
54,001	55,000													-	11	217
55,001	56,000													-	11	217
56,001	57,000													-	11	217
57,001	58,000							1						1	12	274
58,001	59,000													-	12	274
59,001	60,000								1					1	13	334
60,001	61,000													-	13	334
61,001	62,000													-	13	334
62,001	63,000													-	13	334
63,001	64,000		1											1	14	397
64,001	65,000													-	14	397
65,001	66,000													-	14	397
66,001	67,000													-	14	397
67,001	68,000													-	14	397
68,001	69,000												1	1	15	466
69,001	70,000													-	15	466
70,001	71,000													-	15	466
71,001	72,000													-	15	466
72,001	73,000													-	15	466
73,001	74,000													-	15	466
74,001	75,000													-	15	466
75,001	76,000													-	15	466
76,001	77,000													-	15	466
77,001	78,000													-	15	466
78,001	79,000													-	15	466
79,001	80,000											1		1	16	545
80,001	81,000													-	16	545
81,001	82,000													-	16	545
82,001	83,000													-	16	545
83,001	84,000													-	16	545
84,001	85,000													-	16	545
85,001	86,000													-	16	545
86,001	87,000													-	16	545
87,001	88,000	1												1	17	633
88,001	89,000													-	17	633
89,001	90,000													-	17	633
90,001	91,000					1								1	18	723
91,001	92,000													-	18	723
92,001	93,000													-	18	723
93,001	94,000													-	18	723
94,001	95,000													-	18	723
95,001	96,000					1								1	19	819
96,001	97,000													-	19	819
97,001	98,000													-	19	819
98,001	99,000													-	19	819
99,001	100,000			1	1									2	21	1,018
112,000	112,000						1							1	22	1,130

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commercial 1 Inch Meter

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Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
125,000	125,000							1						1	23	1,255
136,000	136,000								1					1	24	1,391
102,000	102,000									1				1	25	1,493
116,000	116,000										1			1	26	1,609
-	-													-	26	1,609
-	-													-	26	1,609
	-													-	26	1,609
	-													-	26	1,609
																1,609
Totals		1	1	1	1	3	3	3	3	3	3	2	2	26		

Average Usage	61,866
Median Usage	64,000
Average # Customers	2

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commercial 1.5 Inch Meter

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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000					1								1	1	3
3,001	4,000				1									1	2	6
4,001	5,000													-	2	6
5,001	6,000													-	2	6
6,001	7,000													-	2	6
7,001	8,000													-	2	6
8,001	9,000													-	2	6
9,001	10,000													-	2	6
10,001	11,000													-	2	6
11,001	12,000													-	2	6
12,001	13,000													-	2	6
13,001	14,000													-	2	6
14,001	15,000													-	2	6
15,001	16,000													-	2	6
16,001	17,000													-	2	6
17,001	18,000													-	2	6
18,001	19,000													-	2	6
19,001	20,000													-	2	6
20,001	21,000													-	2	6
21,001	22,000													-	2	6
22,001	23,000													-	2	6
23,001	24,000													-	2	6
24,001	25,000													-	2	6
25,001	26,000													-	2	6
26,001	27,000													-	2	6
27,001	28,000													-	2	6
28,001	29,000													-	2	6
29,001	30,000													-	2	6
30,001	31,000													-	2	6
31,001	32,000													-	2	6
32,001	33,000													-	2	6
33,001	34,000													-	2	6
34,001	35,000													-	2	6
35,001	36,000													-	2	6
36,001	37,000													-	2	6
37,001	38,000													-	2	6
38,001	39,000													-	2	6
39,001	40,000													-	2	6
40,001	41,000													-	2	6
41,001	42,000													-	2	6
42,001	43,000													-	2	6
43,001	44,000													-	2	6
44,001	45,000													-	2	6
45,001	46,000													-	2	6
46,001	47,000													-	2	6
47,001	48,000													-	2	6
48,001	49,000													-	2	6

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commercial 1.5 Inch Meter

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Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
49,001	50,000													-	2	6
50,001	51,000													-	2	6
51,001	52,000													-	2	6
52,001	53,000													-	2	6
53,001	54,000													-	2	6
54,001	55,000													-	2	6
55,001	56,000													-	2	6
56,001	57,000													-	2	6
57,001	58,000													-	2	6
58,001	59,000													-	2	6
59,001	60,000													-	2	6
60,001	61,000													-	2	6
61,001	62,000													-	2	6
62,001	63,000													-	2	6
63,001	64,000													-	2	6
64,001	65,000													-	2	6
65,001	66,000													-	2	6
66,001	67,000													-	2	6
67,001	68,000													-	2	6
68,001	69,000													-	2	6
69,001	70,000													-	2	6
70,001	71,000													-	2	6
71,001	72,000													-	2	6
72,001	73,000													-	2	6
73,001	74,000													-	2	6
74,001	75,000													-	2	6
75,001	76,000													-	2	6
76,001	77,000													-	2	6
77,001	78,000													-	2	6
78,001	79,000													-	2	6
79,001	80,000													-	2	6
80,001	81,000													-	2	6
81,001	82,000													-	2	6
82,001	83,000													-	2	6
83,001	84,000													-	2	6
84,001	85,000													-	2	6
85,001	86,000													-	2	6
86,001	87,000													-	2	6
87,001	88,000													-	2	6
88,001	89,000													-	2	6
89,001	90,000													-	2	6
90,001	91,000													-	2	6
91,001	92,000													-	2	6
92,001	93,000													-	2	6
93,001	94,000													-	2	6
94,001	95,000													-	2	6
95,001	96,000													-	2	6
96,001	97,000													-	2	6
97,001	98,000													-	2	6
98,001	99,000													-	2	6

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commercial 1.5 Inch Meter

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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
99,001	100,000													-	2	6
	-													-	2	6
	-													-	2	6
Totals		-	-	-	1	1	-	-	-	-	-	-	-	2		
											Average Usage			3,001		
											Median Usage			3,000		
											Average # Customers			0		

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Sals (1,000s
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	11,000													-	-	-
11,001	12,000													-	-	-
12,001	13,000													-	-	-
13,001	14,000													-	-	-
14,001	15,000													-	-	-
15,001	16,000													-	-	-
16,001	17,000													-	-	-
17,001	18,000													-	-	-
18,001	19,000													-	-	-
19,001	20,000													-	-	-
20,001	21,000													-	-	-
21,001	22,000													-	-	-
22,001	23,000													-	-	-
23,001	24,000													-	-	-
24,001	25,000													-	-	-
25,001	26,000	1												1	1	26
26,001	27,000						1							1	2	52
27,001	28,000													-	2	52
28,001	29,000		1					1						2	4	109
29,001	30,000													-	4	109
30,001	31,000													-	4	109
31,001	32,000													-	4	109
32,001	33,000													-	4	109
33,001	34,000			1	1									2	6	176
34,001	35,000													-	6	176
35,001	36,000					1								1	7	212
36,001	37,000													-	7	212
37,001	38,000													-	7	212
38,001	39,000													-	7	212
39,001	40,000													-	7	212
40,001	41,000													-	7	212
41,001	42,000													-	7	212
42,001	43,000													-	7	212
43,001	44,000													-	7	212
44,001	45,000													-	7	212
45,001	46,000													-	7	212
46,001	47,000													-	7	212
47,001	48,000													-	7	212
48,001	49,000													-	7	212
49,001	50,000													-	7	212

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commerical 2 Inch Meter

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Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
50,001	51,000													-	7	212
51,001	52,000													-	7	212
52,001	53,000													-	7	212
53,001	54,000													-	7	212
54,001	55,000													-	7	212
55,001	56,000													-	7	212
56,001	57,000													-	7	212
57,001	58,000													-	7	212
58,001	59,000													-	7	212
59,001	60,000													-	7	212
60,001	61,000													-	7	212
61,001	62,000						1							1	8	273
62,001	63,000													-	8	273
63,001	64,000													-	8	273
64,001	65,000													-	8	273
65,001	66,000													-	8	273
66,001	67,000													-	8	273
67,001	68,000													-	8	273
68,001	69,000									1				1	9	342
69,001	70,000	1												1	10	411
70,001	71,000													-	10	411
71,001	72,000													-	10	411
72,001	73,000													-	10	411
73,001	74,000													-	10	411
74,001	75,000													-	10	411
75,001	76,000													-	10	411
76,001	77,000													-	10	411
77,001	78,000													-	10	411
78,001	79,000													-	10	411
79,001	80,000													-	10	411
80,001	81,000				1									1	11	492
81,001	82,000													-	11	492
82,001	83,000		1					1						2	13	657
83,001	84,000													-	13	657
84,001	85,000													-	13	657
85,001	86,000													-	13	657
86,001	87,000			1										1	14	743
87,001	88,000													-	14	743
88,001	89,000													-	14	743
89,001	90,000													-	14	743
90,001	91,000					1								1	15	834
91,001	92,000													-	15	834
92,001	93,000													-	15	834
93,001	94,000													-	15	834
94,001	95,000													-	15	834
95,001	96,000													-	15	834
96,001	97,000													-	15	834
97,001	98,000													-	15	834
98,001	99,000	1												1	16	932
99,001	100,000													-	16	932
110000	110,000			1										1	17	1,042

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Commerical 2 Inch Meter

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Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
107000	107,000								1					1	18	1,149
101000	101,000											1		1	19	1,250
	-													-	19	1,250
	-													-	19	1,250
Totals		3	2	3	2	2	2	2	1	1	-	1	-	19		
											Average Usage			65,790		
											Median Usage			69,500		
											Average # Customers			2		

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Construction Water

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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	11,000													-	-	-
11,001	12,000													-	-	-
12,001	13,000													-	-	-
13,001	14,000													-	-	-
14,001	15,000													-	-	-
15,001	16,000													-	-	-
16,001	17,000													-	-	-
17,001	18,000													-	-	-
18,001	19,000													-	-	-
19,001	20,000													-	-	-
20,001	21,000													-	-	-
21,001	22,000													-	-	-
22,001	23,000													-	-	-
23,001	24,000													-	-	-
24,001	25,000													-	-	-
25,001	26,000													-	-	-
26,001	27,000													-	-	-
27,001	28,000													-	-	-
28,001	29,000													-	-	-
29,001	30,000													-	-	-
30,001	31,000													-	-	-
31,001	32,000													-	-	-
32,001	33,000													-	-	-
33,001	34,000													-	-	-
34,001	35,000													-	-	-
35,001	36,000													-	-	-
36,001	37,000													-	-	-
37,001	38,000													-	-	-
38,001	39,000													-	-	-
39,001	40,000													-	-	-
40,001	41,000	1	1	1	1	1	1	1	1	1	1	1	1	12	12	486
41,001	42,000													-	12	486
42,001	43,000													-	12	486
43,001	44,000													-	12	486
44,001	45,000													-	12	486
45,001	46,000													-	12	486
46,001	47,000													-	12	486

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Construction Water

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Schedule H-5
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Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
47,001	48,000													-	12	486
48,001	49,000													-	12	486
49,001	50,000													-	12	486
50,001	51,000													-	12	486
51,001	52,000													-	12	486
52,001	53,000													-	12	486
53,001	54,000													-	12	486
54,001	55,000													-	12	486
55,001	56,000													-	12	486
56,001	57,000													-	12	486
57,001	58,000													-	12	486
58,001	59,000													-	12	486
59,001	60,000													-	12	486
60,001	61,000													-	12	486
61,001	62,000													-	12	486
62,001	63,000													-	12	486
63,001	64,000													-	12	486
64,001	65,000													-	12	486
65,001	66,000													-	12	486
66,001	67,000													-	12	486
67,001	68,000													-	12	486
68,001	69,000													-	12	486
69,001	70,000													-	12	486
70,001	71,000													-	12	486
71,001	72,000													-	12	486
72,001	73,000													-	12	486
73,001	74,000													-	12	486
74,001	75,000													-	12	486
75,001	76,000													-	12	486
76,001	77,000													-	12	486
77,001	78,000													-	12	486
78,001	79,000													-	12	486
79,001	80,000													-	12	486
80,001	81,000													-	12	486
81,001	82,000													-	12	486
82,001	83,000													-	12	486
83,001	84,000													-	12	486
84,001	85,000													-	12	486
85,001	86,000													-	12	486
86,001	87,000													-	12	486
87,001	88,000													-	12	486
88,001	89,000													-	12	486
89,001	90,000													-	12	486
90,001	91,000													-	12	486
91,001	92,000													-	12	486
92,001	93,000													-	12	486
93,001	94,000													-	12	486
94,001	95,000													-	12	486

Goodman Water Company
Test Year Ended December 31, 2009
Customer Classification Construction Water

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
95,001	96,000													-	12	486
96,001	97,000													-	12	486
97,001	98,000													-	12	486
98,001	99,000													-	12	486
99,001	100,000													-	12	486
	-													-	12	486
	-													-	12	486
																486
	Totals	1	1	1	1	1	1	1	1	1	1	1	1	12		
											Average Usage			40,501		
											Median Usage			40,501		
											Average # Customers			1		

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY, AN ARIZONA CORPORATION, FOR (i) A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND (ii) AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02500A -09-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

September 17, 2010

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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.

I. 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 Goodman Water Company's ("GWC" or "the Company") proposed rate of return on its fair value rate base ("FVRB"). 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. 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 1 attachment.

Q5. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.

A5. I have determined that the Company's cost of equity falls in the range of 10.2 percent to 13.6 percent with the midpoint of the range at 11.9 percent. Even though my analysis justifies an 11.9 percent return on equity ("ROE"), I am recommending a ROE of only 11.0 percent, primarily due to the Company's desire to help mitigate the impact of the necessary rate increase on rate payers.

My recommendation is based on consideration of (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 GWC 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 GWC's capital structure, and (v) additional specific business and operational risks faced by GWC.

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

A6. The cost of equity for GWC cannot be estimated directly because GWC's equity is not in the form of a publicly-traded security and thus there is no market data for GWC. 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 GWC, 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 return(s) on equity ("ROE") in the range of 9.7 percent to 11.3 percent with a midpoint of 10.5 percent. The CAPM analysis, again using the same sample group, indicates ROE's in the range of 10.6 percent to 15.7 percent is appropriate with a midpoint of 13.1 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 10.2 percent to 13.6 percent with a midpoint of 11.9 percent. Given GWC'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 11.9 percent is warranted.

However, my recommendation of a 11.0 percent ROE balances my judgment about the degree of financial and business risk associated with an investment in GWC 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.

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

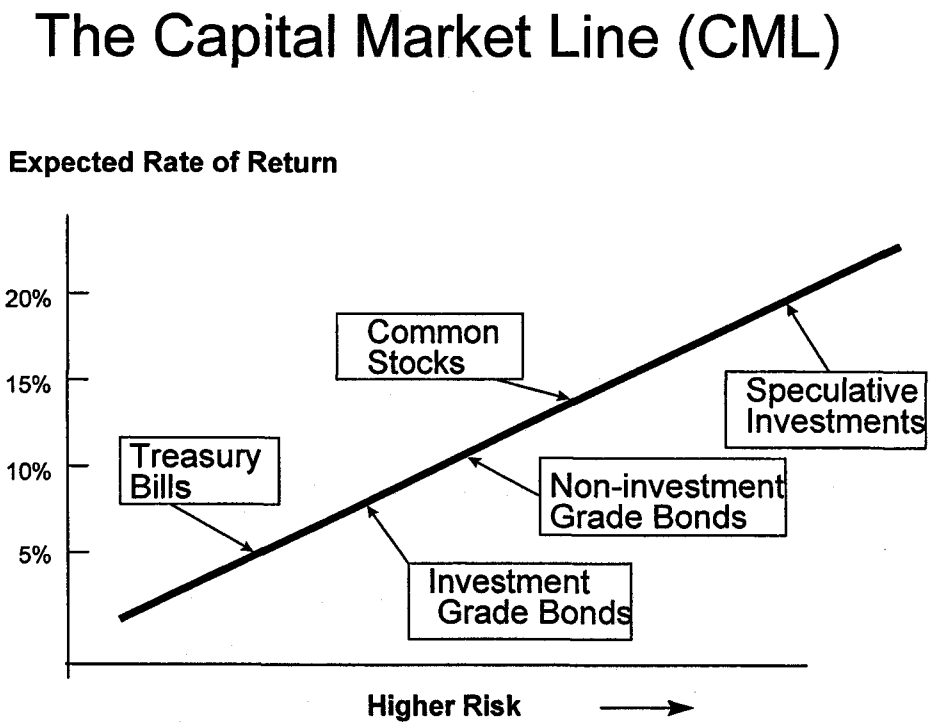
Q7. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

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 move 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] 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

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

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, 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 in late 2008 that financial markets were 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 (500 to 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.

The recession which some argue began in late 2007 continued through 2008 and for most of 2009. The year-over-year GDP growth for 2008 was 0.0 percent. The year-over-year GDP growth for 2009 was -2.6 percent. But, during the last quarter of 2009 the economy grew at a fairly robust 5.0 percent. Most economists

believe the recession ended in the third quarter of 2009. However, the recovery has been slow and tepid particularly due to the continued high unemployment and a lingering slump in housing and construction as well as and continued weakness in business and consumer spending. GDP growth for the first quarter of 2010 was 3.7 percent. However, while the second quarter appeared to start out strong, the GDP growth was a mere 1.6 percent. Economists note that the odds of a double-dip recession are increasing, but never-the-less remain optimistic that the economic recovery will continue but be very moderate in scope.

Q14. WHAT ABOUT INTEREST RATES AND THE STATUS OF THE STOCK MARKET?

A14. After the significant drop on the U.S. stock markets in 2008 and the surge in 2009, the stock market now seems stuck in a range bounded by those optimistic investors on one side pointing to low interest rates, modest valuations, and surging earnings, and those concerned investors pointing to continued Global uncertainty, slowing GDP growth, and the risks of deflation. So, there remains uncertainty over the potential for future economic growth and the potential of a double-dip recession.

With respect to interest rates, the Federal Reserve lowered the Federal Funds target rate to near zero during the depths of the 2007 to 2009 recession. The target Federal Funds rate continues to stand at zero to .25 percent. While the move to lower interest rates may have been necessary at the time, the Federal Reserve is left with little latitude to affect new monetary moves going forward. This reality is cause for investor concern.

In short, the current capital markets continue to reflect the uncertainty and low confidence of investors in the financial markets and in the future prospects of economic growth 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 ongoing 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 vice versa. Risk premiums are impacted by uncertainty in future interest rates, business and economic conditions, expected inflation (or deflation), and other risk factors including business risk, regulatory risk, financial risk, construction risk, and liquidity risk.

Q16. IS GWC AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND CONCERNS?

A16. Yes, in general, all investors are impacted by economic uncertainty including the Company's investors. Capital costs have risen significantly over the past few years because of this uncertainty. And, smaller utilities like GWC generally feel the impact worse because of their size, with a small customer base and a related limited or inability to attract capital.

Q17. WHAT ARE RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY AFFECTING UTILITY INVESTMENTS AND THE MARKET?

A17. On the whole, the water and wastewater utility industry is expected to continue to confront increasing infrastructure upgrades or additions demand. *Value Line Investment Survey* continues to stress that many utilities have facilities that are decades old and in need of significant maintenance and, in some cases, massive

renovation and replacement. Furthermore, 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.

Q18. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS.

A18. 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 for recovery of such increases. 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 that 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.

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

Q19. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A19. 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.

Q20. HOW HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A20. 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.

IV. THE ESTIMATED COST OF EQUITY FOR GWC

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

Q21. PLEASE BRIEFLY DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR GWC.

A21. 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 GWC 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 GWC. 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.*

Q22. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO GWC?

A22. 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 starting point for developing a cost of equity for the Company. I emphasized "starting point" because GWC is not publicly traded. Additionally, there is no market data available for smaller utilities, like GWC, that can be used to directly develop cost of equity estimates.

Q23. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY SAMPLE CAPTURE ALL OF THE MARKET RISKS THAT GWC MIGHT FACE IF IT WERE PUBLICLY TRADED?

A23. In my opinion, no. As I stated, there is no comparable market data for utility companies the size of GWC. The average revenue of the water utility sample companies is over 546 times that of GWC, and the average net plant of the water utility sample companies is over 205 times that of GWC. Even the smallest company in the sample group, Connecticut Water, has over 58 times the net plant of GWC, and over 118 times the revenues.

Q24. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE.

A24. Schedule D-4.2 lists the current operating revenues and net plant for the six water

utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports) and GWC, 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 nearly $361 million in 2009 and net plant was over $823 million at the end of 2009.

(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 953,000 customers at the end of 2009. 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 over $670 million in 2009 and net plant was nearly $3.23 billion at the end of 2009.

(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii serving over 494,000 customers. The California operations account for over 94 percent of customers and over 95 percent of operating revenues.

Revenues for CWT were over $449 million in 2009 and net plant nearly $1.2 billion at the end of 2009.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut and Massachusetts serving over 86,000 customers. Revenues for CTWS were over $59 million in 2009 and net plant over $325 million at the end of 2009.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey, Delaware and Pennsylvania serving over 138,000 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 2009 and net plant was over $376 million at the end of 2009.

(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 serving nearly 235,000 customers. Revenues for SJW were over $216 million in 2009 and net plant was over $645 million at the end of 2009.

Q25. HOW DOES GWC COMPARE TO THE SAMPLE WATER UTILITIES?

A25. It is much smaller. At the end of the test year, GWC had approximately 620 customers. Its revenues totaled approximately $580,000, and net plant-in-service was approximately $2.4 million. GWC is located in Pinal County, Arizona, and has a relatively small service territory compared to the sample water companies.

Q26. ARE THERE ANY OTHER CHARACTERISTICS WHICH DISTINGUISH GWC FROM THE SAMPLE WATER UTILITIES?

A26. Yes. GWC has less debt in its capital structure than the sample water utilities. At the end of the test year, GWC had approximately 18.3 percent debt and 81.7

percent equity in its capital structure. The sample publicly traded water utilities current level of debt is about 50 percent; implying a lower level of financial risk for GWC.

Q27. ARE THERE OTHER CHARACTERISTICS OF SMALLER UTILITIES, LIKE GWC, WHICH INCREASE RISK?

A27. Yes. Because smaller utilities, like GWC, 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 debt 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. Since the last rate case, the Company has added nearly $3.1 million of new plant. 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 GWC, 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.

Q28. WHAT OTHER RISK FACTORS DISTINGUISH GWC FROM THE

LARGER SAMPLE WATER UTILITIES?

A28. 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. The Commission limits the ability of Arizona utilities to utilize automatic 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 to timely 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.

Q29. IT DOESN'T APPEAR THAT GWC IS ACTUALLY COMPARABLE TO THE SAMPLE WATER UTILITIES.

A29. It really isn't, for the reasons I have stated. Besides the obvious difference in size as wells as difference is regulatory environments, 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. In the interim, actual operating costs continue to increase. Risks are thus higher for GWC 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 GWC. 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 GWC as having the same level of risk as WTR or even CTWS- even with GWC'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 GWC.

Q30. 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 GWC?

A30. Schedule D-4.3 shows that the capital structure of GWC at December 31, 2008 contains 81.7 percent equity and 18.3 percent debt, compared to the average of the water utility sample of 49.8 percent debt and 50.2 percent equity.

Q31. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A31. 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. 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 GWC 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. <u>Overview of the DCF and CAPM Methodologies</u>

Q32. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A32. These 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.

The Build-up Risk Premium method ("Build-up Method") is another example of a method falling into the second general approach. I will explain the Build-up Method in more detail later. For now, the Build-up method, like the CAPM, is a risk-return relationship. The Build-up Method is the sum of a risk-free return and a risk premium. However, rather than a single risk premium as is used in the CAPM, the risk premium in the Build-up method is made up of one or more risk premia. Each risk premium represents the reward an investor receives for taking on a specific risk.

Each of these three 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 GWC, but without taking into account the additional risks that GWC possesses. I also use the Build-up Method which serves as a check on the results of my DCF and CAPM.

C. <u>Explanation of the DCF Model and Its Inputs</u>

Q33. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A33. 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] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + ... + CF_n/(1+k)^n$

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,...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] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + ... + P_t/(1+k)^t$

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).

Q34. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET

PRICE VERSION OF THE DCF MODEL?

A34. 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.

Q35. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A35. 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] $k = CF_1/P_0 + g$

where CF_1/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.

Q36. ARE THERE ANY GENERAL CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A36. 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.

Q37. 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?

A37. 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 August 13, 2010 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.

Q38. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A38. 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 Connecticut Water ("CTWS"). CTWS's single estimate of 15 percent from Yahoo Finance was excluded leaving no estimates for CTWS. When there is no estimate of forward-looking growth for a utility in the water utilities sample, as in the case of CTWS, 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.

Q39. WHY DID YOU USE FORECASTED GROWTH RATES AS YOUR PRIMARY ESTIMATE OF GROWTH?

A39. 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

[2] Yahoo Finance analyst estimates provided by Thompson Financial.

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.

Q40. WHAT OTHER ESTIMATES OF GROWTH DID YOU USE?

A40. 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 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

[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.

to past growth rates in my estimate of growth. So, I have endeavored to remove any basis for the criticism in this case.

Q41. HAVE YOU USED ANALYST ESTMATES OF DPS GROWTH?

A41. No. While I did not use analyst estimates of DPS growth, the average projected DPS growth rate of 3.67 percent is higher than the historical DPS growth rate of 3.33 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 growth 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 which produces a DCF result of 7.0 percent, the DCF results using analyst estimates of DPS growth is 7.4 percent – at or below the projected cost of investment grade bonds for the 2011 to 2013 time frame.

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>

Q42. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING

THE COST OF EQUITY.

A42. 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.

Q43. WHAT IS THE RISK-FREE RATE?

A43. 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.

Q44. WHAT IS BETA AND WHAT DOES IT MEASURE?

A44. Beta is a measure of the relative risk of a security in relation to 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).[4]

Q45. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR GWC?

A45. I used the average beta of the sample water utility companies. Betas were obtained from *Value Line Investment Analyzer* (August 13, 2010). *Value Line* is the source for estimated betas that I regularly employ, along with the Commission's Staff, and it is widely-accepted by financial analysts. The average beta as shown on Schedule D-4.9 is 0.78. I should note that because GWC is not publicly traded, GWC has no beta. I believe that GWC, if it were publicly traded, would have a higher beta than the sample water utility companies.

Q46. WHY?

A46. As previously indicated, smaller companies are more risky than larger companies. In Chapter 7 of Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook*, for example, Ibbotson reports that when betas (a measure of market risk) are properly

[4] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

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 beta risk, small firms require an additional risk premium over and above the added risk premium indicated by differences in beta risk.

Q47. PLEASE EXPLAIN THE MARKET RISK PREMIUM.

A47. 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 2010 Yearbook* provides historical market returns for various asset classes from 1926 to 2009. 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.

Q48. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR GWC?

A48. I prepared two market risk premium estimates: An historical market risk premium and a current market risk premium.

Q49. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK PREMIUM?

A49. I used the Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook* measure of the average premium of the market over long-term treasury securities from 1926 through 2009. The average historical market risk premium over long-term treasury securities is 6.7 percent.

Q50. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

A50. I derived a market risk premium by, first, using the DCF model to compute an expected market return for each of the past 6 months using *Value Line's* projections of the average dividend yield and average 3-5 year 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 13.25 percent. Estimates of the current market risk premium have ranged from 9.55 percent to 17.37 percent over the past 12 months averaging 12.94 percent. The most recent 3-month average is 15.29 percent. My 6-month average estimate at 13.25 percent is in the lower end of the 12 month range and is somewhat more conservative than the recent 3-month average.

Q51. HAS THE COMMISSION'S STAFF EMPLOYED A CURRENT MARKET

RISK PREMIUM IN THE PAST?

A51. 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.

Q52. WHY DO YOU BELIEVE THAT YOUR APPROACH IS MORE APPROPRIATE?

A52. 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.

Q53. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

A53. 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 2010 Valuation Yearbook* explains on page 55 that the appropriate choice for the risk-free rate is 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 2012-2013 of 5.4 percent as shown on Schedule D-4.10. The 2012-2013

timeframe is the period when new rates will be in effect for the Company.

E. Explanation of the Build-Up Method and Its Inputs

Q54. PLEASE EXPLAIN THE BUILD-UP RISK PREMIUM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A54. As I already indicated, like the CAPM, the Build-up method is a type of risk premium methodology. This is a common and effective method used by appraisers and valuation experts.[5] The Build-up Method is an additive model in which the return on a security is the sum of a risk-free rate and one 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 GWC. 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

[5] Morningstar *Ibbotson SBBI 2010 Valuation Yearbook.* Chapter 3.

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 readily obtained from *Morningstar* and/or other size premium studies such as the *Duff & Phelps* study.[6] *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 conclude that, by whatever measures of size are 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.[7] 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.[8]

Q55. ARE THERE ADVANTAGES TO THE USE OF THE BUILD-UP RISK PREMIUM METHODOLOGY OVER THE CAPM FOR ESTIMATING THE COST OF EQUITY?

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[6] Duff & Phelps LLC, *Risk Premium Report 2010.*

[7] Duff & Phelps at 10.

[8] *Id.*

A55. Yes. First, as I mentioned earlier, the Build-up method does not require a market beta estimate which is not available for non-public firms. As I already discussed, I am using the average beta of the large publicly traded water utilities as a proxy for the beta of GWC. However, as I also discussed, there are computation problems surrounding beta and empirical financial data show that beta does not account for all of the risks associated with smaller firms. Second, each of the risk premia used in the Build-up Method can be quantified using data from the equity markets. Third, the various measures of size including fundamental accounting measures have a practical benefit of eliminating the need to make a "guesstimate" of size for comparative purposes where market data for determining market value measures of size is not available, particularly for non-public firms.

F. Financial Risk Adjustment

Q56. 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.

A56. 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 customary and realistic assumption.[9] Once the unlevered beta is determined, I relever the beta using the capital structure of GWC. For the market value of equity I multiplied GWC's book value of equity times the average market-to-book ratio of the sample water utilities. For GWC's debt, I assume the market value of debt is equal to the book value.

The re-levered 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.

Q57. WHAT IS THE COMPUTED FINANCIAL RISK ADJUSTMENT?

A57. A downward adjustment of no more than 90 basis points. Again, however, in my opinion, the beta for GWC 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.

G. <u>Company Specific Risk Premium</u>

Q58. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.

A58. As I testified earlier, GWC is not directly comparable to the sample water utilities because of its small size and the regulatory environment in Arizona. The characteristics associated with small size such as the 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

[9] Roger A. Morin. *New Regulatory Finance* (2006) 224.

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 automatic adjuster mechanism(s) increases the risk of GWC as an investment.

Q59. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.

A59. 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 2010 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 GWC, are more risky than the stocks of larger water utilities, such as those in the water utilities sample.[10] Even the California PUC conducted a study that showed smaller water utilities are more risky than larger ones.[11] 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

[10] Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited", The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, 578-582.

[11] Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CPUC Decision 92-03-093.

annual data reporting the size premium based upon firm size and return data (i) provided in Morningstar's *Ibbotson SBBI 2010 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 246 basis points is appropriate.

Q60. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND FOR GWC?

A60. To be conservative, and with GWC's desire to mitigate the impact of the required rate increase in mind, I conclude that a company specific risk premium of no less than 100 basis points is warranted for GWC to account for its smaller size and regulatory risk.

H. Summary and Conclusions

Q61. HAVE YOU PREPARED A SCHEDULE WHICH SUMMARIZES YOUR EQUITY COST ESTIMATES AND PRESENTS YOUR RECOMMENDATIONS?

A61. 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 9.7 percent to 11.3 percent, with a midpoint of 10.5 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 10.6 percent to 15.7 percent, with a midpoint of 13.1 percent.

In the third part of my analysis, I compute a financial risk adjustment to account for the lower level of debt in GWC's capital structure compared to the sample water utilities. My recommendation is that a downward financial risk adjustment of no more than 90 basis points be applied to GWC's cost of equity. 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 premium for small utilities like GWC is the range of 99 to 246 basis points. See Schedule D-4.16. I also considered the risks for GWC from Arizona regulation. My recommendation is that an upward adjustment for company-specific risk of no less than 100 basis points be applied to GWC's cost of equity.

The range of results of both my DCF and CAPM analyses and other risk adjustments is 10.2 percent to 13.6 percent, with a mid-point of 11.9 percent. See Schedule D-4.1.

Q62. WHAT EQUITY RETURN DO YOU RECOMMEND?

A62. My recommended return on equity based on GWC's capital structure is 11.0 percent. 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.

Q63. HAVE YOU PREPARED AN ESTIMATE OF THE COST OF EQUITY USING THE BUILD-UP METHOD FOR GWC USING DATA FROM MORNINGSTAR?

A63. Yes. Using the Build-up Method, I estimate the cost of equity for GWC 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[12], the equity risk premium would be 6.7

[12] Long-term (20 year) U.S. Treasury Bond Yield

percent[13], the small company risk premium of 6.28 percent[14]) 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] $k = 13.18\%$

Q64. HAVE YOU PREPARED A COST OF EQUITY ESTIMATE FOR GWC USING THE DUFF&PHELPS STUDY DATA?

A64. Yes. Please see **Exhibit TJB-COC-DT1**. 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 GWC. 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.[15] Based on various measures of size the results are as follows[16]:

Stock Symbol	Company	Cost of Equity
AWR	American States Water Co.	12.11%
WTR	Aqua America	10.62%
CWT	California Water Services Group	11.87%
CTWS	Connecticut Water Services	11.55%
MSEX	Middlesex Water Company	13.02%

[13] Long-horizon historical equity risk premium

[14] Decile 10 – smallest, market capitalization of 1 million to 214 million.

[15] Note that the risk premium for the water utility industry is negative indicating that water utilities are less risky than the market as a whole.

[16] *See* Exhibit TJB-COC-DT1, Table 7.

SJW	SJW Corp.	12.88%
	Average	12.01%
	Goodman Water Company	12.92%

Q65. WHAT CONCLUSIONS CAN BE MADE FROM A COMPARISON OF THE BUILD-UP METHOD RESULTS TO YOUR RECOMMENDATIONS FOR THE COST OF EQUITY FOR GOODMAN?

A65. I conclude my cost of equity estimates based on the DCF and CAPM of 11.9 percent and my recommendation of 11.0 percent for GWC are very conservative given its size. It also shows that my size premium used in my cost of capital analysis of 100 basis points is likely far too low and should be much higher. Even accounting for financial risk differences, the indicated cost of equity for GWC based on the *Duff & Phelps* study is over 90 basis points higher than the sample water companies.

Q66. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF CAPITAL?

A66. Yes.

Goodman Water Company
Docket No. W-02500A-09-___

THOMAS J. BOURASSA
DIRECT TESTIMONY
(COST OF CAPITAL)
September 17, 2010

EXHIBIT TJB-COC-DT1

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM 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	$ 567	$ 336	$ 873	$ 1,113	$ 92
2.	Aqua America	WTR	$ 2,597	$ 1,101	$ 3,984	$ 3,763	$ 304
3.	California Water	CWT	$ 719	$ 419	$ 1,093	$ 1,526	$ 100
4.	Connecticut Water	CTWS	$ 180	$ 108	$ 292	$ 415	$ 20
5.	Middlesex	MSEX	$ 215	$ 138	$ 340	$ 458	$ 29
6.	SJW Corp.	SJW	$ 417	$ 249	$ 664	$ 878	$ 73
	Goodman Water Company		$ 4.0 (Estimate)	$ 2	$ 4.5 (Estimate)	$ 17.6	$ 1.5

[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

EBITDA Data

Company	Symbol	2009	2008	2007	2006	2005	Average
American States	AWR	$ 103.8	$ 92.5	$ 92.0	$ 96.9	$ 73.6	$ 91.8
Aqua America	WTR	$ 352.4	$ 320.1	$ 304.0	$ 280.6	$ 262.0	$ 303.8
California Water	CWT	$ 125.5	$ 122.1	$ 95.6	$ 86.9	$ 68.6	$ 99.8
Connecticut Water	CTWS	$ 20.3	$ 21.1	$ 23.7	$ 14.9	$ 17.8	$ 19.5
Middlesex	MSEX	$ 29.4	$ 32.6	$ 30.9	$ 29.1	$ 24.4	$ 29.2
SJW Corp.	SJW	$ 83.2	$ 86.5	$ 65.2	$ 68.2	$ 63.4	$ 73.3
Goodman Water Company		$ 1.3	$ 1.3	$ 1.5	$ 1.6	$ 1.7	$ 1.5

EBITDA data for publicly traded water utilities from Zacks Investment Research
EBITDA data for subject utility from E-1 and/or ACC reports

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM 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	9.30%	9.39%	11.04%	9.01%	9.52%	9.65%
2.	Aqua America	WTR	7.37%	8.21%	9.62%	7.83%	8.41%	8.29%
3.	California Water	CWT	9.00%	9.17%	10.83%	8.70%	9.44%	9.43%
4.	Connecticut Water	CTWS	10.76%	10.52%	12.07%	9.97%	10.96%	10.86%
5.	Middlesex	MSEX	10.54%	10.27%	11.92%	9.87%	10.58%	10.64%
6.	SJW Corp.	SJW	9.70%	9.69%	11.30%	9.24%	9.73%	9.93%
	Average (Unlevered)		9.45%	9.54%	11.13%	9.10%	9.77%	9.80%
	Goodman Water Company		15.59%	14.38%	15.96%	13.03%	13.36%	14.46%

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

Average Debt to Market Value of Equity for MRP_{m+s} for Portfilios used in Duff & Phelps RP Study **TABLE 3**
(from Duff & Phelps RP Study (W_d/W_e) for use in un-levering MRP_{m+s} . See Table 4)

	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%

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

MRP Estimates Using Duff & Phelps Study (Un-levered) **TABLE 4**

Un-levered realized risk premium = {[Levered realized risk preium * 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	6.99%	7.13%	8.16%	6.63%	7.08%	7.20%
2.	Aqua America	WTR	5.68%	6.21%	7.09%	5.59%	6.31%	6.18%
3.	California Water	CWT	6.85%	6.92%	8.08%	6.46%	7.02%	7.07%
4.	Connecticut Water	CTWS	7.93%	7.97%	8.97%	7.62%	8.43%	8.18%
5.	Middlesex	MSEX	7.82%	7.78%	8.90%	7.52%	7.93%	7.99%
6.	SJW Corp.	SJW	7.23%	7.25%	8.38%	6.87%	7.29%	7.40%
	Average MRP (Unlevered)		7.08%	7.21%	8.26%	6.78%	7.34%	7.34%
	Goodman Water Company		11.62%	10.79%	11.77%	9.60%	9.96%	10.75%
	Implied small company risk premium over sample publicly traded water utilities							3.41%

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM 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	58.2%	10.94%	11.16%	12.80%	10.36%	11.08%	11.27%
2.	Aqua America	WTR	60.4%	8.99%	9.84%	11.25%	8.85%	10.00%	9.79%
3.	California Water	CWT	57.7%	10.69%	10.80%	12.63%	10.07%	10.96%	11.03%
4.	Connecticut Water	CTWS	31.6%	10.38%	10.42%	11.74%	9.96%	11.03%	10.71%
5.	Middlesex	MSEX	53.9%	11.92%	11.86%	13.58%	11.46%	12.09%	12.18%
6.	SJW Corp.	SJW	64.3%	11.76%	11.79%	13.65%	11.15%	11.84%	12.04%
	Average MRP (Relevered)		54.35%	10.78%	10.98%	12.61%	10.31%	11.17%	11.17%
	Goodman Water Company		12.61%	13.07%	12.12%	13.23%	10.79%	11.19%	12.08%

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM 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)	11.17%
[5] MRP (relevered) for publicly traded water companies (R_{m+s}) ([3] + [4])	11.17%
[6] Equity Risk Premium Adjustment ([3])	0.00%
[7] Average MRP (relevered) for subject utlity company (from Table 5)	12.08%
[8] MRP (relevered) for subject utility company (R_{m+s}) ([6] + [7])	12.08%
[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]	3.63%

[1] From *Ibbotson SBBI 2010 Valuation Edition Yearbook*. Long-Horison Equity Risk Premium (1926-2009)
[2] 20 year U.S. Treasury Bond Yield at August 13, 2010. Federal Reserve.

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

Cost of Equity (COE) Estimate using Build-up Method **TABLE 7**

$E(R_i) = R_f + RP_{m+s} + R_i + R_u$

Where:

	Sample Publicly Traded Water Utilities	Goodman Water
$E(R_i)$ =Expected rate of return		
R_f = Risk-free rate of return. See Table 6.	3.63%	3.63%
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%

	Company	Symbol	Indicated COE: MV Equity	Book Equity	MVIC	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	11.78%	12.00%	13.64%	11.20%	11.92%	12.11%
2.	Aqua America	WTR	9.83%	10.67%	12.09%	9.69%	10.84%	10.62%
3.	California Water	CWT	11.53%	11.64%	13.47%	10.91%	11.80%	11.87%
4.	Connecticut Water	CTWS	11.22%	11.26%	12.58%	10.80%	11.87%	11.55%
5.	Middlesex	MSEX	12.76%	12.70%	14.42%	12.30%	12.93%	13.02%
6.	SJW Corp.	SJW	12.60%	12.62%	14.49%	11.99%	12.68%	12.88%
	Average COE estimate		11.62%	11.82%	13.45%	11.15%	12.01%	12.01%
	Goodman Water Company		13.90%	12.96%	14.07%	11.63%	12.03%	12.92%

Goodman Water Company
Docket No. W-02500A -09-_____

THOMAS J. BOURASSA
DIRECT TESTIMONY
(COST OF CAPITAL)
September 17, 2010

SCHEDULES

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	507,451	18.32%	8.50%	1.56%	495,102	16.66%	8.50%	1.42%
2									
3	Stockholder's Equity (1) (2)	2,261,887	81.68%	11.00%	8.98%	2,477,235	83.34%	11.00%	9.17%
4									
5	Totals	2,769,338	100.00%		10.54%	2,972,337	100.00%		10.58%
6									
7									
8	**(1) Increase Equity for Plant adjustment 1, B-2, page 1**								
9	**(2) Increase Equity for A/D adjustment 2, B-2, page 4**								
10									
11	SUPPORTING SCHEDULES:								
12	D-1	$							
13	D-3	$	**28,080**						
14	D-4		**53,371**						
15	E-1								
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

RECAP SCHEDULES:
A-3

Goodman Water Company
Test Year Ended December 31, 2009
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	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									
2	EC Development	507,451	43,133	8.50%	8.50%	495,102	42,084	8.50%	8.50%
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									
12									
13	Totals	$ 507,451	43,133		8.50%	$ 495,102	42,084		8.50%
14									
15	Supporting Schdules:								
16	E-2								
17									
18									
19									
20									

Goodman Water Company
Test Year Ended December 31, 2009
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22	E-1			D-1			
23							
24							

Goodman Water Company
Test Year Ended December 31, 2009
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	11.00% .
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	D-4.1 to D-4.16	
20		

Goodman Water Company
Summary of Results

Exhibit
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]	9.7%	11.3%	10.5%
7				
8	Range of CAPM Estimates[2]	10.6%	15.7%	13.1%
9				
10				
11	Average of DCF and CAPM midpoint estimates	10.1%	13.5%	11.8%
12				
13				
14	Financial Risk Adjustment[3]	-0.9%	-0.9%	-0.9%
15				
16	Small Company Risk Premium[4]	1.0%	1.0%	1.0%
17				
18	Indicated Cost of Equity	10.2%	13.6%	11.9%
19				
20				
21				
22	Recommended Cost of Equity			11.0%
23				
24				
25				
26	[1] See Schedule D-4-8			
27	[2] See Schedule D-4.12			
28	[3] See Schedule D-4.16			
29	[4] See testimony.			

Goodman Water Company
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	74%	$ 371.6	$ 769.0	A	A2
2	2. Aqua America	97%	$ 676.6	$ 2,813.6	AA-	NR
3	3. California Water	98%	$ 453.0	$ 1,095.8	AA-	NR
4	4. Connecticut Water	90%	$ 68.0	$ 274.7	A	NR
5	5. Middlesex	88%	$ 92.3	$ 332.7	A	NR
6	6. SJW Corp.	96%	$ 216.5	$ 536.5	NR	NR
7						
8	Average	91%	$ 313.0	$ 970.4		
9						
10	Goodman Water Company (as of December 31, 2009)	100%	$ 0.6	$ 4.7	NR	NR

[1]AUS Utility Reports (August 2010).

Goodman Water Company
Capital Structures

Exhibit
Schedule D-4.3

No.		Book Value[1]		Market Value[1]	
1		Long-Term	Common	Long-Term	Common
2		Debt	Equity	Debt	Equity
3	Company				
4	1. American States	47.7%	52.3%	35.0%	65.0%
5	2. Aqua America	55.7%	44.3%	34.8%	65.2%
6	3. California Water	47.2%	52.8%	34.2%	65.8%
7	4. Connecticut Water	51.0%	49.0%	38.4%	61.6%
8	5. Middlesex	47.4%	52.6%	36.7%	63.3%
9	6. SJW Corp.	49.8%	50.2%	37.2%	62.8%
10					
11	Average	49.8%	50.2%	36.1%	63.9%
12					
13	Goodman Water Company [2]	18.3%	81.7%	N/A	N/A
14	(Adjusted as of December 31, 2009)				
15					
16					
17	[1] Value Line Analyzer Data (August 13, 2010)				
18	[2] Adjusted Per Schedule D-1				
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					

Goodman Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4

Line No.		[1]	[2]	[3]	[4]	[5]	[6]	[7]
			Five-year historical average annual changes					Average of Future and Historical Growth
	Company	Price[1]	Book Value[2]	EPS[2]	DPS[2]	Average Col 1-4	Average Future Growth[3]	Col 5-6
1	1. American States	4.04%	5.00%	8.50%	2.50%	5.01%	5.00%	5.00%
2	2. Aqua America	NMF	8.50%	5.00%	8.00%	7.17%	8.37%	7.77%
3	3. California Water	0.88%	6.00%	6.50%	1.00%	3.60%	6.31%	4.95%
4	4. Connecticut Water	NMF	3.00%	Negative	1.50%	2.25%	7.44%	4.84%
5	5. Middlesex	Negative	5.50%	3.50%	1.50%	3.50%	8.00%	5.75%
6	6. SJW Corp.	0.55%	8.00%	3.00%	5.50%	4.26%	9.50%	6.88%
7								
8	GROUP AVERAGE	1.82%	6.00%	5.30%	3.33%	4.30%	7.44%	5.87%
9	GROUP MEDIAN	0.88%	5.75%	5.00%	2.00%	3.93%	7.72%	5.38%

[1] Average of changes in annual stock prices ending on August 13, 2010. Data from Yahoo Finance website.

[2] Value Line Analyzer Data, August 13, 2010

[3] See Schedule D-4.6.

Goodman Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.5

Line No.		[1]	[2]	[3]	[4]	[5]	[6]	[7]
		Ten-year historical average annual changes						Average of Future and Historical Growth
	Company	Price[1]	Book Value[2]	EPS[2]	DPS[2]	Average Col 1-4	Average Future Growth[3]	Col 5-6
1	American States	7.97%	4.50%	4.00%	1.50%	4.49%	5.00%	4.75%
2	Aqua America	7.21%	9.50%	6.50%	7.50%	7.68%	8.37%	8.02%
3	California Water	6.01%	4.00%	1.00%	1.00%	3.00%	6.31%	4.65%
4	Connecticut Water	3.10%	4.00%	1.00%	1.50%	2.40%	7.44%	4.92%
5	Middlesex	4.05%	4.50%	1.50%	2.00%	3.01%	8.00%	5.51%
6	SJW Corp.	1.81%	6.00%	2.00%	5.00%	3.70%	9.50%	6.60%
	GROUP AVERAGE	5.02%	5.42%	2.67%	3.08%	4.05%	7.44%	5.74%
	GROUP MEDIAN	5.03%	4.50%	1.75%	1.75%	3.36%	7.72%	5.21%

[1] Average of changes in annual stock prices ending August 13, 2010. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, Aug 13, 2010
[3] See Rejoinder Schedule D-4.6.

Goodman Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]	[5]
		ESTIMATES OF EARNINGS GROWTH				Average
	Company	Zacks[1]	Morningstar[1]	Yahoo[1]	Value Line[1]	Growth (G) (Cols 1-4)[2]
1.	American States	4.00%	4.00%	4.00%	8.00%	5.00%
2.	Aqua America	7.00%	8.30%	6.67%	11.50%	8.37%
3.	California Water	4.00%	6.00%	8.73%	6.50%	6.31%
4.	Connecticut Water			15.00%		7.44%
5.	Middlesex		8.00%	8.00%		8.00%
6.	SJW Corp.		9.00%	10.00%		9.50%
	GROUP AVERAGE	5.00%	7.06%	8.73%	8.67%	7.44%
	GROUP MEDIAN					7.72%

[1] Data as of August 13, 2010

[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Goodman Water Company
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	$ 32.80	$ 1.04	3.17%	2.94%
2	2. Aqua America	$ 19.18	$ 0.59	3.08%	3.09%
3	3. California Water	$ 34.72	$ 1.19	3.43%	3.07%
4	4. Connecticut Water	$ 21.15	$ 0.91	4.31%	4.11%
5	5. Middlesex	$ 16.06	$ 0.72	4.49%	4.71%
6	6. SJW Corp.	$ 22.90	$ 0.70	3.04%	2.84%
7					
8	Average			3.59%	3.46%
9	Median			3.30%	3.08%

[1] Value Line Analyzer Data. Stock prices as of August 13, 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.

Goodman Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
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	3.59%	3.80%	5.87%	[3]	9.7%
10	DCF - Future Growth	3.59%	3.85%	7.44%	[4]	11.3%
13		3.59%	3.82%	6.65%		10.5%

[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

[4] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Goodman Water Company
Market Betas

Exhibit
Schedule D-4.9

Line No.	Company	Beta (β)[1]
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 (August 13, 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.	

Goodman Water Company
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Schedule D-4.10

Line No.	Description	2012	2013	Average
6	Blue Chip Consensus Forecasts[1]	5.3%	5.7%	5.5%
8	Value Line[2]	5.0%	5.3%	5.2%
10	Average			5.4%

[1] June 2010 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury
[2] Value Line Quarterly forecast, dated August 27, 2010, Long-term Treasury

Goodman Water Company
Computation of Current Market Risk Premium

Exhibit
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)
1												
2												
3	**Month**											
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%
19	April	2.36%	+	2.63%	=	11.61%	=	14.24%	-	4.69%	=	9.55%
20	May	2.61%	+	3.00%	=	14.80%	=	17.80%	-	4.29%	=	13.51%
21	June	2.79%	+	3.30%	=	18.20%	=	21.50%	-	4.13%	=	17.37%
22	July	2.61%	+	3.03%	=	15.95%	=	18.98%	-	3.99%	=	14.99%
23												
24	Recommended	2.57%	+	2.95%	=	14.65%	=	17.60%	-	4.34%	=	13.25%
25												
26	Short-term Trends											
27	Recent Twelve Months Avg	2.64%	+	3.01%	=	14.26%	=	17.27%	-	4.33%	=	12.94%
28	Recent Nine Months Avg	2.59%	+	2.96%	=	14.23%	=	17.19%	-	4.36%	=	12.83%
29	Recent Six Months Avg	2.57%	+	2.95%	=	14.65%	=	17.60%	-	4.34%	=	13.25%
30	Recent Three Months Avg	2.67%	+	3.11%	=	16.32%	=	19.42%	-	4.14%	=	15.29%
31												
32												

33 [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

34 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).

35 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

36 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.

37

Goodman Water Company
Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.12

Line No.									
1		Rf[1]	+	beta[3]	x	Rp		=	k
2									
3	Historical Market Risk Premium CAPM	5.4%	+	0.78	x	6.7%	[4]	=	10.6%
4									
5	Current Market Risk Premium CAPM	5.4%	+	0.78	x	13.3%	[5]	=	15.7%
6									
7	Average								13.1%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Schedule 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 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 Schedule D-4.11.								
17									
18									
19									
20									

Goodman Water Company
Financial Risk Computation

Exhibit
Schedule D-4.13

Line No.											
1	**CAPM**										
2		**Rf**		+	**β**		x	**(Rp)**			**k**
3	Historical Market Risk Premium	5.4%	[1]	+	0.78	[2]	x	6.7%	[3]	=	10.6%
4	Current Market Risk Premium	5.4%	[1]	+	0.78	[2]	x	13.3%	[4]	=	15.7%
5											
6	Average										13.2%
7											
8											
9	**CAPM Relevered Beta**										
10		**Rf**		+	**β**		x	**(Rp)**			**k**
11	Historical Market Risk Premium	5.4%	[1]	+	0.69	[5]	x	6.7%	[3]	=	10.0%
12	Current Market Risk Premium	5.4%	[1]	+	0.69	[5]	x	13.3%	[4]	=	14.5%
13											
14	Average										12.3%
15											
16	Financial Risk Adjustment										**-0.9%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.10										
20	[2] Value Line Investment Analyzer data. See 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 Schedule D-4.11										
24	[5] Relevered bata found on Schedule D-4.15										
25											

Goodman Water Company
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]
1								
2								
3								
4								
5	1.	American States	0.80	0.70	37.8%	35.0%	65.0%	0.52
6	2.	Aqua America	0.65	0.48	39.4%	34.8%	65.2%	0.36
7	3.	California Water	0.75	0.63	38.0%	34.2%	65.8%	0.48
8	4.	Connecticut Water	0.80	0.70	19.5%	38.4%	61.6%	0.47
9	5.	Middlesex	0.75	0.63	34.1%	36.7%	63.3%	0.46
10	6.	SJW Corp.	0.95	0.93	40.4%	37.2%	62.8%	0.69
11								
12								
13		Sample Water Utilities	0.78	0.68	34.8%	36.1%	63.9%	0.50
14								
15								
16								
17								
18								
19								

20 [1] Value Line Investment Analyzer data. See Schedule D-4.13
21 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:
22 Adjusted beta = .33 + (.67) * Raw beta
23 [2] Raw Beta = (VL beta - .33)/(.67)
24 [3] Effective tax rates for year ended December 31, 2009.
25 [4] See Schedule D-4.3
26 [5] Raw B_u = Raw B_L / (1+ (1-t)*D/E)
27
28
29
30

Goodman Water Company
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	Goodman Water Company	0.50	11.2%	88.8%	38.60%	0.54	0.69
6							
7							
8							
9							
10							
11							
12							

13 [1] Unlevered Beta from Schedule D-4.14.

14 [2] Capital Structure of Company (Projected)

		BV (in Thousands)			MV (in Thousands)	%
15						
16						
17	Long-term Debt	$ 507.45	1.00		$ 507	11.20%
18	Preferred Stock	-	1.00		-	0.0%
19	Common Stock	2,261.89	1.78	(a)	4,020	88.8%
20	Total Capital	$ 2,769.34			$ 4,528	100.0%

21

22 (a) Current market-to-book ratio of sample water utilities. See work papers.

23

24 [3] Current Tax rate based on test year ending 3/31/2009. See Schedule D-1.

25

26

Goodman Water Company
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]	1.13	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	$ 567	Low-Cap	1.64%	3.10%	0.1666667	0.52%
2.	Aqua America	$ 2,597	Mid-Cap	1.00%	3.74%	0.1666667	0.62%
3.	California Water	$ 719	Low-Cap	1.64%	3.10%	0.1666667	0.52%
4.	Connecticut Water	$ 180	Decile 10	4.74%	0.00%	0.1666667	0.00%
5.	Middlesex	$ 215	Micro-Cap	3.00%	1.74%	0.1666667	0.29%
6.	SJW Corp.	$ 417	Low-Cap	1.64%	3.10%	0.1666667	0.52%
	Weighted Size Premium for Small Companies						2.46%